

The Auditor-General
Audit Report No.40 2009–10
Performance Audit

Application of the Core APS Values and Code of Conduct to Australian Government Service Providers

Australian National Audit Office

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of Australia 2010

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Canberra ACT
26 May 2010

Dear Mr President
Dear Mr Speaker

The Australian National Audit Office has undertaken a performance audit across agencies in accordance with the authority contained in the *Auditor-General Act 1997*. I present the report of this audit and the accompanying brochure. The report is titled *Application of the Core APS Values and Code of Conduct to Australian Government Service Providers*.

Following its presentation and receipt, the report will be placed on the Australian National Audit Office's Homepage—<http://www.anao.gov.au>.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ian McPhee', is positioned above the printed name.

Ian McPhee
Auditor-General

The Honourable the President of the Senate
The Honourable the Speaker of the House of Representatives
Parliament House
Canberra ACT

AUDITING FOR AUSTRALIA

The Auditor-General is head of the Australian National Audit Office (ANAO). The ANAO assists the Auditor-General to carry out his duties under the *Auditor-General Act 1997* to undertake performance audits and financial statement audits of Commonwealth public sector bodies and to provide independent reports and advice for the Parliament, the Australian Government and the community. The aim is to improve Commonwealth public sector administration and accountability.

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Abbreviations

APS	Australian Public Service
APSC	Australian Public Service Commission
C4C	Communities for Children initiative
CFC	Commonwealth Financial Counselling activity
DAFF	Department of Agriculture, Fisheries and Forestry
DEEWR	Department of Education, Employment and Workplace Relations
DoHA	Department of Health and Ageing
FaHCSIA	Department of Families, Housing, Community Services and Indigenous Affairs
FMA Act	<i>Financial Management and Accountability Act 1999</i>
JSA	Job Services Australia
MHRP	Mental Health Respite Program
NRCF	National Respite for Carers Program
PASTT	Program of Assistance for Survivors of Torture and Trauma
PS Act	<i>Public Service Act 1999</i>
RFCS	Rural Financial Counselling Service

Summary, Better Practice and Recommendation

Summary

Introduction

Growth in the use of service providers by Australian Government agencies

1. Organisations outside of the public sector that are contracted to deliver services to the public are commonly referred to as service providers. They may be either community based not-for-profit organisations, or for profit businesses.
2. There is a long history in Australia of the involvement of non-government organisations in government funded service delivery. In recent decades the scale, complexity and scope of these arrangements have increased significantly. According to the Australian Public Service Commission (APSC), estimated Commonwealth expenditure through non-government organisations increased from approximately \$15.4 billion in 2006-07 to an estimated \$18 billion in 2007-08.
3. This growth in the use of service providers has occurred for a number of reasons, including the view of governments that greater use of service providers can provide benefits in terms of efficiency, greater choice for end users, and capabilities and a style of delivery not readily available within the public sector.¹ Commentators have also noted that the growth reflects the greater demand for social services in sectors such as aged care, health care and family relationships.
4. Governments have responded to these developments by entering into arrangements with both not-for-profit and for profit organisations to provide such services. These arrangements are seen as a useful means for the public sector to be able to take advantage of community-based and private sector experience and expertise. Over time, governments have refined requirements

¹ Australian Public Service Commission (APSC), *Contemporary Government Challenges: Delivering performance and accountability*, 2009, Canberra, p. 14.

for funding arrangements, including competitive tendering, grant application rounds and reporting requirements.²

5. This trend towards increased delivery of government services through non-government providers has also been evident in other countries such as the United Kingdom (UK) and the United States of America (USA).

Broader Australian Government initiatives

6. The Advisory Group on the Reform of Australian Government Administration reported to the Prime Minister in March 2010 and in May 2010, the Government accepted the recommendations of the report in full. *Ahead of the Game—Blueprint for the Reform of Australian Government Administration* puts forward a comprehensive suite of measures to prepare the Australian Public Service (APS) for the challenges and opportunities of a rapidly changing Australia. One of the objectives proposed in the Blueprint is the development of a world-class public service that meets the needs of citizens by providing high quality, tailored public services and by engaging citizens in the design and development of services and policy. To help achieve this objective, a key consideration of the reform process is the revision of the Australian Public Service (APS) Values so that they are more meaningful, memorable and effective in driving change.³

7. A National Compact between the Australian Government and the Third (not-for-profit) Sector was launched on 17 March 2010. The National Compact: *working together* provides a framework for an improved relationship between the Government and the Sector to work together to improve social, cultural, civic, economic and environmental outcomes.⁴ To achieve these outcomes, one of the Compact's eight priority action areas is to: 'document and promote the value and contribution of the Sector including by the development of a guide to assist Government and the sector to implement the Compact'.

² Productivity Commission; draft research report: *Contribution of the not-for-profit sector*, October 2009, Commonwealth of Australia, p. 12.

³ Advisory Group on the Reform of Australian Government Administration, *Ahead of the Game—Blueprint for the Reform of Australian Government Administration*, March 2010, Canberra, p. 46.

⁴ National Compact: *working together*.

The National Compact website <<http://www.nationalcompact.gov.au>> provides more information.

Role of values and codes of conduct in program delivery by service providers

8. Organisational statements of values and codes of conduct are increasingly seen as valuable mechanisms to support effective service delivery. The adoption of a set of values is one way to provide assurance that services will be appropriately delivered to clients. It also helps focus the behaviour of all staff involved in delivering these services on achieving the organisation's objectives. The Australian Public Service (APS) has a set of APS Values which covers many aspects of APS professional conduct and employment. In relation to service delivery, the APS Values require Australian public servants to deliver services fairly, effectively, impartially and courteously to the Australian public.

9. Operational 'codes of conduct' generally provide guidance on more specific behaviours in defined circumstances. For example, the APS has an APS Code of Conduct which requires APS employees to, among other things, disclose, and take reasonable steps to avoid any conflict of interest (real or apparent) in connection with APS employment. The APS Values and Code of Conduct provide a useful basis for agencies in considering the role of values and codes of conduct for their service providers. The Australian Public Service Commission (APSC) has stated:

...when establishing relationships with providers, agencies need to consider how the [APS] values and code might apply, and how they will be promoted and compliance monitored, including the use of contract provisions. Generally, the values and code are particularly relevant where contractors are delivering services to the public on behalf of the APS.⁵

10. The APS Values that could be considered most relevant to service providers in delivering government services would be to:

- have the highest ethical standards;
- deliver services fairly, effectively, impartially and courteously to the Australian public; and
- be sensitive to the diversity of the Australian public.

⁵ APSC, *APS Values and Code of Conduct in Practice*, Chapter 7: working with the private sector and other stakeholders, available at: <<http://www.apsc.gov.au/values/conductguidelines9.htm>> [accessed 25 May 2009].

11. These Values are broadly consistent with the direction outlined in *Ahead of the Game—Blueprint for the Reform of Australian Government Administration* which suggests that public servants and, by implication, third-party service providers adopt the following qualities: accountable; frank, impartial and non-partisan; results oriented and ethical when delivering services to the Australian public.⁶

12. Accordingly, this audit has examined the measures that Australian Government agencies have in place to ensure that their service providers have adopted and implemented appropriate values and/or codes of conduct that reflect or are consistent with the 'core' service delivery values stipulated in the APS Values and Code of Conduct.

Audit objective and scope

Audit objective

13. The audit objective was to assess the extent to which Australian Government agencies ensure that service providers are made aware of the core Australian Public Service (APS) Values and Code of Conduct and these arrangements are monitored.

14. The audit focussed on agencies' approaches to:

- considering how the APS Values and Code of Conduct may apply to service providers;
- including appropriate values and codes of conduct for service providers in their funding agreements and associated program management arrangements;
- developing with their service providers a sound complaints handling procedure to resolve complaints in a timely and efficient manner; and
- monitoring and reporting the performance of service providers against values and codes of conduct.

⁶ Advisory Group on the Reform of Australian Government Administration, op. cit.

Audit scope

15. Table S1 lists the four agencies and the eight specific programs examined in the audit.

16. The sample of programs was not designed to provide statistically significant results and the data obtained from the program analysis cannot be extrapolated to all programs delivered by service providers. However, the results highlight a number of issues that are emerging in public administration concerning the relationship between Australian Government agencies and those organisations which deliver 'front-line' services on their behalf to the Australian public.

Table S1

Programs and agencies included in the audit

Agency	Program	Expenditure in 08-09 \$M	Number of clients in 08-09	Number of providers in 08-09
Department of Agriculture, Fisheries and Forestry (DAFF)	Rural Financial Counselling Services (RFCS)	14.7	12 900	14
Department of Education, Employment and Workplace Relations (DEEWR)	Job Services Australia (JSA) ^a	1 138.0	666 000	115
Department of Health and Ageing (DoHA)	National Respite for Carers Program (NRCP)	194.0	127 000	308
	Healthy for Life – an Indigenous health program	36.0	Unknown ^b	100
	Program of Assistance for Survivors of Torture and Trauma (PASTT)	4.8	3 100	8
Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA)	Mental Health Respite Program (MHRP)	58.4	24 000	132
	Communities for Children Initiative (C4C) ^c	33.7	703 928	33

Agency	Program	Expenditure in 08-09 \$M	Number of clients in 08-09	Number of providers in 08-09
	Commonwealth Financial Counselling (CFC) ^d	5.5	12 350	66
Totals		1 485.1	1 549 278	776

Note: a JSA was established in July 2009. Accordingly data used in this table are for the last year of the predecessor program, Job Network.

b The department does not have an estimate of the number of clients for this program.

c All services in the Communities for Children initiative are delivered by sub-contractors to one provider. The number shown (33) is the number of sub-contractors.

d The Commonwealth Financial Counselling activity falls under the broader program management guidelines of FaHCSIA's Financial Management Program and service providers are required to adhere to these guidelines.

Source: ANAO.

17. As a key input to the audit, the ANAO sought feedback (via an online survey) from service providers who delivered the above programs on behalf of agencies. The ANAO survey sought their views on the following aspects of program administration:

- whether government agencies had effectively communicated their expectations in relation to values/codes of conduct when dealing with clients;
- whether government agencies had adequately engaged them in developing values/codes of conduct for their program and whether these values/codes of conduct were appropriate to the specific services being delivered; and
- whether the level of administration associated with handling complaints from clients and reporting compliance with agreed values/codes of conduct was unduly burdensome.

Overall audit conclusion

18. Statements of values and codes of conduct are increasingly seen by policy makers, program managers and organisations delivering services as making important contributions to ensure that services are delivered to clients appropriately and that program objectives are met. The greater role of non-government service providers in delivering services on behalf of governments has required agencies to address the inclusion of values statements and codes of conduct in their contractual requirements with service providers. This approach helps to align external service provision with

community expectations in relation to the standard and manner of the delivery of public programs and services. It also helps to minimise the risks associated with outsourcing delivery to providers at arms-length to government.

19. Overall, the ANAO concluded that, at the agency-wide level, the four audited agencies have each substantially addressed the role of values statements and codes of conduct, albeit by different methods. The most common approach was through the use of standard clauses in agency-wide standard agreements or through quality assurance arrangements that straddled many programs and addressed values statements and codes of conduct.

20. While the agencies had considered and incorporated aspects of values and codes of conduct in agreements with non-government organisations, areas for strengthening, where appropriate, include: requiring service providers to address a 'core' set of service delivery values; guidance for service providers on the design and use of complaints systems; and 'fit for purpose' reporting requirements.

21. It is not appropriate to automatically require service providers to adhere to the entire set of APS Values and Code of Conduct. The APS Values and Code of Conduct include a core set of service delivery values that have general application and are particularly relevant for agencies interacting with the public. These include:

- having the highest ethical standards;
- delivering services fairly, effectively, impartially and courteously to the Australian public; and
- being sensitive to the diversity of the Australian public.

22. For some programs, service providers operate in a sector where a common set of values and codes of conduct already exist, possibly as part of recognised sector/industry quality assurance arrangements. While the APS Values and Code of Conduct provide the benchmark for the delivery of services by the Australian Government, agencies should look to applying appropriate elements of recognised industry codes where these codes provide equivalent service standards, supplemented where necessary.

23. Using a core set of values in funding agreements with service providers would enable Australian Government agencies to monitor their service provider performance against these values. This approach provides scope and

flexibility for agencies and their service providers to develop and adopt additional values and codes of conduct tailored to the specific needs of the client target group, program objectives and method of delivery.

24. Notwithstanding that government agencies manage a diverse range of programs with different objectives, target client groups and service delivery methods, there would be benefit in agencies' establishing a set of core service delivery values that may be applied irrespective of which agency manages the program or which service provider delivers it. This work could be progressed through initiatives such as the National Compact between the Australian Government and the Third (not-for-profit) Sector.

25. The capture, recording and analysis of client feedback are important elements of any government agency's effective client management and continual business improvement. This includes arrangements where services are provided by third parties on behalf of the department. Monitoring trends in complaints enables an agency to track client confidence in service delivery, including whether clients consider that they have been dealt with effectively, fairly, impartially and in a courteous manner by their service provider.

26. Of the eight programs examined by the ANAO, all had elements of such a complaints handling framework in place, including requirements for complaints management in the funding agreements or guidelines. However, better practice suggestions on the design of an effective complaints system, based on the Commonwealth Ombudsman's *Better Practice Guide to Complaint Handling*, were only partially addressed by the eight programs examined. There is scope for these programs to provide their service providers with increased guidance about the design of an effective complaints system, based on the Commonwealth Ombudsman's guidance.

27. Given the importance of complaints systems in supporting quality service delivery and the fair treatment of clients, there are benefits in agencies monitoring their service providers' implementation of complaints systems to provide assurance that the systems are working effectively and to identify areas where system improvements are needed.

28. While each of the eight audited programs had an overall performance monitoring framework, only two programs (JSA and NRCP) had both monitoring and reporting arrangements in place concerning their service provider adherence to values and codes of conduct.

29. A theme in all eight programs examined by the ANAO was that monitoring and performance measurement is central to tracking progress towards meeting the Government's priorities. In particular, it is important to monitor a service provider's performance over time and the contribution of their services to broader agency objectives and government outcomes. This includes a requirement to monitor and report on service providers' adherence to values and codes of conduct.

30. While recognising the value of performance information, agencies are increasingly faced with the issue of what is an appropriate trade-off between the level of reporting required of service providers and the impact this may have on the resources service providers have available to address on-the-ground client needs.

31. The recently issued Commonwealth Grant Guidelines discuss reporting requirements in relation to the 'fit for purpose' principle and suggest that a measured assessment of the risk attached to the service provider should inform an agency's consideration of appropriate reporting requirements for grant recipients.

32. With this approach in mind, there would be benefit in agencies reviewing their reporting arrangements, with particular reference to values and codes of conduct, to ensure that their grant and other contractual reporting requirements are commensurate with a service provider's risk profile.

33. At the end of the Key Findings section in this report, the ANAO has included a section on better practice principles that agencies' should assess for relevance against programs where services are provided by non-government organisations. Given the importance of agencies clearly communicating, monitoring and managing the values and codes of conduct underpinning service delivery by third-party providers, the ANAO has recommended that agencies consider the relevance and usefulness of these principles depending upon individual agency circumstances.

Key findings by chapter

Chapter 2—Agency-wide approaches to values statements and codes of conduct

34. Agencies examined in this audit had established an overarching framework of policies, guidance and other governance arrangements to guide the implementation of funding agreements with service providers. These

frameworks address the role of values and codes of conduct in varying ways and to various degrees.

35. While the majority of programs examined in the audit included reference to the three core APS service delivery Values (having the highest ethical standards; delivering services fairly, effectively, impartially and courteously to the Australian public; and being sensitive to the diversity of the Australian public) in some way, there was no common set of values and codes of conduct used by the four audited departments as a basis for their funding agreements with service providers.

36. The diverse approaches used by agencies included to:

- require service providers to adhere to a Code of Conduct contained within a Resource Manual which forms part of the funding agreement (the approach taken by DAFF);
- prescribe a Code of Conduct within a procurement framework (the approach taken by DEEWR);
- require service providers to abide by any relevant values statements and codes of conduct that exist in recognised industry standards or were developed by relevant professional bodies (the approach taken by FaHCSIA); and
- adopt the APS Values and Code of Conduct (the approach taken by DoHA).

37. Given the diversity of agency approaches to managing values and codes of conduct in agreements with third-party providers, there would be value in establishing a set of core service delivery values that could apply irrespective of which agency manages the program or which service provider delivers it.

Chapter 3—Values statements and codes of conduct in individual programs

38. The use of values statements and codes of conduct can assist agencies and service providers to manage a number of program risks to service delivery.

39. The programs assessed by the ANAO varied considerably in the extent to which value statements and codes of conduct were considered as a means to address service delivery. The most sophisticated approach was that of Job

Services Australia (JSA), which specifically referred to the JSA Code of Practice and Service Guarantee as risk treatments. Other programs addressed the issue in other ways, such as by considering the provider's approach to values statements and codes of conduct when conducting a risk assessment as part of ongoing program management.

40. For many of the programs examined, agencies communicated to potential service providers, via tender/grant guidelines, that they would have to agree to and abide by a statement of values and codes of conduct as part of the contract. Responses to the ANAO survey of service providers indicated that 68 per cent of all service providers agreed that departments had effectively communicated expectations in relation to values/codes of conduct. For other programs, service providers operated in a sector where there already existed a common set of values and codes of conduct, possibly as part of recognised sector/industry quality assurance arrangements and a program-specific values statements and codes of conduct was, therefore, not considered necessary.

41. In addition to their service delivery role, a number of non-government organisations also play an advocacy role for their constituents. In these circumstances, it is useful if funding agreements recognise that while third-party service provider organisations can have an advocacy role, their personnel should perform their functions in an impartial and professional manner when delivering a government service.

42. Where the role of values and codes of conduct was considered to be important, agencies engaged in substantial cooperative work with the relevant sector to develop a shared approach. This work has included the use of joint or independently chaired forums, industry consultations and reference to external quality frameworks.

Chapter 4—Complaints handling

43. Complaints handling and the opportunities it provides for program improvement is an important part of a 'client-centred' approach to service delivery. Client feedback, including complaints, is a valuable indicator of service quality, and can inform future improvements to service delivery. The ANAO examined whether the four agencies included in the audit: had an agency complaint handling system; required service providers to have a complaint handling system; monitored service provider complaint processes; and identified system issues and trends.

44. Two departments (FaHCSIA and DEEWR) have departmental complaints systems that include toll-free numbers that take complaints directly from clients. All four agencies expected service providers to operate an internal complaints process, and this was specified in program funding agreements or program guidelines.

45. However, the guidance the agencies provided to their service providers on the requirements of a sound complaints system varied markedly. JSA addressed all the areas suggested by better practice guidance, while the remaining programs examined only partially addressed these areas. There is scope for these programs to provide their service providers with increased guidance about the design of an effective complaints system, based on the Commonwealth Ombudsman's *Better Practice Guide to Complaint Handling*.

46. In responding to the ANAO's survey, nearly all service providers reported that they had a client complaint system in place. However, a substantial proportion indicated that their systems had either not been reviewed by the department or they were unsure if such a review had occurred.

47. Overall, there is scope for agencies to improve their monitoring of their service providers' implementation of complaints systems, especially given complaints systems are integral to quality service delivery. In addition to ensuring complaints are followed up, as the Ombudsman has suggested, monitoring of information such as 'spikes' in complaints, geographical spread, and characteristics of complaints, could provide a useful early warning system about service delivery quality issues at the provider level, or program design issues.

Chapter 5—Monitoring and reporting the performance of service providers

48. While it is important that performance monitoring concerning the delivery of services to the Australian public is 'fit for purpose' and does not place additional burdens on service providers, it is equally important that agencies are able to assure stakeholders that services are being delivered in an appropriate and effective fashion and are responsive to client needs.

49. Agency approaches to monitoring provider implementation of values and/or codes of conduct in the programs audited were varied. While a number of programs had no specific indicator directly related to values and codes of conduct, there were other processes in place which could inform whether

service providers were adhering to their stated values/codes of conduct, including:

- service standards – the Program of Assistance for the Survivors of Trauma and Torture, the National Respite for Carers Program and the Commonwealth Financial Counselling activity;
- accreditation requirements – the Communities 4 Children initiative;
- quality frameworks – Job Services Australia; and
- the risk management arrangements for the Healthy for Life program which includes a monitoring process to assess whether a provider is adhering to the stated values and codes of conduct.

50. The variability in agency monitoring of service providers' adherence to values and codes of conduct may relate to the fact that other industry or service standards are in place and act as a substitute in relation to values and codes of conduct. This was, however, not evident from program documentation.

51. While each of the audited agencies had an overall performance monitoring framework, of the eight programs examined only two (Job Services Australia and the National Respite for Carers Program) had both monitoring and reporting arrangements in place concerning their service provider adherence to values and codes of conduct. Of the eight programs examined, three had reporting requirements related to service providers' adherence to stated values and codes of conduct, but none had tailored their reporting requirements to the risk profile of the individual provider.

52. Obtaining client feedback on the quality of service delivery can inform the continual improvement of service delivery and improved client satisfaction with the services provided. For all eight programs audited, agencies had put in place processes to obtain client perspectives on the services provided. The agencies and program areas included in this audit also indicated their commitment to sharing better practice and to encouraging service providers to engage with clients to identify the features of service delivery appropriate to client needs. However, with the exception of the Job Services Australia program, there was little indication that departments were effectively using client satisfaction measures as a mechanism to adapt or redesign program arrangements to better accommodate the needs of their client groups.

Summary of agency responses

53. The following comments constitute each agency's summary response to the audit. The full responses are at Appendix 1.

Department of Agriculture, Fisheries and Forestry

54. The department is committed to delivering high quality, effective programs and services, and ensuring that appropriate arrangements are in place with its service providers to achieve this outcome. The department will take the recommendation and better practice principles into account in its review of its complaint handling framework, and in any development and review of existing and new arrangements with service providers.

Department of Education, Employment and Workplace Relations

55. The Department of Education, Employment and Workplace Relations (DEEWR) welcomes this report and notes, as demonstrated in the findings of the audit, that the Audit Office considers that the department has a strong commitment to promulgating the APS Values and Code of Conduct through the contracting arrangements it has in place with Job Services Australia.

56. While DEEWR has sound practices, as noted in the report, DEEWR is committed to further strengthening its approach by implementing, where appropriate, the better practice principles outlined in this report.

Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA)

57. FaHCSIA supports the findings of the audit, in particular the importance values statements and codes of conduct play in supporting effective service delivery, including the role of APS Values and Code of Conduct in how FaHCSIA manages its programs through service providers.

58. FaHCSIA continues to work with providers to implement the National Compact with the Third Sector to document and promote the value and contribution of the Third Sector. The cooperation and collaboration fostered by the Compact will assist in minimising the risk of gaps or misunderstanding between industry, provider or program approaches and give rise to the development of agreed values and codes of engagement/conduct.

59. FaHCSIA already has in place processes to ensure that service providers apply relevant value codes through the use of standard clauses in

funding agreements and quality assurance arrangements requiring service providers to abide by relevant existing recognised industry standards or developed by relevant professional bodies. The recommendation of the audit and better practice principles will provide additional support to this work.

Department of Health and Ageing

60. The department is generally supportive of the audit report and agrees with the recommendation.

Better Practice Principles

The following better practice principles for applying values and codes of conduct to Australian Government service providers were derived during the course of this audit and include features embodied in the programs examined that delivered services through non-government providers. The aim of the principles is to enhance management and quality of government services provided by non-government organisations. The ANAO considers that they should be assessed for relevance and application by all agencies.

Consider how the APS Values and Code of Conduct may apply

When establishing relationships with providers, agencies should consider those elements of the APS Values and Code of Conduct that might apply, and how they will be promoted and compliance monitored, including through the use of provisions in agreements.

For some programs, service providers operate in a sector where a common set of values and codes of conduct already exist, possibly as part of recognised sector/industry quality assurance arrangements. While the APS Values and Code of Conduct provide the benchmark for the delivery of services by the Australian Government, agencies should look to applying appropriate elements of recognised industry codes where these codes provide equivalent service standards, supplemented where necessary. Agencies should clearly communicate the department's expectations of values and codes of conduct underpinning service delivery.

Notwithstanding that government agencies manage a diverse range of programs with different objectives, target client groups and service delivery methods, there would be benefit in agencies' establishing a set of core service delivery values that may be applied irrespective of which agency manages the program or which service provider delivers it. This work could be progressed through initiatives such as the National Compact between the Australian Government and the Third (not-for-profit) Sector.

Insert relevant provisions in funding agreements

Funding agreements to deliver government programs through non-government service providers should encapsulate, as a minimum, the following core elements in the APS Values and Code of Conduct, or equivalents from recognised industry standards:

- having the highest ethical standards;
- delivering services fairly, effectively, impartially and courteously to the Australian public; and
- being sensitive to the diversity of the Australian public.

This approach provides scope and flexibility for agencies and their service providers to develop and adopt additional values and codes of conduct tailored to the specific needs of the client target group, program objectives and method of delivery.

Ensure complaints handling procedures are in place

Agencies should provide guidance to service providers on the design of appropriate complaints systems, based on better practice models for complaints handling such as those set out in the Commonwealth Ombudsman's *Better Practice Guide to Complaint Handling* (April 2009).

As well as ensuring that complaints are followed up, as the Ombudsman has suggested, monitoring of information such as 'spikes' in complaints, geographical spread, and characteristics of complaints, could provide a useful early warning system about service delivery quality issues at the provider level, or program design issues.

Agencies should complement service provider complaints handling systems with departmental systems or approaches to track and address any systemic complaints.

In addition, client satisfaction measures may be used as a mechanism to adapt or redesign program arrangements to better accommodate the needs of their client groups.

Monitor and report the performance of service providers

Agencies should ensure 'fit for purpose' monitoring and reporting requirements that are commensurate with the nature of the service being delivered and the particular service provider's risk profile, particularly where

the service provider is delivering services on behalf of more than one Australian Government agency.

The recently issued Commonwealth Grant Guidelines discuss reporting requirements in relation to the 'fit for purpose' principle and suggest that a measured assessment of the risk attached to the service provider should inform an agency's consideration of the reporting requirements for grant recipients.

The challenge for agencies oversighting the delivery of services by third parties is to get the right balance between performance and conformance at any point in time and over time. In this environment agencies need to align and find an appropriate balance between their accountability responsibilities and minimising red-tape.

Recommendation

The following recommendation is based on areas of better practice and potential improvement identified in the four audited agencies. Australian Government agencies, generally, are encouraged to assess the relevance of these areas in light of their own circumstances, including the extent to which they are already addressed by practices in place.

Recommendation No. 1

The ANAO recommends that Australian Government agencies consider incorporating, where appropriate, the better practice principles identified in this audit for applying values and codes of conduct to Australian government service providers including:

- considering how the APS values and Code of Conduct may apply;
- inserting relevant provisions in funding agreements;
- ensuring complaints handling procedures are in place; and
- monitoring and reporting the performance of service providers.

Agency response:

DAFF: Agree;

DEEWR: Agree;

FaHCSIA: Agree;

DoHA: Agree.

The Australian Public Service Commission agreed with the approach the ANAO recommended to Australian Government agencies generally.

Audit Findings and Conclusions

1. Introduction

In this chapter, the ANAO provides background on the audit. The chapter outlines the framework that underpins the use of values and codes of conduct in the APS with particular reference to the increased use of service providers by agencies to deliver services to the Australian public. It also describes the audit objective, criteria, scope and methodology.

Background

The role of values and codes of conduct

1.1 Organisational ‘values’ are high-level principles that employees are expected to uphold. As stated by the Australian Public Service Commission (APSC):

Values underpin relationships and behaviour. They establish ‘the way we work around here’. This is the essence of values-based management.⁷

1.2 Organisational ‘codes of conduct’ provide guidance on the more specific behaviours expected of staff. There is generally a close connection between an organisation’s values and its codes of conduct: codes of conduct provide guidance on how organisational values apply in specific circumstances.

Values and codes of conduct in the APS

1.3 The *Public Service Act 1999* (the PS Act) stipulates a set of APS Values and the APS Code of Conduct, which apply to all APS employees, including agency heads.⁸ The *Financial Management and Accountability 1997* (FMA Act) also guides the operations of departments and agencies that are legally and financially part of the Commonwealth. Section 44 of the FMA Act requires a Chief Executive Officer (CEO) to manage the affairs of the agency in a way that

⁷ APSC, *APS Values and Code of Conduct in Practice*, at: <http://www.apsc.gov.au/values/conductguidelines.htm> [accessed 19 January 2010].

⁸ *Public Service Act 1999*, s. 12. The Act provides for sanctions against an APS employee found to have breached the APS Code of Conduct. Possible sanctions include termination of employment; reduction in classification; re-assignment of duties; reduction in salary; deductions from salary as a fine; or a reprimand. See s. 15 of the Act.

promotes the efficient, effective, and ethical use of the Commonwealth resources for which the CEO is responsible. This legislation places the onus on CEOs to promote ethical behaviour in their agencies and recognises that 'leading from the top' is important in establishing the ethical tone in an organisation.

APS Values

1.4 The APS Values, enshrined in the PS Act, provide the philosophical underpinning of the APS and articulate its culture and ethos. The Values reflect 'public expectations of the relationship between public servants and the Government, the Parliament and the Australian community'⁹ and are directly relevant to grants management and procurement activities. The PS Act requires that APS employees at all times behave in a way that upholds the APS Values and the integrity and good reputation of the APS.

1.5 The APS Values are complemented by the requirements of the APS Code of Conduct which are also included in the PS Act. The APS Values and Code of Conduct are set out in sections 10 and 13 respectively in the PS Act and are reproduced in Figure 1.1 below.

Figure 1.1

Extract of *Public Service Act 1999*: APS Values and Code of Conduct

Section 10: The APS Values are as follows:

- (a) the APS is apolitical, performing its functions in an impartial and professional manner;
- (b) the APS is a public service in which employment decisions are based on merit;
- (c) the APS provides a workplace that is free from discrimination and recognises and utilises the diversity of the Australian community it serves;
- (d) the APS has the highest ethical standards;
- (e) the APS is openly accountable for its actions, within the framework of Ministerial responsibility to the Government, the Parliament and the Australian public;
- (f) the APS is responsive to the Government in providing frank, honest, comprehensive, accurate and timely advice and in implementing the Government's policies and programs;
- (g) the APS delivers services fairly, effectively, impartially and courteously to the Australian public and is sensitive to the diversity of the Australian public;
- (h) the APS has leadership of the highest quality;
- (i) the APS establishes workplace relations that value communication, consultation, co-operation and

⁹ Parliament of the Commonwealth of Australia (Senate), *Explanatory Memorandum to the Public Service Bill 1999*, available at: <<http://scaleplus.law.gov.au/html/ems/0/1999/0/0642410488.htm>> [accessed 6 May 2009].

- input from employees on matters that affect their workplace;
- (j) the APS provides a fair, flexible, safe and rewarding workplace;
- (k) the APS focuses on achieving results and managing performance;
- (l) the APS promotes equity in employment;
- (m) the APS provides a reasonable opportunity to all eligible members of the community to apply for APS employment;
- (n) the APS is a career-based service to enhance the effectiveness and cohesion of Australia's democratic system of government;
- (o) the APS provides a fair system of review of decisions taken in respect of APS employees.

Section 13 The APS Code of Conduct:

1. An APS employee must behave honestly and with integrity in the course of APS employment;
2. An APS employee must act with care and diligence in the course of APS employment;
3. An APS employee, when acting in the course of APS employment, must treat everyone with respect and courtesy, and without harassment;
4. An APS employee, when acting in the course of APS employment, must comply with all applicable Australian laws. For this purpose, Australian law means: (a) any Act (including this Act), or any instrument made under an Act; or (b) any law of a State or Territory, including any instrument made under such a law;
5. An APS employee must comply with any lawful and reasonable direction given by someone in the employee's Agency who has authority to give the direction;
6. An APS employee must maintain appropriate confidentiality about dealings that the employee has with any Minister or Minister's member of staff;
7. An APS employee must disclose, and take reasonable steps to avoid, any conflict of interest (real or apparent) in connection with APS employment;
8. An APS employee must use Commonwealth resources in a proper manner;
9. An APS employee must not provide false or misleading information in response to a request for information that is made for official purposes in connection with the employee's APS employment;
10. An APS employee must not make improper use of: (a) inside information; or (b) the employee's duties, status, power or authority in order to gain, or seek to gain, a benefit or advantage for the employee or for any other person;
11. An APS employee must at all times behave in a way that upholds the APS Values and the integrity and good reputation of the APS;
12. An APS employee on duty overseas must at all times behave in a way that upholds the good reputation of Australia;
13. An APS employee must comply with any other conduct requirement that is prescribed by the regulations.

Source: *Public Service Act 1999*.

1.6 A brief history of the development of the APS Values and Code of Conduct is at Appendix 2.

Review of the APS Values and Code of Conduct

1.7 *Ahead of the Game—Blueprint for the Reform of Australian Government Administration*, released in March 2010, puts forward a comprehensive suite of measures to prepare the APS for the challenges and opportunities of a rapidly changing Australia. First and foremost, the Blueprint aims to improve outcomes for citizens, through more integrated services, better policy advice, maximising value for taxpayer's money and a closer alignment of government activities to the community's preferences.¹⁰

1.8 The Australian Government accepted the recommendations contained within the Blueprint in May 2010. One of the priority areas is to reformulate the APS Values that drive performance and are embedded service-wide. The Blueprint suggests the following qualities as a starting point for this reformulation—an APS that is: accountable; frank, impartial and non-partisan; results oriented; and ethical.

Use of service providers by Australian Government agencies

1.9 There is a long history in Australia of the involvement of non-government organisations in government funded service delivery. In recent decades the scale, complexity and scope of these arrangements have increased significantly.

1.10 This growth in the use of service providers has occurred for a number of reasons, including the view of governments that greater use of service providers can provide benefits in terms of efficiency, greater choice for end users, and capabilities and a style of delivery not readily available within the public sector.¹¹ Commentators have also noted that the growth reflects the greater demand for social services in sectors such as aged care, health care and family relationships.

1.11 Governments have responded to this increasing demand by entering into arrangements with both not-for-profit and for profit organisations to provide these services. These arrangements are seen as a useful mechanism for

¹⁰ Advisory Group on the Reform of Australian Government Administration, op. cit.

¹¹ APSC, *Contemporary Government Challenges: Delivering performance and accountability*, 2009, Canberra, p. 14.

the public sector to be able to take advantage of community-based and private sector experience and expertise.

1.12 It is difficult to quantify the increased role of service providers as there is no aggregate data that identifies the funds specifically being transferred to non-government organisations to deliver services on the Commonwealth's behalf. However, figures published by the APSC in 2009 provide indicative financial information. According to the APSC, estimated Commonwealth expenditure through non-government organisations increased from approximately \$15.4 billion in 2006-07 to an estimated \$18 billion in 2007-08. These data are set out in Table 1.1.

Table 1.1

Estimated Commonwealth Expenditure through Third Parties

	2006-7 actual \$ billion	Percentage %	2007-08 estimate \$ billion	Percentage %
State/Territory Government	28.17	64.0	31.60	62.9
Local Government	0.38	0.9	0.55	1.1
Non-government organisations	15.43	35.1	18.08	36.0
TOTAL EXPENDITURE	43.98	100.0	50.23	100.0

Source: APSC.

1.13 This trend towards the increased delivery of government services through non-government providers has also been evident in other countries such as the United Kingdom (UK) and the United States of America (USA).¹²

The role of program quality assurance and service standards

1.14 It is now common for a number of community service programs to have agreed upon service standards in place. Examples include in the fields of aged care, child care, health services and related areas. In some fields, for example aged care, adherence to the standards is required by legislation.

¹² *ibid.*, pp. 9-10.

Similarly, many professional organisations have also established a code of conduct as part of recognised sector/industry quality assurance arrangements.

Agency-provider relations

1.15 Values and codes of conduct are also important in shaping the general relationship between Australian Government agencies and providers.

1.16 As part of its social inclusion agenda, in early 2010 the Australian Government launched a National Compact with the 'Third Sector',¹³ comprising shared principles, shared aspirations and priorities for action. In terms of values statements and service delivery to the Australian public, signatories to the compact agree on the shared aspirations outlined in Table 1.2 below.

¹³ In the context of the National Compact, the 'Third Sector' comprises non-government organisations (NGOs), charities, unions, cooperatives, clubs, associations, people's organisations, churches, temples, mosques and so on.

Table 1.2

Extract from the National Compact: shared aspirations of Australian Government and signatories to the compact

'Engagement and consultation'	'Achieving better results'
Develop and implement codes of engagement together	Improve our focus on achieving outcomes for individuals and communities
Find ways for people who are vulnerable and excluded to have a direct, strong voice in policy and planning processes	Better coordinate policy, programs and services to improve these outcomes
Protect the freedom of Third Sector organisations to contribute to public debate without impact on their funding or status	Share relevant information and data to help us all plan and evaluate our efforts
Work in real partnership with Aboriginal and Torres Strait Islander and multicultural community organisations	Improve funding and procurement arrangements
	Reduce red tape and streamline reporting
	Implement consistent, simple financial arrangements across government
	Continue to improve management and efficiency of service and program delivery
	Achieve more transparent, accountable decision making and program delivery

Source: National Compact: *working together*.

Focus on citizens

1.17 The directions outlined in the National Compact and *Ahead of the Game—Blueprint for the Reform of Australian Government Administration* are complementary and mutually supportive of innovation and quality in service delivery. There is a recognition that citizens are increasingly seeking to deal with government through third parties such as community sector organisations. Both documents also promote better ways to deliver services through the community and private sectors including:

- stronger engagement with service delivery agencies enabling the automation and simplification of existing processes (consistent with privacy and secrecy laws) that can create administrative barriers to effective service delivery;
- greater partnering between government, private and community sectors, including simplified funding arrangements and regulatory requirements;

- models for funding arrangements with the community sector that are outcomes-focused and seek the most efficient and effective use of resources;
- models for common contracts across government and consolidated reporting;
- methods for measuring service delivery success that take account of community involvement in planning, coordinating and delivering services.¹⁴

Audit approach

Objective and criteria

1.18 The audit objective was to assess the extent to which Australian Government agencies ensure that service providers are made aware of the core Australian Public Service (APS) Values and Code of Conduct and these arrangements are monitored.

1.19 The audit focussed on agencies' approaches to:

- considering how the APS Values and Code of Conduct may apply to service providers; (Chapter 2)
- including appropriate values and codes of conduct for service providers in their funding agreements and associated program management arrangements; (Chapter 3)
- developing with their service providers a sound complaints handling procedure to resolve complaints in a timely and efficient manner; (Chapter 4) and
- monitoring and reporting the performance of service providers against values and codes of conduct. (Chapter 5)

Audit scope and methodology

1.20 In deciding which programs to examine in the audit, the ANAO selected programs with a mix of client groups, method of funding and

¹⁴ *Ahead of the Game—Blueprint for the Reform of Australian Government Administration and the National Compact: working together.*

delivery. All the programs involve the delivery of services to the Australian public in a 'social services' context—in the fields of health, respite for carers, financial counselling, employment services, and family relationships.

1.21 The programs range in size in terms of the expenditure, number of providers and clients. Their key characteristics are summarised in Table 1.3.

Table 1.3

Programs and agencies included in the audit

Agency	Program	Expenditure in 08-09 \$M	Number of clients in 08-09	Number of providers in 08-09
Department of Agriculture, Fisheries and Forestry (DAFF)	Rural Financial Counselling Services (RFCS)	14.7	12 900	14
Department of Education, Employment and Workplace Relations (DEEWR)	Job Services Australia (JSA) ^a	1 138.0	666 000	115
Department of Health and Ageing (DoHA)	National Respite for Carers Program (NRCP)	194.0	127 000	308
	Healthy for Life – an Indigenous health program	36.0	Unknown ^b	100
	Program of Assistance for Survivors of Torture and Trauma (PASTT)	4.8	3 100	8
Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA)	Mental Health Respite Program (MHRP)	58.4	24 000	132
	Communities for Children Initiative (C4C) ^c	33.7	703 928	33
	Commonwealth Financial Counselling (CFC) ^d	5.5	12 350	66
Totals		1 485.1	1 549 278	776

Note: a JSA was established in July 2009. Accordingly data used in this table is for the last year of the predecessor program, Job Network.

b The department does not have an estimate of the number of clients for this program.

c All services in the Communities for Children initiative are delivered by sub-contractors to one provider. The number shown (33) is the number of sub-contractors.

d The Commonwealth Financial Counselling activity falls under the broader program management guidelines of FaHCSIA's Financial Management Program and service providers are required to adhere to these guidelines.

Source: ANAO.

1.22 The sample of programs was not designed to provide statistically significant results and the data obtained from the program analysis cannot be extrapolated to all programs delivered by non-government service providers. However, the results highlight a number of issues that are emerging in public administration concerning the relationship between Australian Government agencies and those organisations which deliver 'front-line' services on their behalf to the Australian public.

Audit methodology

1.23 The audit involved:

- an analysis of key legislative and APS guidance documents to determine what guidance line agencies use;
- discussions with key departmental officials and stakeholders to ascertain the degree to which relevant APS Values and Code of Conduct are embedded in funding agreement management processes;
- an analysis of the program management arrangements of the eight programs examined, including high level file review;
- a literature review of approaches to the outsourcing of service delivery, both in Australia and overseas; and
- an opinion survey of the service providers (who deliver the above programs on behalf of agencies). Further information about the Opinion Survey is at Appendix 3.

1.24 Overall, there was a response rate of 50 per cent to the ANAO service provider Opinion Survey. This ranged from 44 per cent of providers delivering the National Respite for Carers program to 93 per cent of providers delivering the Rural Financial Counselling Services program.

Audit costs

1.25 Fieldwork for the audit was conducted between July and September 2009. The audit was conducted in accordance with the ANAO's Auditing Standards at a cost of \$457 322. Allanson Consulting and Origin Consulting assisted with the conduct of the audit.

2. Approaches to Incorporating Values and Codes of Conduct in Agreements

In this chapter, the ANAO examines the extent to which agencies had considered how the APS Values and Code of Conduct may apply to their service providers. It also examines the extent to which there was an agency-wide approach to the specification of values and codes of conduct in funding agreements with service providers.

Introduction

2.1 For the four agencies involved in the audit, the ANAO reviewed how they took into account, at the agency level:

- how the APS Values and Code of Conduct may apply to their service providers; and
- approaches to incorporating values and codes of conduct into the services delivered by third-party providers.

Consideration as to whether the APS Values and Code of Conduct may apply

2.2 All APS employees are bound by the APS Values and Code of Conduct. With the increasing use of non-government service providers to deliver government services, a question facing agencies is to what extent the APS Values and Code of Conduct should apply to service providers delivering services on their behalf. In this context the APSC has stated:

When establishing relationships with providers, agencies need to consider how the [APS] values and code might apply, and how they will be promoted and compliance monitored, including the use of contract provisions. Generally, the values and code are particularly relevant where contractors are delivering services to the public on behalf of the APS.¹⁵

2.3 The APSC goes on to note that not all of the Values and Code of Conduct are equally applicable to service providers. It describes the Values

¹⁵ APSC, *APS Values and Code of Conduct in Practice*, Chapter 7: working with the private sector and other stakeholders, available at: <<http://www.apsc.gov.au/values/conductguidelines9.htm>> [accessed 25 May 2009].

relating to service delivery as 'critical'. On the other hand, those relating to internal APS workplace relationships may not be as relevant.

2.4 Accordingly, the APS Values that could be considered most relevant to service providers in delivering government services (that is, those that could be classed as related to 'service delivery') are those which require public servants to:

- have the highest ethical standards; deliver services fairly, effectively, impartially and courteously to the Australian public; and be sensitive to the diversity of the Australian public.¹⁶

2.5 Similarly, the elements of the APS Code of Conduct that underpin these core service delivery Values include requirements to:

behave honestly and with integrity; act with care and diligence; treat everyone with respect and courtesy and without harassment; disclose and avoid real or perceived conflict of interest; use Commonwealth resources in a proper manner; and not make improper use of inside information or their duties, status, power or authority to gain a benefit or advantage for themselves or another person.¹⁷

APS Values relevant to service delivery

2.6 In order to determine whether agencies had considered the relationship between the APS Values and Code of Conduct and their use by service providers, at the program level, the ANAO reviewed corporate and program documentation to assess the extent to which programs incorporated the following core APS service delivery Values: having the highest ethical standards; delivering services fairly, effectively, impartially and courteously to the Australian public; and being sensitive to the diversity of the Australian public. Table 2.1 illustrates the extent to which the programs examined in this audit included reference to these core APS service delivery Values.

¹⁶ APS Values, subsections (d) and (g). See Figure 1.1.

¹⁷ APS Code of Conduct, subsections 1-3; 7-8; and 10. See Figure 1.1.

Table 2.1**Extent to which programs examined in the audit included reference to core APS Values**

Program	Extent to which programs included reference to the core APS Values:		
	Ethical conduct	Delivering fairly, effectively, impartially and courteously	Sensitivity to diversity
Job Services Australia (DEEWR)	✓	✓	✓
National Respite for Carers Program (DoHA)	✓	✓	✓
Program of Assistance for Survivors of Torture and Trauma (DoHA)	✓	✓	✓
Healthy for Life (DoHA – OATSIH)	✓	✓	✓
Mental Health Respite Program ^a (FaHCSIA)		✓	✓
Commonwealth Financial Counselling activity (FaHCSIA)	✓	✓	✓
Communities 4 Children Initiative (FaHCSIA) ^b			
Rural Financial Counselling Service (DAFF)	✓	✓	✓

Note: ✓ indicates that program arrangements referred to the three APS core service delivery values, namely: having the highest ethical standards; delivering services fairly, effectively, impartially and courteously to the Australian public; and being sensitive to the diversity of the Australian public.

a The Mental Health Respite Program (MHRP) code of conduct makes no mention of a requirement for ethical conduct. However, the brokerage component of the MHRP (54 providers) operates under the NRCP Program guidelines and providers are required to meet both the NRCP and MHRP guidelines.

b The Communities for Children (C4C) program has no specific requirements for values and codes of conduct. However, a minority of service providers who are also participating in the broader Family Relationships Services Program (FRSP) are required to agree to undertake an accreditation process against a set of approval requirements and standards as part of that program's guidelines.

Source: ANAO.

2.7 As Table 2.1 illustrates, most programs have arrangements in place that address these core aspects of service delivery that are incorporated in the APS Values.

Approaches to incorporating values and codes of conduct into services delivered by third-party providers

2.8 Within the Commonwealth's grants and procurement frameworks, agencies can incorporate values and codes of conduct into the services delivered by third-party providers in a number of ways. These can include:

- consideration of values and codes of conduct in agency-wide grants and procurement policies;
- inserting, with the intention of legally binding providers, standard values and code of conduct clauses in funding agreements; and
- ensuring that when programs use service standards or quality assurance arrangements that these address the required values and codes of conduct.

Consideration of values and codes of conduct in agency-wide grants and procurement policies

2.9 Generally, agency-wide guidelines and policies did not directly address the role of values and codes of conduct in program delivery. An exception was the Code of Conduct in Contracting developed by DEEWR, which states that DEEWR expects its business partners to '...in dealings with DEEWR's clients, behave in a highly ethical manner.'

Use of standard values and code of conduct clauses in funding agreements

2.10 The second approach taken by agencies is to address values and codes of conduct in their standard funding agreements.

2.11 DoHA's standard agreement requires service providers to abide by the APS Code and is the only agency (of the four audited) to have such a requirement. The standard DoHA funding agreement (s.25.3) requires service providers to '...comply with, and require participant personnel to comply with, the behaviours specified in the Code of Conduct in section 13 of the Public Service Act 1999'.

2.12 The APSC noted in its 2003-04 *State of the Service Report*¹⁸ that 78 per cent of APS agencies reported using such standard clauses in their funding agreements.

Program service standards or quality assurance

2.13 A further way agencies can address values and codes of conduct is through the adoption of appropriate industry service standards or quality assurance arrangements. It is now common for service specifications to include some consideration of quality. Current better practice guidance suggests that contractual or other funding agreements with service providers should explicitly address the quality of services provided and include, for example, performance measures that allow agencies to monitor this aspect of performance.¹⁹ Measures can be quantitative or qualitative. One example of the latter is a requirement that services be delivered according to current recognised service or quality standards. Where the service is contracted out, the APS needs to ensure that the service provided is of a high quality.²⁰

2.14 Many community service programs already have such recognised industry standards in place. Examples include in the fields of aged care, child care, health services and related areas. In some fields, for example aged care, adherence to the standards is required by legislation.

2.15 Similarly, many professional organisations have also established a code of conduct. One example is the code of conduct and associated industry standards established by the Australian Financial Counselling and Credit Reform Association Inc (AFCCRA). This Code addresses issues such as confidentiality, respect for clients and the provision of professional advice. The Code is especially relevant to the two financial counselling programs examined in this audit – the Commonwealth Financial Counselling activity (FaHCSIA) and the Rural Financial Counselling Service (DAFF).

¹⁸ This was the last time that a *State of the Service Report* discussed the use of APS Values/Code of Conduct when contracting out service delivery to third-party providers.

¹⁹ ANAO *Better Practice Guide on Developing and Managing Contracts*, 2007, Canberra, p. 29.

²⁰ Management Advisory Board and the Department of Industry, Science and Tourism, *Report: Quality in customer service in the Australian Public Service*, November 1997, Canberra, p. 6.

2.16 In some cases, although the agency approaches do not specifically mention values and codes of conduct they do nevertheless address relevant issues. For example, the draft *Community Care Common Standards* being developed by DoHA addresses issues such as the use of professional standards and conduct, confidentiality and access to complaints.

2.17 Figure 2.1 lists the seven standards.

Figure 2.1

DoHA draft Community Care Common Standards

Standard 1: Efficient and Effective Management

Standard 2: Access to Services

Standard 3: Information and Consultation

Standard 4: Coordinated, Planned And Reliable Service Delivery

Standard 5: Privacy, Dignity, Confidentiality and Access to Personal Information

Standard 6: Complaints

Standard 7: Advocacy

The Standards are intended to apply to service providers who are receiving funding to provide services to older Australians and their carers in the community, including the:

- Home and Community Care (HACC) program;
- Community Aged Care Packages (CACP) program;
- Extended Aged Care at Home (EACH) program;
- Extended Aged Care at Home Dementia (EACHD) program; and the
- National Respite for Carers Program (NRCP).

Source: DoHA.

The variety of approaches adopted by agencies to address values and codes of conduct

2.18 The agencies examined in this audit had established an overarching framework of policies, guidance and other governance arrangements to guide the implementation of funding agreements with service providers. These frameworks address the role of values and codes of conduct in varying ways and to various degrees.

2.19 Table 2.2 summarises the extent to which the audited agencies have explicitly addressed values and codes of conduct through either:

- consideration of values and codes of conduct in agency-wide grants and procurement policies;
- inserting, with the intention of legally binding providers, standard values and code of conduct clauses in funding agreements; and

- ensuring that when programs use service standards or quality assurance arrangements that these address the required values and codes of conduct.

Table 2.2**Agency-wide approaches to values and codes of conduct**

Agency Approach	DAFF ¹	DEEWR	FaCHSIA	DoHA
Consideration of values and codes of conduct in agency-wide grants and procurement policies	x	✓	x	x
Inserting, with the intention of legally binding providers, standard values and codes of conduct clauses in funding agreements	x	✓	✓ Requires service providers to abide by a relevant code of conduct	✓ Standard Funding Agreement contains specific clause re APS Code of Conduct
Ensuring that, when programs use quality assurance arrangements or service standards, these appropriately address values and codes of conduct	x	x	x	New standards for community care are in development and are expected to apply to a number of community care programs at the federal and state levels.

Note: ¹ Service delivery of the type examined in the audit is rare in DAFF and the department advised that it does not have an agency-wide standard funding agreement for service providers. The Rural Financial Counselling Service (RFCS) requires prospective delivery agencies to agree to perform services under a Deed of Grant in compliance with the RFCS Resource Manual, which includes a mandatory code of conduct and provides advice on developing complaints handling processes.

Source: ANAO.

Chapter conclusion

2.20 Agencies examined in this audit had established an overarching framework of policies, guidance and other governance arrangements to guide the implementation of funding agreements with service providers. These frameworks address the role of values and codes of conduct in varying ways and to various degrees.

2.21 While the majority of programs examined in the audit included reference to the three core APS service delivery Values (having the highest ethical standards; delivering services fairly, effectively, impartially and courteously to the Australian public; and being sensitive to the diversity of the Australian public) in some way, there was no common set of values and codes of conduct used by the four audited departments as a basis for their funding agreements with service providers.

2.22 The diverse approaches used by agencies included to:

- require service providers to adhere to a Code of Conduct contained within a Resource Manual which forms part of the funding agreement (the approach taken by DAFF);
- prescribe a Code of Conduct within a procurement framework (the approach taken by DEEWR);
- require service providers to abide by any relevant values statements and codes of conduct that exist in recognised industry standards or were developed by relevant professional bodies (the approach taken by FaHCSIA); and
- adopt the APS Values and Code of Conduct (the approach taken by DoHA).

2.23 Given the diversity of agency approaches to managing values and codes of conduct in agreements with third-party providers, there would be value in establishing a set of core service delivery values that could apply irrespective of which agency manages the program or which service provider delivers it. This work could be progressed through initiatives arising from the National Compact between the Australian Government and the Third (not-for-profit) Sector.

3. Use of Values and Codes of Conduct in Individual Programs

In this chapter, the ANAO assesses the approach taken by the audited agencies to consider the relevance of values and codes of conduct to the specific needs of their programs and how well they then incorporate these into service delivery requirements.

Introduction

3.1 Values and codes of conduct are increasingly seen as valuable mechanisms to support effective program delivery. However, their use needs to be carefully considered as their relevance will vary depending on the program's objectives, context, client group, service provider arrangements and means of delivery.

3.2 A systematic approach to the use of values and codes of conduct would involve:

- analysing whether values and codes of conduct would assist in managing specific risks to service delivery;
- clearly communicating requirements in regard to values and codes of conduct to current and potential service providers;
- considering service providers' commitment to values and codes of conduct when evaluating tenders or applications or in ongoing performance management; and
- working with service providers to cooperatively develop and strengthen the application of appropriate values and codes of conduct in program delivery.

Values and codes of conduct in risk management

Identifying risks in using service providers

3.3 Notwithstanding the intended benefits of using service providers, there are risks associated with their increased role. The Australian Public Service Commission (APSC) has noted their use can bring:

...additional levels of complexity and challenge; ... [involving]... longer, and often more diffuse, relationship and responsibility chains. Many policy responses...require flexibility and innovation at the point of delivery, implying

a degree of open-endedness which does not always sit easily with traditional accountability mechanisms.²¹

3.4 Among a number of operational issues identified by the APSC is the question of whether or not concerns such as accountability, privacy, security, consumer protection and access and equity can be addressed satisfactorily through contracts or funding agreements and performance management arrangements.

3.5 There are specific risks when agencies contract with service providers. These include:

- reduced transparency to clients and the community of who is actually providing the service;
- reduced community/client rights and protections, such as to privacy, or to complain or seek redress;
- possible conflicts or mismatch between the goals and values of service providers and those of the funding agency;
- tension between the goal of greater flexibility at the point of delivery, the desire of the service provider to meet the specific needs of its clients and the agency's need to demonstrate national consistency and equity in program delivery; and
- the burden of accountability, monitoring and reporting requirements imposed on service providers may negate expected gains.²²

3.6 These risks are being addressed in a number of ways. One approach has been the Commonwealth's increasing requirement over recent years for service providers to comply with contracts which may include values and codes of conduct (or something similar) and to establish service charters, service guarantees and complaints mechanisms for clients.²³

²¹ APSC, op cit.

²² For example, the Productivity Commission's recent report on the *Contribution of the Not-for-Profit Sector* included a recommendation to develop a common set of core principles to underpin government service agreements and contracts in the human services area. The Government is considering its response to the report.

²³ The APSC publication *Policy Implementation through Devolved Government* (2009) notes that the specification of risks assists program managers to identify the level of controls needed, especially in sensitive areas of outsourced service delivery such as aged care, child care or employment services.

3.7 Controls to manage particular program risks need to be commensurate with any sensitivities (as informed by the target client group) around the impact of the service being delivered by a third party. For programs that deliver human services (e.g. aged care or health services), the APSC suggests that:

...risk tolerance would be significantly less, and the standards to be met and related control mechanisms likely to be more detailed and onerous... The approach adopted will vary depending on the nature and scale of the initiative and related risks.²⁴

Program use of values and codes of conduct in risk management

3.8 The audited agencies varied in whether they recognised the application of values and codes of conduct as a treatment to mitigate service delivery related risks.

3.9 Table 3.1 summarises the arrangements in place for each program.

Table 3.1

Extent to which program risk plans address values and codes of conduct: ANAO assessment

Program	Extent to which program risk plans address values and codes of conduct
Job Services Australia (DEEWR)	DEEWR developed a risk plan for JSA which refers to the Code of Practice and Service Guarantee as risk treatments.
National Respite for Carers Program (DoHA)	Not mentioned in program risk plan.
Program of Assistance for Survivors of Torture and Trauma (DoHA)	Not mentioned in program risk plan.
Healthy for Life (DoHA – OATSIH)	Service provider risk assessment includes assessment of the extent to which the provider has systems in place to achieve its code of conduct.
Mental Health Respite Program (FaHCSIA)	Not mentioned in program risk plan.

²⁴ APSC, *Contemporary Government Challenges: Policy Implementation Through Devolved Government*, 2009, Canberra, pp 26-27.

Program	Extent to which program risk plans address values and codes of conduct
Commonwealth Financial Counselling activity (FaHCSIA)	The broader program risk plan, which incorporates the CFC program, refers to the APS Code of Conduct as a risk treatment.
Communities for Children Initiative (FaHCSIA)	Not mentioned in risk plan.
Rural Financial Counselling Service (DAFF)	Providers are required to develop a Risk Plan. However, these plans do not always align with the program risk plan which has as an explicit risk: <i>Service delivery agencies do not deliver services adequately.</i>

Source: ANAO.

3.10 Three of the eight programs examined specifically mentioned values and codes of conduct in their risk management plans. Job Services Australia (JSA), for example, has a risk management plan that includes consideration of values and codes of conduct while some other programs' risk management plans did not. An extract from the JSA risk assessment is shown in Figure 3.1.

Figure 3.1

Extract from DEEWR risk assessment for JSA

Identified Risk	Risk Source	Control Description
Inadequate or non-delivery of provider services	Management of our Commercial and Legal Relationships	Service Guarantee reflects the services that job seekers can expect from service providers. Code of Practice that reflects the Australian Government's expectations of how service providers will interact with job seekers, employers and each other.

Source: DEEWR.

3.11 Another example, illustrated in Figure 3.2, is the Office for Aboriginal and Torres Strait Islander Health (OATSIH) risk template, which is used in the Healthy for Life program. This template also specifically addresses whether the service provider has systems and processes in place to ensure compliance with its code of conduct.

Figure 3.2**Extract from OATSIH service provider risk assessment template****Section 3 Control, Monitoring and Reporting**

The Risk Indicators in this section assess the extent systems and process which are required to support ongoing monitoring have been implemented and the extent to which reporting lines have been established which are required to support the service provider achieving the following:

- compliance with laws, policies, procedures and its code of conduct;
- measurement of the provider's performance at all levels of the organisation; and
- high level information which enables the provider to appropriately respond to emerging events or issues.

Source: DoHA.

Communicating expectations on values and codes of conduct

3.12 One of the critical aspects of any contract is the definition of the outputs expected, including any quality standards associated with the output. If values and codes of conduct are considered significant to effective delivery then this should be stated in the tender or grant submission guidelines given to prospective service providers and reinforced in program guidelines and contractual arrangements.

3.13 This approach enables the provider to make an informed judgement in responding to the funding agency with a proposal and in turn makes it more likely the service will be delivered as planned.

3.14 The programs assessed in this audit relied on markedly different approaches to communicating the role of values and codes of conduct to their prospective service providers.

3.15 Table 3.2 provides the ANAO assessment for each program examined.

Table 3.2

Summary of approaches to communicating expectations on values and codes of conduct to service providers: ANAO assessment

Program	Extent to which tender or application processes specify values and codes of conduct	Extent to which program guidance or other mechanisms addressed the role of values and codes of conduct
Job Services Australia (DEEWR)	Tender documentation and contracts specifically communicate the requirement for adherence to these.	There is a comprehensive approach to articulating values and codes of conduct within JSA contracts. This includes a Code of Practice for service providers, a Services Guarantee, and a quality management framework. Service providers are contractually required to follow the Code of Practice.
National Respite for Carers Program (DoHA)	DoHA's standard funding agreement requires service providers to abide by the APS values and codes of conduct. There is no specific expectation related to values and codes of conduct in other tender documents such as tender guidelines.	The department is supporting the development of new Community Care Standards, which the funding agreement will require providers to follow.
Program of Assistance for Survivors of Torture and Trauma (DoHA)	There is not an open tender round as the service providers provide a specialised service.	DoHA's standard funding agreement requires service providers to abide by the APS values and codes of conduct. DoHA has supported providers to develop specific quality standards. While these do not specifically mention values or codes of conduct, there are standards concerning governance and accountability, human resource management, service delivery, and population groups (meeting the needs of specific groups of people).
Healthy for Life (OATSIH - DoHA)	When applying for OATSIH grants, organisations must demonstrate how they will meet the requirements of the standard funding agreement, including the clause on conduct.	The OATSIH standard funding agreement includes a requirement that service provider personnel deliver services in an impartial manner, act in accordance with probity principles and ethical standards, and behave with honesty and integrity.
Mental Health Respite Program (FaHCSIA)	No specific requirement.	The MHRP Guidelines, to which potential tender applicants are referred, include 'Program Principles, Quality and Standards' which partly address values and codes of conduct.

Program	Extent to which tender or application processes specify values and codes of conduct	Extent to which program guidance or other mechanisms addressed the role of values and codes of conduct
Commonwealth Financial Counselling activity (FaHCSIA)	Under the broad principles in the FaHCSIA funding model, a provider's code of conduct is an assessment criterion.	<p>Under the proposed FaHCSIA funding model, a broad set of principles will apply in the assessment of any applications for FaHCSIA funding, including:</p> <ul style="list-style-type: none"> • Best Value in Social Services Delivery; • Individual and Community Capacity Building; • Accountability and Reporting; and • Ethics and Fair Dealing. <p>The Financial Management Program Guidelines, which apply to the Commonwealth Financial Counselling activity, contain service standards relating to upholding client rights and dignity, access and equity in service delivery, accountability, complaints handling and confidentiality. Service providers are also encouraged to develop a client service charter and review it every 12 months.</p>
Communities for Children Initiative (FaHCSIA)	No specific requirement.	<p>Not addressed in program guidelines or other documents.</p> <p>However, a minority of providers are required to follow the broader Family Relationship Services Program (FRSP) Approval Requirements, which address values and codes of conduct (see paragraph 3.16 below).</p>
Rural Financial Counselling Service (DAFF)	No specific requirement.	Program guidelines require adherence to the Resource Manual which includes a Code of Conduct.

Source: ANAO.

3.16 The Communities for Children (C4C) program has no specific requirements for values and codes of conduct. However, a minority of service providers who are also participating in the broader Family Relationships Services Program (FRSP) are required to agree to undertake an accreditation process against a set of approval requirements and standards as part of that program's guidelines.

3.17 These FRSP Approval Requirements include a number of elements of values and codes of conduct. For example, the first standard is 'Values and

ethical framework' which is reproduced in Figure 3.3. Service providers must also display a standard Service Charter.

Figure 3.3

Extract of the FRSP approval requirements

Standard 1: Values and ethical framework

The organisation has a clear ethical framework which is reflected in a statement of values and purpose, a code of ethics/conduct and other documents. The ethical framework includes a non-discriminatory/equitable approach to service provision. There is a code of ethics/conduct that clearly sets out expectations of appropriate conduct by staff, management and volunteers.

The Statement of Values and Purpose is supportive of the aims of the Family Relationship Services Program (FRSP).

Management and staff have the opportunity to contribute to the development and ongoing review of the Statement of Values and Purpose and code of ethics/conduct. Management and staff are aware of the organisation's values, purpose and code of ethics/conduct, and it is communicated to consumers and other stakeholders.

Attributes

1. The statement of values and purpose:

- reflects the organisation's position in the community;
- is consistent with the aims of the FRSP.

2. The service has a clear ethical framework which is reflected in the statement of values and purpose, a code of ethics/conduct and other documents. The ethical framework includes a commitment to a non-discriminatory and equitable approach to service provision. The code of ethics/conduct (and other documents) clearly sets out expectations of appropriate conduct by staff, volunteers and Board/Committee members.

3. Management and staff contribute to the development and ongoing review of the organisation's values, purpose and code of ethics/conduct.

4. Staff and management are aware of the organisation's values, purpose and code of ethics/conduct and these are communicated to consumers and other stakeholders.

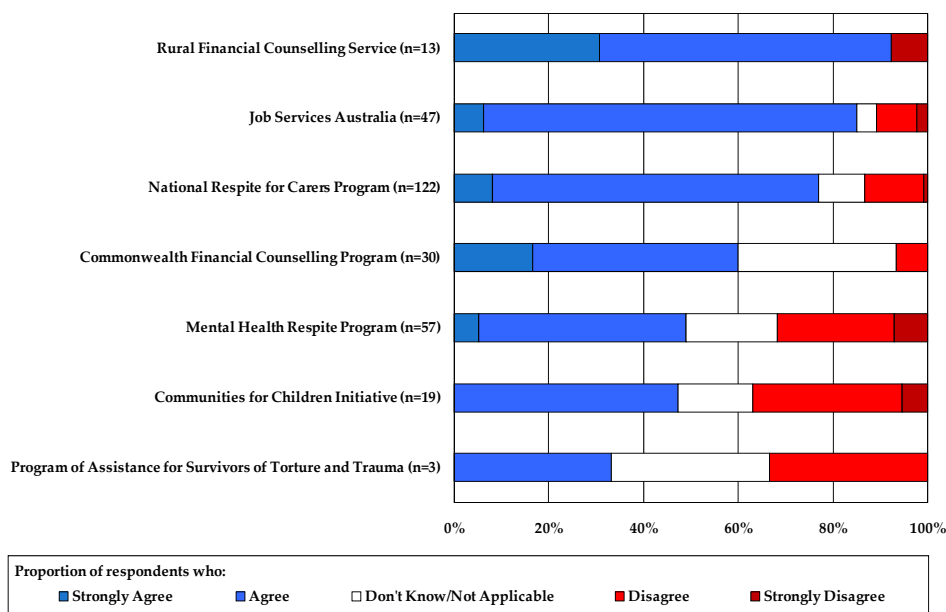
Source: FaHCSIA.

Service provider perspective on departmental communication

3.18 As part of audit fieldwork, the ANAO surveyed all the current service providers in each of the programs (see Appendix 3 for details of the methodology and Appendix 4 for characteristics of the service providers surveyed). Figure 3.4 shows the results of the ANAO survey of service providers' perspectives on the effectiveness of departmental communication.

Figure 3.4

Extent to which service providers agreed with the statement that ‘Overall, the Department has effectively communicated its expectations in relation to values/codes of conduct when dealing with program clients’



Note: n equals the number of survey respondents.

The Healthy for Life Program (DoHA) was not included in the ANAO service provider Opinion Survey.

Only three of the eight PASTT service providers responded to this question and given this small sample size (n=3), the PASTT results should be interpreted with caution.

Source: ANAO.

3.19 Overall, 68 per cent of all service providers agreed that departments had effectively communicated expectations in relation to values/codes of conduct when dealing with program clients. However, the level of agreement varied markedly across the eight programs examined by the ANAO. For example, less than 50 per cent of providers (39) that delivered services in three programs (MHRP, C4C and PASTT) agreed with this statement, suggesting that more action may be required to communicate departmental expectations.

Use of values and codes of conduct in assessing tenders or applications for funding

3.20 Service provider statements of values and codes of conduct may also be considered in the assessment of tenders or grant applications. This is especially relevant where service providers have been encouraged or required to refer to such statements in their application. They can also be considered more broadly, for example, when assessing the general governance arrangements of a provider. The extent to which values and codes of conduct were assessed in tenders with funding application for each of the eight programs examined is summarised in Table 3.3.

Table 3.3

ANAO assessment of the use of values and codes of conduct in assessing tenders or funding applications

Program	Extent to which values and codes of conduct are assessed in tenders or funding applications
Job Services Australia (DEEWR)	One selection criterion for the JSA tender was 'Management and Governance'. Although not specifically requested, service providers could describe their approach to values and codes of conduct under this criterion.
National Respite for Carers Program (DoHA)	Not considered.
Program of Assistance for Survivors of Torture and Trauma (DoHA)	Not explicitly considered, as services receive ongoing funding.
Healthy for Life (DoHA – OATSIH)	Organisations are assessed against their compliance with the funding agreement.
Mental Health Respite Program (FaHCSIA)	Partly considered. The agency advised that '...the program principles are also reflected in the selection process criteria and in all training activities conducted with providers.'
Commonwealth Financial Counselling activity (FaHCSIA)	The code of conduct is an assessment criterion.
Communities for Children Initiative (FaHCSIA)	Applicants are assessed against their compliance with the standard terms of the funding agreement. A recent funding round included assessment of compliance with quality standards such as the FRSP Approval Requirements.
Rural Financial Counselling Service (DAFF)	Not explicitly considered to date. The 2009 Resource Manual includes a code of conduct which, under a Deed of grant, is mandatory for service providers to adopt. DAFF has indicated that adherence to the code of conduct may be a specific criterion in future funding assessments.

Source: ANAO.

3.21 Generally, for the eight programs examined agencies did not specifically consider a provider's values and codes of conduct when assessing their tender or funding application.

3.22 For a number of programs, agencies had already communicated to potential service providers, via tender/grant guidelines, that they would have to agree to abide by a statement of values and codes of conduct as part of the contract.

3.23 For other programs, service providers operated in a sector where a common set of values and codes of conduct already existed, generally as part of recognised sector/industry quality assurance arrangements.

3.24 The most recent major tender/application round for the programs examined was for the 2009 Employment Services Tender, conducted by DEEWR. One of the selection criteria was 'Management and Governance'. The Request for Tender (RFT) documentation asked tenderers to describe how their governance arrangements would support the delivery of services and ensure compliance with the contract.

3.25 Figure 3.5 highlights one of the criteria used by DEEWR in assessing tenders of potential JSA providers.

Figure 3.5

Extract of a JSA Selection Criterion for the 2009 Employment Services Tender

Sub Criterion 4.1

Describe how your governance arrangements, communication strategies, organisational management and accountability structures will support the delivery of Stream Services and ensure compliance with the Contract. Describe how your organisation will ensure that purchases through the Employment Pathway Fund (EPF) and other activities will withstand scrutiny and not bring the Australian Government into disrepute.

Sub-Criterion 4.3

Describe your organisation's performance and quality management strategies, including those for identifying issues and mitigating risks that may affect service delivery. Outline your continuous improvement strategies to measure, monitor, review and improve performance, including your organisation's customer service and complaints handling processes to support the delivery of the services.

Source: DEEWR.

3.26 The ANAO did not undertake a comprehensive examination of DEEWR's assessments of individual tenders, but did note examples where the tenderer made commitments in regard to the proposed code of conduct, and these were considered in the department's assessment.

3.27 More broadly, the ANAO's survey of service providers indicated that nearly half (46%) had provided their organisation's values and codes of conduct to the relevant department, including through the tender or application processes.

Cooperatively developing and strengthening the application of appropriate values and codes of conduct

3.28 As noted in the Introduction, a National Compact between the Australian Government and the Third (not-for-profit) Sector was launched on 17 March 2010. The cooperation and collaboration fostered by the Compact can assist in minimising the risk of gaps or misunderstanding between industry, provider or program approaches and give rise to the development of agreed values and codes of engagement/conduct.

3.29 Joint sector-portfolio action plans further support a cooperative approach between agency (s) and relevant sectors to develop values and codes of conduct (or similar, such as service delivery standards). Such an approach also makes it more likely that values and codes of conduct would be accepted and, in turn, adhered to by service providers. Table 3.4 summarises the activity by programs in this area.

Table 3.4**ANAO assessment of the degree of agency collaboration with providers in developing and strengthening the use of values and codes of conduct²⁵**

Program	Agencies work with providers in developing and strengthening the use of values and codes of conduct
Job Services Australia (DEEWR)	DEEWR worked with industry representatives to develop a contracting charter and service standard.
National Respite for Carers Program (DoHA)	Not considered by DoHA.
Program of Assistance for Survivors of Torture and Trauma (DoHA)	Providers were involved in the development of specific torture and trauma standards for the program.
Healthy for Life (DoHA – OATSIH)	DoHA consulted with service provider representatives in deciding the wording of a new clause to replace the standard requirement.
Mental Health Respite Program (FaHCSIA)	Training was provided to organisations which included discussions with providers about the development of their values and codes of conduct.
Commonwealth Financial Counselling activity (FaHCSIA)	The code of conduct is an assessment criterion.
Communities for Children Initiative (FaHCSIA)	Not relevant. C4C providers have received ongoing funding for a number of years.
Rural Financial Counselling Service (DAFF)	Development of the RFCS Code of Conduct and complaints mechanisms were discussed at meetings between DAFF program managers and RFCS executive officers.

Source: ANAO.

Program of Assistance for Survivors of Torture and Trauma (PASTT) Torture and Trauma Standards—DoHA

3.30 An instance where an agency decided not to prescribe standards but rather to allow the service delivery sector to be involved in their development is the Program of Assistance for Survivors of Torture and Trauma (PASTT).

3.31 PASTT implemented its Torture and Trauma Standards (T&T Standards) in 2007, after they were developed by the service providers

²⁵ In most instances this collaboration was centred on the development of industry standards. For example, the NRCP community care standards, rather than a 'values statement' or 'code of conduct'.

themselves, in collaboration with their support organisation the Forum of Australian Services for Survivors of Torture and Trauma (FASSTT). FASSTT is funded through contributions from each PASTT provider (who are in turn funded by DoHA with some assistance from state and territory governments). As PASTT service providers deliver specialised services, DoHA’s involvement in the development of the T&T Standards was limited to funding the development of the T&T Standards self-assessment manual and to assist service providers in the self-assessment process. In developing the T&T Standards the working group had reference to the National Mental Health Standards, as adherence to these standards was required under the PASTT service providers’ funding agreements.

Healthy for Life program—OATSIH, DoHA

3.32 Similarly, in regard to the Healthy for Life program, DoHA responded to representations from Indigenous stakeholder groups expressing concern that compliance with all aspects of the APS Code of Conduct (as required under DoHA’s Standard Funding Agreement) could inhibit service providers’ advocacy role. In addition, there was a perceived inconsistency between the clause that required service provider personnel to behave in the same manner as APS public servants, and other parts of the Standard Funding Agreement which made it clear that service provider personnel were not employees of the Australian Government and were not to represent themselves as such.

OATSIH subsequently modified its Standard Funding Agreement to include the following clause as outlined in Figure 3.6.

Figure 3.6

Standard Funding Agreement with clause relating to expected values/code of conduct for service providers

OATSIH Standard Funding Agreement

The Organisation must ensure that Organisation Personnel engaged in the performance of any Project:

- a) perform their function in an impartial and professional manner;
- b) act in accordance with probity principles;
- c) act in accordance with ethical standards; and
- d) behave with honesty and integrity.

Source: OATSIH, DoHA.

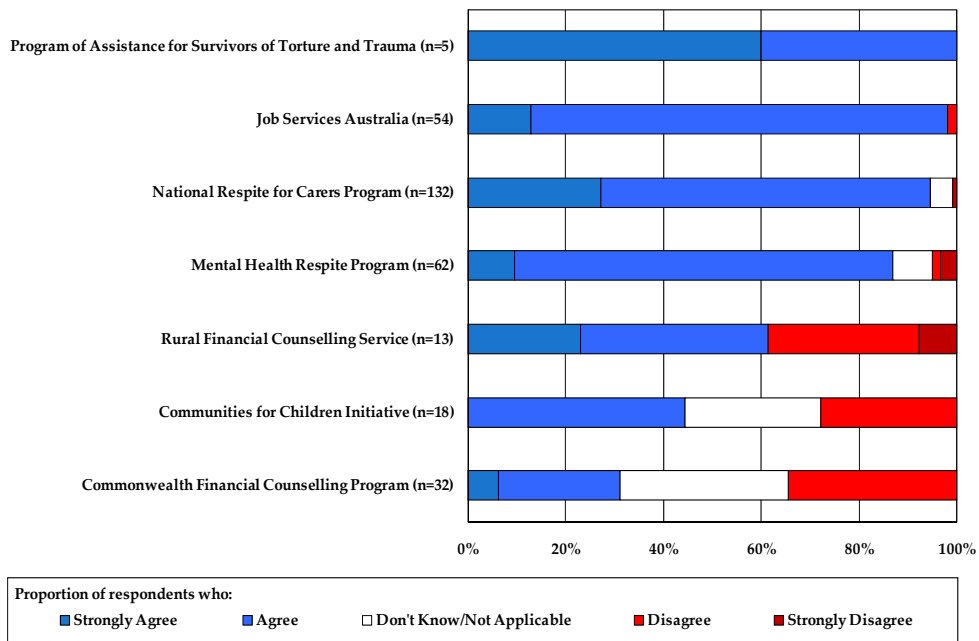
Service provider perspective on cooperatively developing and strengthening values and codes of conduct

3.33 Notwithstanding the actions by agencies administering the programs examined, the ANAO survey of service providers found widely differing views of the extent to which they were adequately engaged in the process of developing values and codes of conduct for their program.

3.34 Figure 3.7 illustrates that the service providers in the PASTT program had the highest level of agreement that they had been adequately engaged in developing the relevant values and codes of conduct. Similarly, DEEWR was considered to have effectively worked with JSA service providers in developing the values and codes of conduct for its operations.

Figure 3.7

Extent to which service providers agreed with the statement that ‘The Department adequately engaged with our organisation in developing values/codes of conduct for the program’



Note: n equals the number of survey respondents.

The Healthy for Life Program (DoHA) was not included in the ANAO service provider Opinion Survey.

Five of the eight PASTT service providers responded to this question and given this small sample size (n=5), the PASTT results should be interpreted with caution.

Source: ANAO.

Chapter conclusion

3.35 The use of values statements and codes of conduct can assist agencies and service providers to manage a number of program risks to service delivery.

3.36 The programs assessed by the ANAO varied considerably in the extent to which values statements and codes of conduct were considered as a means to address service delivery risks. The most sophisticated approach was that of Job Services Australia (JSA), which specifically referred to the JSA Code of Practice and Service Guarantee as risk treatments. Other programs addressed the issue in other ways, such as by considering the provider's approach to values statements and codes of conduct when conducting a risk assessment as part of ongoing program management.

3.37 For many of the programs examined, agencies communicated to potential service providers, via tender/grant guidelines, that they would have to agree to and abide by a statement of values and codes of conduct as part of the contract. Responses to the ANAO survey of service providers indicated that 68 per cent of all service providers agreed that departments had effectively communicated expectations in relation to values/codes of conduct. For other programs, service providers operated in a sector where there already existed a common set of values and codes of conduct, possibly as part of recognised sector/industry quality assurance arrangements and a program-specific values statement and code of conduct was, therefore, not considered necessary.

3.38 In addition to their service delivery role, a number of non-government organisations also play an advocacy role for their constituents. In these circumstances, it is useful if funding agreements recognise that while third-party service provider organisations can have an advocacy role, their personnel should perform their functions in an impartial and professional manner when delivering a government service.

3.39 Where the role of values and codes of conduct was considered to be important, agencies engaged in substantial cooperative work with the relevant sector to develop a shared approach. This work has included the use of joint or independently chaired forums, industry consultations and reference to external quality frameworks.

4. Complaints as a measure of whether values and/or codes of conduct are working

In this chapter, the ANAO examines agency measures to ensure that service providers have a sound complaints handling system; that complaints are dealt with in a timely and efficient manner; and, whether agencies use this customer feedback to improve program performance.

Introduction

4.1 Obtaining and recording customer feedback provides organisations with the opportunity to gain an insight into customers' perceptions and expectations of service delivery and identify areas for improvement. It can also act as an early warning mechanism for emerging issues and provide important information about the organisation's performance.

4.2 Customer feedback can take the form of complaints, compliments, customer satisfaction surveys and other methods such as customer focus groups. In particular, monitoring of complaints information should provide Australian Government agencies with a picture of whether their service providers are operating consistently with required values and codes of conduct. 'Spikes' in complaints against a particular service provider may indicate a problem with service delivery values, such as treating all clients with respect. Complaints across a number of service providers about a particular aspect of the program could indicate a problem with the program design or the chosen delivery model.

Elements of a good complaints system

4.3 The ANAO assessed agencies' requirements of their service providers regarding complaints handling systems against the requirements set out in the Commonwealth Ombudsman's *Better Practice Guide to Complaint Handling* (April 2009).

4.4 The Ombudsman identifies five key elements of effective complaint handling:

- *Culture*: agencies must value complaints as a means of strengthening their administration and improving their relations with the public;
- *Principles*: an effective complaint handling system must be modelled on the principles of fairness, accessibility, responsiveness, efficiency and integration;
- *People*: complaint handling staff must be skilled and professional;
- *Process*: the seven stages of complaint handling—acknowledgement, assessment, planning, investigation, response, review and consideration of systemic issues—should be clearly outlined; and
- *Analysis*: information about complaints should be examined as part of a continuous process of organisational review and improvement.

4.5 In this chapter, the ANAO examined whether the four agencies included in the audit:

- had agency complaint handling systems;
- required their service providers to have a complaint handling system;
- monitored service providers implementation of their complaint handling system; and
- monitored client complaints to identify systemic issues.

Agency complaint handling systems

4.6 Of the four agencies audited, FaHCSIA and DEEWR have formal client complaints systems in addition to the program specific complaints systems they require their service providers to operate.

4.7 FaHCSIA has a formal process for the handling of all complaints about its programs or funded service providers. Complaints from the public may be made via a toll-free phone number, post or email. The FaHCSIA National Office Complaints Team coordinates responses to complainants, with input from the line area concerned. Service providers are required to provide their clients with contact details for the FaHCSIA complaints system. The FAHCSIA complaints system is also intended for use by service providers who wish to complain about their interactions with the department.

4.8 DEEWR has an outsourced call centre for all DEEWR programs, and a department-run Customer Service Line (CSL) for all Employment Services including Job Services Australia (JSA). The CSL is available to all JSA clients. JSA clients are advised to seek resolution with the JSA provider in the first instance, however there is a 'no wrong approach' policy taken towards managing client complaints.

4.9 The JSA framework also includes a 'Charter of Contract Management'. The Charter sets out the minimum standards of performance and conduct that providers can expect of DEEWR staff, including communication and feedback, consultation, consistency, and personal conduct.

4.10 DAFF advised that it is currently reviewing its complaints handling framework and that a DAFF-wide complaints system is under development. The system is intended to reflect the Commonwealth Ombudsman's guidelines. Once this system is implemented, the Rural Financial Counselling Service (RFCS) program area will update its guidance to its RFCS service providers on their complaint handling processes.

4.11 DoHA advised that it has a range of formal complaint handling procedures covered by legislation and/or administrative mechanisms, for example, Aged Care Complaints, Hearing Services complaints and the Therapeutic Goods Administration. The department also has a formal procedure for complaints about grant or procurement funding processes and outcomes. In the health arena there are also other complaints mechanisms, for example, State Government health complaints frameworks such as the NSW Health Care Complaints Commission.

4.12 Agencies have adopted a range of approaches to the effective management of complaints at the broad agency level.

Requirements for service providers to have a complaints handling system

4.13 The ANAO examined to what extent service providers were required (through their funding agreement or other arrangements) to establish a complaints handling system for the relevant program. Such a contractual requirement would indicate that the agency regarded complaints systems as a core element of ensuring quality service delivery. Monitoring trends in complaints enables an agency to track client confidence in service delivery,

including whether clients consider that they have been dealt with effectively, fairly, impartially and in a courteous manner by their service provider.

4.14 Table 4.1 summarises the requirements for complaints processes in each program.

Table 4.1

Requirements in funding agreements or associated documents for complaints handling systems

Program	Requirement
Job Services Australia (DEEWR)	<p>The Deed of Agreement includes specific guidance on how complaints are to be handled by JSA providers. In addition, JSA providers are required:</p> <ul style="list-style-type: none"> • to clearly indicate that clients may also make a complaint directly to DEEWR using DEEWR's Customer Service Line; • to prominently display the Code of Practice and Service Guarantees; and • if a client is dissatisfied with the results of the customer feedback process, the provider must refer the client to the DEEWR Customer Service Line for further investigation of the matter. <p>The Deed and the Charter of Contract Management also provides for JSA providers to make complaints or give feedback to DEEWR.</p>
National Respite for Carers Program (DoHA)	<p>The <i>NRCP Administrative and Program Guidelines</i> apply to all service providers funded under NRCP. These include a requirement that services have effective complaints handling mechanisms and ensure that clients are aware of them. The Guidelines require the service provider to handle any complaints fairly, promptly and confidentially and without retribution. Records of complaints received and the process used to resolve them should be kept and appropriate details forwarded to the Department as part of routine reporting requirements.</p>
Program of Assistance for Survivors of Torture and Trauma (DoHA)	<p>PASTT providers should direct any complaints to their state or territory government's health complaints mechanism.</p> <p>The Torture & Trauma Standards, to which PASTT providers are bound, require providers to ensure that the service is open to external scrutiny and provides opportunities for key stakeholders to provide feedback or their views on key issues.</p> <p>Providers are also subject to the National Standards for Mental Health Services, which include guidelines for accountability to consumers, carers, staff, funders and the community. The Standards also require easily accessible, responsive and fair complaints procedures for consumers and carers.</p>
Healthy for Life (DoHA – OATSIH)	<p>Under the funding agreement, service providers are required to provide OATSIH with information in order for the department to build a Risk Assessment Profile (RAP) for each provider. The RAP includes specific indicators to assess service provider complaints handling procedures and compliance with the procedures. Providers may be required to address areas of concern, including those relating to complaints handling mechanisms.</p>

Program	Requirement
Mental Health Respite Program (FaHCSIA)	<p>Service providers are required to adhere to the <i>MHRP Brokerage Guidelines</i> or the <i>National Respite Development Fund (NRDF) Guidelines</i> (depending on what type of service they are). Both sets of Guidelines require service providers to have an effective complaints system in place and give details about what it should include. However the NRDF Guidelines are more specific in outlining the requirements of the complaints system.</p> <p>In addition, clients or service providers themselves may complain directly to FaHCSIA via its Complaints Management System. Both sets of Guidelines instruct service providers who wish to make a complaint or provide other feedback to FaHCSIA to use its Complaints Management System.</p>
Commonwealth Financial Counselling activity (FaHCSIA)	<p>All CFC providers are subject to the <i>Financial Management Program Guidelines</i>. The Guidelines require service providers to implement a complaints system but do not provide further detail about what a complaints system should include.</p> <p>In addition, client or service provider complaints may be made directly to FaHCSIA via its Complaints Management System.</p>
Communities for Children Initiative (FaHCSIA)	<p>C4C providers are subject to Program Guidelines and Approval Requirements. Both these documents refer to complaints procedures. In particular, Standard 11 of the Approval Requirements outlines detailed requirements for providers' complaints systems. However the ANAO understands that not all C4C providers are subject to the Approval Requirements.</p> <p>In addition, client or service provider complaints may be made directly to FaHCSIA via its Complaints Management System.</p>
Rural Financial Counselling Service (DAFF)	<p>RFCS Providers are required to adhere to a Resource Manual. The 2009 Resource Manual advises providers to:</p> <ul style="list-style-type: none"> • develop a transparent complaints process and make this process clear to clients; • have their Board handle any legal disputes and appoint a qualified lawyer to represent them; • have Board members check hard copy file notes of events against what is claimed by the client; • notify the Department in the event of a client complaint and inform it of the process for its resolutions and outcomes; and • ensure their insurance (public liability, professional indemnity, motor vehicles and assets insurance and any other material and professional insurance that may be appropriate) is up to date.

Source: ANAO.

4.15 As shown in Table 4.1, all eight audited programs required service providers to establish a complaints handling system. The requirement was articulated either in funding agreements or supporting documents (such as program guidelines) to which providers must adhere. This is indicative that the four agencies consider complaints handling to be a key element in quality customer service delivery.

Guidance to service providers about complaints systems

4.16 The Commonwealth Ombudsman's *Better Practice Guide to Complaint Handling* identifies seven key steps in the management of complaints which could form the basis of program guidance to service providers on the important elements of an effective complaints process. These are to:

- acknowledge all complaints quickly;
- assess the complaint and give it priority;
- plan the investigation;
- investigate the complaint;
- respond to the complainant with a clear decision;
- follow up any customer concerns; and
- consider if there are any systemic issues.

4.17 The Ombudsman acknowledges that in simple matters, the process may move directly from assessment to responding to the complaint.

4.18 Table 4.2 compares each audited program's requirements for their service providers' complaints systems against the Commonwealth Ombudsman's *Better Practice Guide*. Table 4.2 also includes the two separate sets of guidance for FaHCSIA's Mental Health Respite Program (MHRP) as well as FaHCSIA's central complaints systems and DEEWR's dedicated JSA complaints system. Step seven in the Ombudsman's guidelines (to consider any systemic issues) is assessed later in this chapter.

Table 4.2**Program requirements for complaints systems measured against Commonwealth Ombudsman's guidelines: ANAO assessment**

Program/Dept	Commonwealth Ombudsman's Guidelines					
	Acknowledge all complaints quickly	Assess the complaint and give it priority	Plan the investigation	Investigate the complaint	Respond to the complaint with a clear decision	Follow up any customer service concerns
JSA/DEEWR	✓	✓	✓	✓	✓	✓
NRCP/DoHA	X	✓	X	✓	✓	X
PASTT/DoHA	X	✓	X	X	✓	X
Healthy for Life/DoHA	✓	✓	✓	✓	✓	x
MHRP/FaHCSIA (Brokerage)	X	✓	X	X	✓	X
MHRP (NRDF)/FaHCSIA	✓	✓	✓	✓	✓	✓
CFC/FaHCSIA	X	X	X	X	✓	X
C4C/FaHCSIA	X	X	X	X	✓	X
RFCS/DAFF	X	X	X	X	✓	X
FaHCSIA central complaints system	✓	✓	✓	✓	✓	✓
DEEWR JSA complaints system	✓	✓	✓	✓	✓	✓

Note: ✓ indicates that the arrangements met the Commonwealth Ombudsman's guidelines.

X indicates that the arrangements did not meet the Commonwealth Ombudsman's guidelines.

The shaded columns indicate the Commonwealth Ombudsman's acknowledgement that simple complaints may omit steps 3 and 4.

Source: ANAO.

4.19 As Table 4.2 illustrates, the level of detail provided by agencies to their service providers about what a complaints system should include varied across the eight audited programs. For example, within FaHCSIA's programs, service providers for the Communities for Children Initiative and the Mental Health Respite Program received more guidance on complaints systems than

service providers funded under the Commonwealth Financial Counselling activity.

4.20 Figure 4.1 below provides an example of the type of guidance to service providers that reflects the Ombudsman's guidelines for complaints systems.

Figure 4.1

Better practice example: Guidelines to service providers on complaints system requirements in the Mental Health Respite Program

FaHCSIA requires service providers to have effective complaints handling mechanisms in place and to ensure carers are aware of them. Services should ensure that all carers receive and are assisted to understand written and other appropriate information about the role and responsibilities of the manager and other staff (including volunteer staff), their rights as carers and the complaints or problem solving mechanisms available to them.

The service provider should handle any complaints fairly, promptly and confidentially without retribution. Records of complaints received and the process used to resolve them should be kept and appropriate details forwarded to FaHCSIA as part of routine reporting requirements.

The service providers' complaints policy should include information on:

- how service providers deal with complaints;
- what standards and written policies providers have in place; and
- what practices providers have including privacy measures, monitoring and reporting.

The system should record all complaints –verbal, written and electronic, for example:

- complaint accepted and received recorded;
- who took the complaint;
- nature of complaint;
- name and details of complainant (if supplied);
- how the complaint was/will be handled, by whom and when;
- generate acknowledgement of complaint within two days of receipt;
- refer complaint to appropriate National Office Branch or STO or agency where necessary; and
- follow up flag if complaint not resolved within specified time frame.

Source: FaHCSIA.

4.21 Most of the eight programs examined only partially addressed all the areas suggested by better practice. There is scope for these programs to provide their service providers with increased guidance about the design of an

effective complaints system, based on the Commonwealth Ombudsman's *Better Practice Guide to Complaint Handling*.

4.22 Without adequate guidance, there is a risk that complaints will be dealt with unevenly across service providers delivering the same service, as well as a risk of uneven treatment across APS agencies.

Agency monitoring of complaints system implementation

4.23 Notwithstanding that guidance to service providers may be adequate, program management must also assure itself that service providers are, in fact, implementing the required processes through active monitoring.

4.24 The ANAO did not assess service providers' complaints systems. The focus of the audit was whether agencies monitored their service providers' implementation of the complaints systems specified in their agreements or other obligations.

4.25 Table 4.3 provides an overview of the methods used by agencies to monitor the service providers' complaints systems for each of the eight programs examined.

Table 4.3

Agency review of service provider complaints systems

Program	Department responses to the ANAO question: <i>How do you review provider complaints processes?</i>
Job Services Australia (DEEWR)	The Quality Framework for JSA measures providers' compliance with the contractual requirements in relation to complaints handling and also JSA providers' responsiveness to complaints received directly from the public. The Quality Framework also measures a JSA provider's responsiveness to the department in assisting the department to resolve complaints which are lodged directly with the department.
National Respite for Carers Program (DoHA)	Service provider complaint processes are assessed through the Quality Reporting Program.
Program of Assistance for Survivors of Torture and Trauma (DoHA)	The Department does not monitor internal complaints processes. Providers are required to undertake self-assessment against the <i>Torture and Trauma Standards Self Assessment Manual</i> . This includes a component related to complaints systems. The self-assessments are submitted to the support organisation for PASTT providers, the Forum of Australian Services for Survivors of Torture and Trauma (FASSTT).
Healthy for Life (DoHA – OATSIH)	Complaints processes are reviewed as part of the Risk Assessment framework.
Mental Health Respite Program (FaHCSIA)	Providers are advised to incorporate FaHCSIA complaints mechanisms within their own complaints policy and processes. This ensures FaHCSIA becomes involved in complaints when necessary.
Commonwealth Financial Counselling activity (FaHCSIA)	The internal complaints processes of service providers are not normally reviewed by the Branch.
Communities for Children Initiative (FaHCSIA)	Organisations' complaints processes are reviewed by an independent assessor as part of the review of Approval Requirements.* If a complaint is received by the department about a service, the organisation's complaint process is reviewed by the relevant FaHCSIA Network staff.
Rural Financial Counselling Service (DAFF)	The department does not review service providers' internal complaints processes as a rule. If necessary, the department can audit service providers on this issue.

* Not all C4C providers are required to adhere to Approval Requirements (dependant on the funding source within FaHCSIA).

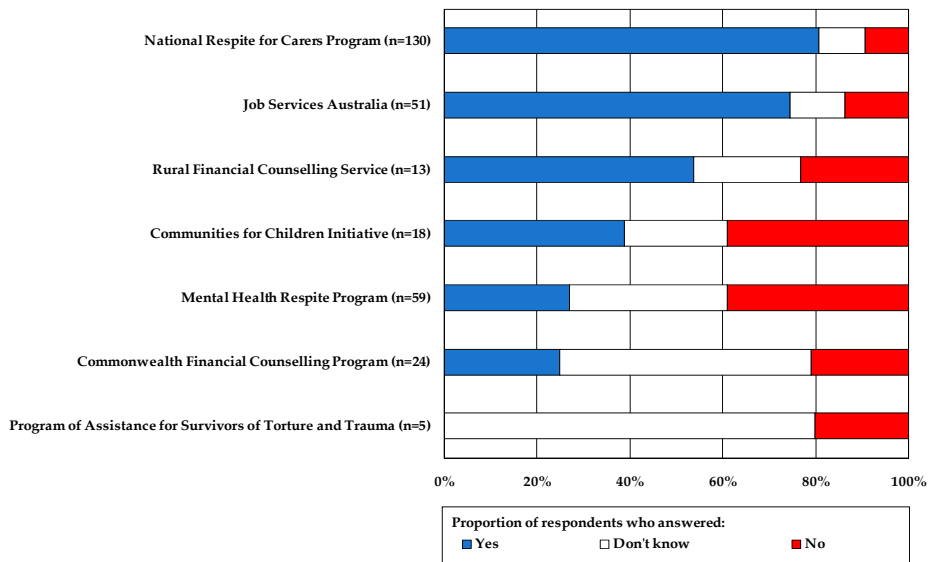
Source: ANAO.

Service provider perspective on agency monitoring of service providers' complaints system implementation

4.26 For each of the programs examined, the ANAO asked service providers about their complaints procedures and the funding department's monitoring of their complaints systems. Figure 4.2 provides these responses.

Figure 4.2

ANAO survey question: 'Have your complaint handling procedures been made available for review by the Department?'



Note: n equals the number of survey respondents.

The Healthy for Life Program (DoHA) was not included in the ANAO service provider Opinion Survey.

Five of the eight PASTT service providers responded to this question and given this small sample size (n=5), the PASTT results should be interpreted with caution.

Source: ANAO service provider Opinion Survey.

4.27 In responding to the ANAO's survey, nearly all service providers reported that they had a client complaint system in place. However, a substantial proportion indicated that their systems had either not been reviewed by the department or they were unsure if such a review had occurred. In some of the programs examined less than a quarter of service providers indicated that their complaint procedures had been made available to the funding department.

4.28 Overall, there is scope for agencies to improve their monitoring of service providers' implementation of complaints systems, especially given the importance of complaints systems to ensuring quality service delivery and capturing feedback as to whether client groups consider that they have been dealt with effectively, fairly, impartially and in a courteous manner.

Agency monitoring of complaints and identification of systemic issues

4.29 As previously outlined, the monitoring of complaints made to service providers should provide agencies with important information about areas for improvement at the provider level, and assist as an early warning mechanism for emerging issues at the program level. The Commonwealth Ombudsman states that:

Complaints information is important because it can provide a picture of weaknesses in existing programs, policies and service and program delivery. This is, however, only possible if good records are kept and the information regularly analysed. Reports ...should include the following: the number of complaints about a particular matter; spikes in complaints; the geographical spread of complaints; the characteristics of the complaints; and issues that expose a weakness in the agency's processes or that raise questions about integrity and reputation.²⁶

4.30 The better practice guidance provided by the Commonwealth Ombudsman is reflected in *Ahead of the Game—Blueprint for the Reform of Australian Government Administration*:

improving the quality and diversity of citizen feedback will help the public service to continually improve. Citizen feedback is particularly important to connect front line service delivery to policy designers. Without information on whether progress has been made, it is difficult to adjust or re-design policies and programs. Over time, citizen feedback also improves the data available for future evaluations of public service performance.²⁷

4.31 A summary of the agencies' responses to questions regarding provider reporting of customer complaints and actions taken by the relevant department to resolve complaints are outlined in Table 4.4 below.

²⁶ Commonwealth Ombudsman, *Better Practice Guide to Complaint Handling*, April 2009, p. 27.

²⁷ Advisory Group on the Reform of Australian Government Administration, op. cit.

Table 4.4

Complaints reporting and action by audited agencies

Program	Department responses: <i>Complaints reporting and action by the Department</i>
Job Services Australia (DEEWR)	JSA providers are obliged under the Deed to record complaints in a Customer Feedback register. The Customer Feedback register is checked and assessed as part of the Quality Framework.
National Respite for Carers Program (DoHA)	The <i>Service Activity Report</i> (SAR) provides a report of complaints which are collated by the provider and included as part of their SAR. The complaints information is monitored at the department's state and territory office level.
Program of Assistance for Survivors of Torture and Trauma (DoHA)	DoHA monitors the six and twelve monthly reports that PASTT providers submit to their support organisation FASSTT (see Table 4.3 above). DoHA works with FASSTT on issues of continuous quality improvement.
Healthy for Life (DoHA – OATSIH)	OATSIH maintains a 'Running Events Register' outlining any governance, financial management or other contract issues for each service provider. This includes complaints. The Running Events Register is one of the key documents feeding into the OATSIH Risk Assessment process. Complaints may trigger a review of the Risk Assessment for a particular service provider.
Mental Health Respite Program (FaHCSIA)	Providers are asked to report complaints that may lead to media attention, police intervention or legal proceedings. Complaints to FaHCSIA from MHRP providers about the Program Guidelines in 2008-09 led to clarification of information within the Guidelines. Work on consolidating the Guidelines is continuing.
Commonwealth Financial Counselling activity (FaHCSIA)	CFC service providers are not required to specifically report to FaHCSIA on complaints. Feedback on all aspects of the administration and delivery of CFC is used to inform current and future policy and program activities (using the FaHCSIA complaints system). FaHCSIA has not identified trends in complaints relating to CFC.
Communities for Children Initiative (FaHCSIA)	Providers are required to detail the number of complaints they have received over the course of a year for each service they operate in the Annual Status Report, however, this is not a detailed report of each incident. Providers are asked to provide file notes and reports on an incident where the department becomes involved in a complaints process.

Program	Department responses: <i>Complaints reporting and action by the Department</i>
Rural Financial Counselling Service (DAFF)	<p>The Resource Manual advises service providers to notify the department in the event of a client complaint and inform it of the process for its resolutions and outcomes. No such reports have recently been provided to the department.</p> <p>Action would be taken on a case by case basis. Possible actions could include a performance review of the organisation and suspension of payments or the Deed of Grant where service performance is not satisfactory.</p> <p>Past reviews of the RFCS have included a review of complaints information.</p>

Source: ANAO.

4.32 Six of the eight programs (JSA, NRCP, PASTT, OATSIH, C4C and RFCS) require their service providers to regularly report to the responsible agency on complaints. For C4C and NRCP, this is statistical information only, while the MHRP requires information only on ‘high profile’ complaints.

4.33 FaHCSIA and DEEWR also have access to complaints information from their departmental complaints mechanisms. DEEWR advised the ANAO that information from its Customer Service Hotline feeds into its Quality Reporting Framework for JSA providers. Critical complaints are also included in monthly program assurance reporting.

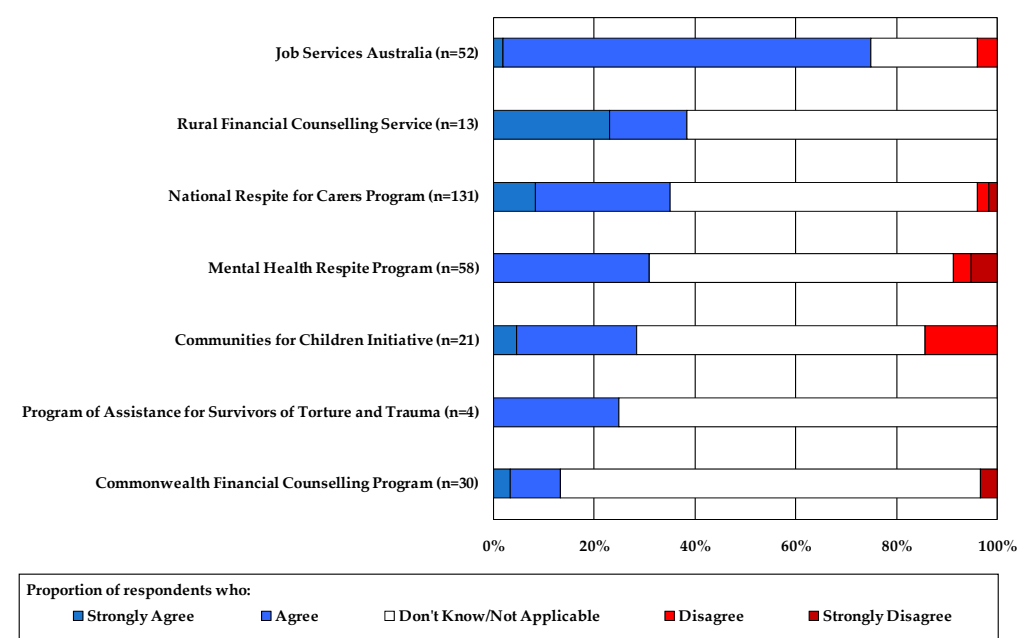
4.34 FaHCSIA advised that the complaints processed through its National Office Complaints Team are used to guide program design, broad program outcomes and forward planning, particularly taking into account any identified systemic issues. The department’s Executive Management Group also receives regular reports on complaints.

Service provider perspective of agency monitoring of complaints

4.35 In its survey, the ANAO asked service providers whether their respective funding department responds to issues or trends identified by client complaints. Figure 4.3 outlines provider opinions.

Figure 4.3

Extent to which service providers agreed with the statement that ‘The Department responds to issues or trends identified by client complaints’



Note: n equals the number of survey respondents.
The Healthy for Life Program (DoHA) was not included in the ANAO service provider Opinion Survey.
Four of the eight PASTT service providers responded to this question and given this small sample size (n=4), the PASTT results should be interpreted with caution.

Source: ANAO service provider Opinion Survey.

4.36 The ANAO notes that a significant proportion of service providers indicated that they had not received information from the department that administered their program regarding trends in complaints and were, therefore, unsure as to how the department would deal with such complaints. This may explain the high response rate against the ‘don’t know/not applicable’ category.

4.37 However, some service providers indicated that they would appreciate feedback from the agency about complaints information. For example:

[we] do not receive any feedback about what client complaints have been about or whether there were any changes made due to the complaint. It would be useful information for all service provides to have if it could improve service delivery.

I am uncertain about [Dept X] policies/procedures for complaints or satisfaction. We concentrate on our own processes.

4.38 Six of the eight programs examined by the ANAO required their service providers to report to the administering department on complaints. Given the Commonwealth Ombudsman's guidance about the importance of complaints information in identifying systemic issues, there may be scope for some agencies to improve the detail of reporting and the use of this information.

4.39 Programs with a small number of service providers, such as PASTT and RFCS, would be able to monitor individual complaints more closely than those with a large number of service providers, such as JSA and NRCP. However, as the Ombudsman has suggested, monitoring of information such as 'spikes' in complaints, geographical spread, and characteristics of complaints, could provide a useful early warning system about service delivery quality issues at the provider level, or program design issues.

Chapter conclusion

4.40 Complaint handling and the opportunities it provides for program improvement is an important part of a 'client-centred' approach to service delivery. Client feedback, including complaints, is a valuable indicator of service quality, and can inform future improvements to service delivery. The ANAO examined whether the four agencies included in the audit: had an agency complaint handling system; required service providers to have a complaint handling system; monitored service provider complaint processes; and identified systemic issues and trends.

4.41 Two departments (FaHCSIA and DEEWR) have departmental complaints systems that include toll-free numbers that take complaints directly from clients. All four agencies expected service providers to operate an internal complaints process, and this was specified in program funding agreements or program guidelines.

4.42 However, the guidance the agencies provided to their service providers on the requirements of a sound complaints system varied markedly. JSA addressed all the areas suggested by better practice guidance, while the remaining programs examined only partially addressed these areas. There is scope for these programs to provide their service providers with increased guidance about the design of an effective complaints system, based on the Commonwealth Ombudsman's *Better Practice Guide to Complaint Handling*.

4.43 In responding to the ANAO's survey, nearly all service providers reported that they had a client complaint system in place. However, a substantial proportion indicated that their systems had either not been reviewed by the department or they were unsure if such a review had occurred.

4.44 Overall, there is scope for agencies to improve their monitoring of their service providers' implementation of complaints systems, especially given complaints systems are integral to quality service delivery. In addition to ensuring complaints are followed up, as the Ombudsman has suggested, monitoring of information such as 'spikes' in complaints, geographical spread, and characteristics of complaints, could provide a useful early warning system about service delivery quality issues at the provider level, or program design issues.

5. Monitoring and Reporting the Performance of service providers

Introduction

In this chapter, the ANAO examines how agencies monitor and report on service provider performance in relation to the eight programs audited. The approaches used by agencies to identify better practice adopted by service providers and to share this knowledge are also discussed.

5.1 The establishment of robust monitoring and reporting arrangements is particularly important when programs are delivered through service providers. Such arrangements provide assurance to government that services are being delivered to the Australian public in an appropriate manner; enable the funding departments to take prompt corrective action if needed; and support continuous improvement.

5.2 This chapter examines:

- arrangements adopted by the four agencies to monitor their service providers' adherence to the agreed values and codes of conduct;
- agency reporting on service providers' adherence to values and codes of conduct; and
- whether agencies are able to identify better practice among service providers when delivering services and facilitate the sharing of this knowledge.

Arrangements adopted by the four agencies to monitor service providers

5.3 Accountability arrangements concerning the expenditure of public funds, particularly where non-government organisations are being funded to achieve government policy objectives, is a matter requiring considerable ongoing scrutiny. As the public sector increasingly utilises the non-government sector to deliver services to the Australian public, there is a growing recognition of the need to manage both accountability for conformance (appropriate and fair processes) and accountability for performance (results) in aspects of public administration that are outsourced.

5.4 Increasingly, agencies are faced with the issue of what is an appropriate trade-off between the nature and level of accountability and private sector cost efficiency in the delivery of public services. Often this issue arises in the form

of requests to reduce the level of 'red tape' that the non-government sector considers has been imposed upon them.

5.5 The challenge for any agency overseeing the delivery of services by third parties is to get the right balance between performance and conformance at any point in time and over time. In this environment agencies need to align and find an appropriate balance between their accountability responsibilities²⁸ and adequate provision for external scrutiny.²⁹ This is commonly referred to as 'fit for purpose' reporting.

5.6 In relation to each of the eight programs that were the subject of this audit, the ANAO assessed whether specific Key Performance Indicators (KPIs) or other measures were in place regarding values and codes of conduct. Table 5.1 summarises agency responses.

Table 5.1

KPIs in place regarding values and codes of conduct

Program	KPIs for values and codes of conduct
JSA	The Quality Framework measures service provider performance against a specific quality indicator.
NRCP	Set out in program strategy plan.
PASTT	Not specifically but other KPIs relate to implementation of Trauma and Torture standards.
Healthy for Life	No specific KPI.
MHRP	No program specific KPI relies on client satisfaction surveys and complaints data.
CFC	Service quality included in Performance Framework.
C4C	Measure is the percentage of service providers that meet current accreditation and approval requirements which include a code of conduct.
RFCS	No specific KPI.

Source: ANAO.

²⁸ Australian Government agencies are responsible and accountable for the use of public resources and for the performance of service providers contracted to deliver these services in accordance with the Government's policy objectives.

²⁹ APSC, *Policy Implementation through Devolved Government*, 2009, p.18

5.7 Table 5.1 indicates that one program, JSA, had a specific KPI related to values and codes of conduct. Three programs (Healthy for Life, the Mental Health Respite Program and the Rural Financial Counselling Services) had no specific KPI related to values and codes of conduct that would facilitate monitoring. The other programs examined had mechanisms in place that could act as a surrogate measure of service providers' adherence to the values/codes of conduct including:

- service standards – the Program of Assistance for the Survivors of Trauma and Torture, the National Respite for Carers Program and the Commonwealth Financial Counselling activity; and
- accreditation requirements – the Communities for Children initiative.

Monitoring of service providers adherence to agreed values and codes of conduct

5.8 In relation to each of the eight programs that were the subject of this audit, the ANAO assessed whether agencies monitored service providers' adherence to values and codes of conduct.

5.9 The four agencies have adopted different approaches to monitoring their service provider adherence to agreed values and codes of conduct. Table 5.2 provides the ANAO's assessment of the approaches adopted.

Table 5.2**Agency monitoring of service providers' adherence to values and codes of conduct: ANAO assessment**

Program	Criterion 4.1: Through the agency's overall monitoring framework, the provider's adherence to values and codes of conduct is monitored.
JSA	Yes.
NRCP	Yes.
PASTT	Relies on the reporting framework for Trauma and Torture standards.
Healthy for Life	Yes. ³⁰
MHRP	Indirectly.
CFC	Under Program Guidelines, CFC financial counsellors are expected to be a member of a relevant state financial counselling association, or to be eligible for membership of these associations.
C4C	Site visits and independent assessment of providers against the Approval Requirements.
RFCS	Self assessment by service provider.

Source: ANAO.

5.10 As illustrated in Table 5.2, Job Services Australia, the National Respite for Carers and the Healthy for Life programs reported that providers' adherence to values and codes of conduct were directly monitored.

5.11 Agency approaches to monitoring the implementation of values and/or codes of conduct in the programs audited were varied. While each of the audited agencies had an overall performance monitoring framework, including higher-level performance measures set out in Portfolio Budget Statements and agency plans, there was considerable variability in agency monitoring of service providers' adherence to values and codes of conduct. This variability may relate to the fact that other industry or service standards are in place and act as a substitute in relation to values and codes of conduct. However, this is not clear from the program documentation.

5.12 The eight programs included in this audit are relatively mature especially concerning the use of recognised industry standards and other quality assurance frameworks. However, where programs do not have the

³⁰ While the Healthy for Life program does not have a KPI for values and code of conduct, other monitoring processes are in place especially those contained in the risk management process.

same level of maturity, there would be value in setting out comprehensive monitoring arrangements to ensure that values and codes of conduct are embedded within the service delivery environment.

Reporting on service providers adherence to values and codes of conduct

5.13 Reporting is a key component of an effective monitoring regime. The establishment of appropriate reporting mechanisms between program managers and service providers provides a basis for sharing information about service performance issues. These arrangements can also provide a useful adjunct to management information by informing internal assurance processes and judgements of external stakeholders.

5.14 At the same time, reporting arrangements should recognise that, in some cases, service providers may have limited resources to report in depth across an extensive range of measures.

5.15 The recently issued Commonwealth Grant Guidelines discuss reporting requirements in relation to the 'fit for purpose' principle and suggests that a measured assessment of the risk attached to the service provider should inform an agency's consideration of the reporting requirements for grant recipients.

5.16 The volume, detail and frequency of reporting should have regard to the following matters:

- Subject to transparency considerations and risk management principles, it may be reasonable to give recipients with a consistent record of high performance and reliability a greater measure of day-to-day autonomy, relative to other recipients without an established record of performance. It may also be reasonable to consider less detailed reporting requirements for these recipients.
- Where possible and appropriate, consideration may be given to aligning grant reporting requirements with a recipient's internal reporting. For example, grant reporting requirements could be aligned to the reporting cycle and/or the substantive reporting requirements within the recipient organisation.
- Care should be taken to avoid imposing obligations on recipients to provide information which is available from other sources, such as the Australian Bureau of Statistics, peak bodies or a recipient organisation's publicly available material.

- A further consideration is the specific focus of agency reporting requirements. Poorly formulated reporting and accountability frameworks, which focus rigidly on outputs rather than outcomes, can potentially stifle innovation and the introduction of best practice by grant recipients, such as not-for-profit organisations in receipt of government funding.³¹

5.17 The complexity of reporting requirements and achieving an appropriate balance between accountability requirements and compliance costs for the service provider is a common theme in the interaction between providers and levels of government. Unnecessary departmental reporting requirements, when non-government organisations enter into funding arrangements with Australian Government agencies, have been identified as a significant ‘red tape’ compliance burden.^{32 33} A recent report of the Public Accounts and Public Works Committee of the Legislative Assembly of Queensland noted:

Non Government Organisations multiple sources of funding is often overlooked by funding bodies when demands are made for additional reporting mechanisms causing additional costs and administration.³⁴

5.18 *Ahead of the Game—Blueprint for the Reform of Australian Government Administration* recognises the need to establish: ‘greater partnering between government, private and community sectors, including simplified funding arrangements and regulatory requirements.’³⁵

Agency reporting

5.19 In relation to each of the eight programs that were the subject of this audit, departmental reporting on service providers’ adherence to values and codes of conduct is summarised in Table 5.3.

³¹ Department of Finance and Deregulation, *Commonwealth Grants Guidelines*, June 2009.

³² Productivity Commission, op. cit.

³³ ANAO Report No. 10 2007–08, *Whole of Government Indigenous Service Delivery Arrangements*, p. 102.

³⁴ Legislative Assembly of Queensland, Public Accounts and Public Works Committee, *Review of Auditor-General Report 2 for 2007—Results of Performance Management Systems Audits of Funding to Non-Government Organisations*, Report No. 2, September 2009, p. 38.

³⁵ Advisory Group on the Reform of Australian Government Administration, op. cit.

Table 5.3**Reporting on service providers' adherence to values and codes of conduct**

Program	<u>Criterion 4.3:</u> Information about service providers adherence to values and codes of conduct is reported both within the agency and externally where appropriate
JSA	Yes—complaints are reported in the Annual Report. Other reporting occurs internally and to service providers.
NRCP	No. NRCP reports under the Quality Reporting Framework.
PASTT	No reporting undertaken.
Healthy for Life	No reporting undertaken.
MHRP	Service provider's adherence to values and code of conduct are monitored through complaints mechanisms, issues management and stakeholder concerns.
CFC	No reporting undertaken. However, CFC management monitors service provider's adherence to values and codes of conduct through complaint mechanisms, issues management and stakeholder concerns.
C4C	No reporting undertaken.
RFCS	No reporting undertaken.

Source: ANAO.

5.20 While each of the audited agencies had an overall performance monitoring framework, of the eight programs examined only two (Job Services Australia and the National Respite for Carers Program) had both monitoring and reporting arrangements in place concerning their service provider adherence to values and codes of conduct.

5.21 This variability across programs may be a consequence of the existence of other industry or service standards and the role they play in relation to reporting against these frameworks which could include reporting on values and codes of conduct. However, if and when this is the case, it is not clearly identified in the relevant program documentation.

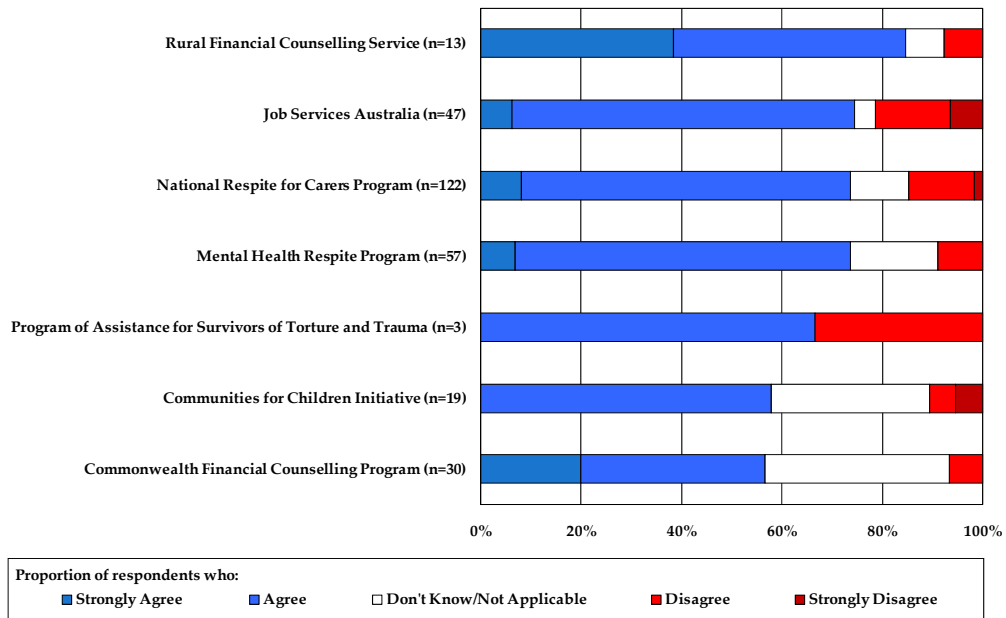
Service provider perspective

5.22 The ANAO service provider Opinion Survey asked providers if, overall, the cost of complying with program values/codes of conduct (and associated reporting requirements) was unduly burdensome.

5.23 Most service providers considered that the cost of complying with program values/codes of conduct (and the associated departmental reporting requirements) was not unduly burdensome.

Figure 5.1

Extent to which service providers agreed with the statement that ‘Overall, the cost of complying with program values/codes of conduct (and associated departmental reporting requirements) is not unduly burdensome’



Note: n equals the number of survey respondents.

The Healthy for Life Program (DoHA) was not included in the ANAO service provider Opinion Survey.

Three of the eight PASTT service providers responded to this question and given this small sample size (n=3), the PASTT results should be interpreted with caution.

Source: ANAO service provider Opinion Survey.

5.24 Figure 5.1 illustrates that, with the exception of the JSA and PASTT programs, less than 15 per cent of service providers considered that these compliance/ reporting costs were unduly burdensome. However:

- some JSA service providers were concerned about the costs associated with measuring and reporting against a new job seeker satisfaction and quality KPI; and

- given the small sample size (n=3), the PASTT survey results should be interpreted with caution.

Identifying and sharing better practice

5.25 Better practice—what is working well and why—can be identified by developing an understanding of the impact of service delivery processes on clients. One of the most useful indicators of quality in service delivery is feedback from the public. This can be captured through a variety of methods. Clients are best placed to articulate what they need and expect from service delivery outputs. Gathering this information from clients themselves can highlight gaps between client expectations and their actual service delivery experience.

5.26 Service providers, who are in contact with clients, also have valuable perspectives on what is working well and why, and where there are gaps between what the organisation is trying to achieve and levels of client satisfaction.

5.27 New technologies provide the opportunity to enhance feedback between service deliverers, clients and those responsible for program design. Appendix 5 provides an example of international approaches to sharing better practice by obtaining client perspectives through the use of e-information, e-services and e-tools, such as online government portals.

5.28 Future directions for the APS, outlined in *Ahead of the Game—Blueprint for the Reform of Australian Government Administration*, propose that:

new approaches to consultation and collaboration (be developed), including recent advances in technology, that allow citizens, community groups and business to engage more effectively in how government services could be delivered.³⁶

5.29 This aligns with directions contained in the recently released National Compact between the Australian Government and the Third Sector concerning engagement and consultation: *develop and implement codes of engagement to guide working together*.

³⁶ Advisory Group on the Reform of Australian Government Administration, op. cit.

Mechanisms to identify and share better practice

5.30 An effective performance monitoring framework systematically captures information from clients and service providers on better practices. This information is valuable to both service providers and government agencies to inform performance and program design and improvement.

5.31 The agencies and program areas included in this audit indicated their commitment to sharing better practice and to encouraging service providers to engage with clients to identify the features of service delivery appropriate to client needs.

5.32 For smaller programs with fewer service providers, such as the Program of Assistance for Survivors of Trauma and Torture (PASTT) with eight service providers and the Rural Financial Counselling Services (RFCS) with 14 service providers, networking and the informal exchange of service delivery expectations and experiences is common.

5.33 For larger programs such as the National Respite for Carers Program (NRCP) with services provided at over 600 locations, a more formal approach to information sharing may be appropriate. Figure 5.2 provides an extract from an NRCP service provider's report under Section E of DoHA's Quality Reporting framework, illustrating important service delivery lessons that can be shared with other providers within the Program to improve program responsiveness to client communities.

Figure 5.2

Extract from NRCP service provider report: sharing better practice

The delivery of Respite services to Carers from culturally and linguistically diverse background (CALD).

Objective: to engage the Vietnamese community and increase Carers involvement in care planning and review processes.

Issue: The service provider found that even after care services had commenced Carers were reluctant to respond to requests for reviews and were often unavailable, due to other commitments, for follow up contact. Carers also often rejected the use of interpreters.

Solution: The Provider actively consulted the Vietnamese community and found that while Respite for Carers was important, care recipients were reluctant to join mainstream programs. A Respite program was developed using Vietnamese speaking care workers. Information was translated into Vietnamese. Respite coordinators were flexible in setting times to meet with Carers to suit the availability of Carers.

Outcome: The Respite for Carers program is well received by Carers and care recipients.

Source: DoHA.

Client satisfaction measures

5.34 Over 70 per cent of service providers that responded to the ANAO survey indicated that they measure and are required to report on client satisfaction to their funding department.

5.35 However, evidence suggests that departments were not systematically communicating any trends they identified back to service providers. Figure 4.3 below shows that across the programs examined the proportion of service providers that were unable to assess this aspect of the department's performance (i.e. answered 'Don't know/not applicable') ranged between 40 per cent of JSA providers through to 79 per cent of CFC providers.

5.36 This reflects a number of factors³⁷, including:

- Some departments do not require service providers to provide client satisfaction statistics:

We are not required to report on client satisfaction to Department X.

We are not required to report complaints or client satisfaction about any funded care programs to Department Y. The only formal reporting to Department Y relates to quantitative issues rather than qualitative issues.

Because we are not asked to report about client satisfaction the questions above relating to this were difficult to answer.

- The recent introduction of the Jobs Services Australia (JSA) meant that it was difficult for service providers to assess to what extent DEEWR would respond to reported complaints and satisfaction statistics;

We have not received a complaint as of yet so I don't know how DEEWR responds to complaints and how client satisfaction with service delivery is handled.

- Some CFC service providers noted that the responsible department only recently required them to report client satisfaction statistics.³⁸

³⁷ Individual service provider responses are italicised.

³⁸ FaHCSIA advised that CFC providers are required to report on whether a client has gained an improved ability to manage their financial affairs in the future. This can be assessed by the provider or through client feedback. Service providers have reported this information for more than five years. Mechanisms for obtaining client feedback from Financial Management Program clients, including CFC clients, are being considered as part of a review of current data collection and reporting requirements and or methodologies.

5.37 To some extent these results also reflect either provider uncertainty about how departments actually use the client satisfaction statistics they report or a lack of feedback/reporting from departments in relation to client satisfaction. Illustrative provider responses from the ANAO survey are described below and the overall responses are presented at Figure 5.3:

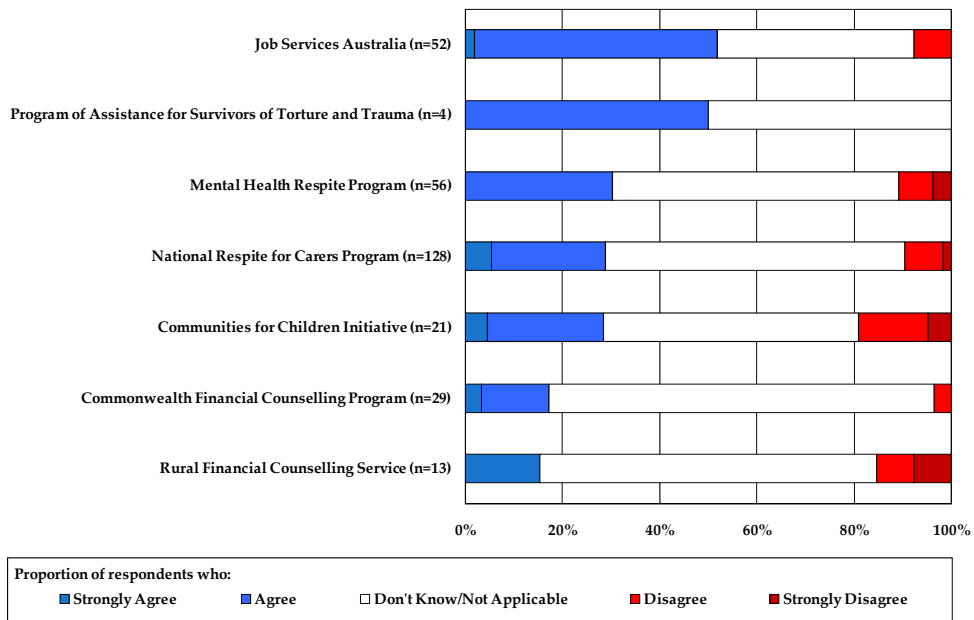
To date, there has been no publicised response to client satisfaction surveys/client complaints.

I am unaware of any feedback from client satisfaction survey except for that reported in the QR audits.

It is rare that we receive feedback following submitting of bi-annual narratives so difficult to know how department X responds.

Figure 5.3

Extent to which service providers agreed with the statement that ‘The department responds to issues or trends identified by client satisfaction surveys’



Note: n equals the number of survey respondents.

The Healthy for Life Program (DoHA) was not included in the ANAO service provider Opinion Survey.

Four of the eight PASTT service providers responded to this question and given this small sample size (n=4), the PASTT results should be interpreted with caution.

Source: ANAO service provider Opinion Survey.

Individual service provider examples of better practice

5.38 Responses by service providers to the ANAO survey included examples of better practice that could be shared more broadly. A selection of these are outlined below:

- a standard of assessing client satisfaction;
- a service charter, setting out service standards and a process for the regular review of performance against the standards;
- a form specifically developed for immediate client use following service delivery seeking comments on services or facilities as a means to identify areas for improvement;
- regular anonymous satisfaction surveys, easy complaints mechanisms including 'My Thoughts' options which allow clients to tell us their thoughts so as they don't feel they are complaining; and
- by conducting client satisfaction surveys annually and analysing the results to compare with other services within the organisation. We have also joined an external Benchmarking Program and client satisfaction is a key performance indicator included in this program.

5.39 Obtaining client feedback on the quality of service delivery can lead to continual improvement in service delivery and improved client satisfaction with the services provided. Concerning the four Australian Government agencies and eight programs that were audited, there are processes in place to obtain client perspectives on the services provided. However, there is little indication, with the exception of the Job Services Australia program, that departments are effectively using these client satisfaction measures to adapt or redesign program arrangements to better accommodate the needs of client groups.

Chapter conclusion

5.40 While it is important that performance monitoring concerning the delivery of services to the Australian public is 'fit for purpose' and does not place undue demands on service providers, it is equally important that agencies are able to assure stakeholders that services are being delivered in an appropriate and effective fashion and are responsive to client needs.

5.41 Agency approaches to monitoring provider implementation of values and/or codes of conduct in the programs audited were varied. While a number

of programs had no specific indicator directly related to values and codes of conduct, there were other processes in place which could inform whether service providers were adhering to their stated values/codes of conduct, including:

- service standards – the Program of Assistance for the Survivors of Trauma and Torture, the National Respite for Carers Program and the Commonwealth Financial Counselling activity;
- accreditation requirements – the Communities for Children initiative;
- quality frameworks – Job Services Australia; and
- the risk management arrangements for the Healthy for Life program which includes a monitoring process to assess whether a provider is adhering to the stated values and codes of conduct.

5.42 The variability in agency monitoring of service providers' adherence to values and codes of conduct may relate to the fact that other industry or service standards are in place and act as a substitute in relation to values and codes of conduct. This was, however, not evident from program documentation.

5.43 While each of the audited agencies had an overall performance monitoring framework, of the eight programs examined only two (Job Services Australia and the National Respite for Carers Program) had both monitoring and reporting arrangements in place concerning their service provider adherence to values and codes of conduct.

5.44 Of the eight programs examined, three had reporting requirements related to service providers' adherence to stated values and codes of conduct, but none had tailored their reporting requirements to the risk profile of the individual provider.

5.45 Obtaining client feedback on the quality of service delivery can inform the continual improvement of service delivery and improved client satisfaction with the services provided. For all eight programs audited, agencies had put in place processes to obtain client perspectives on the services provided. The agencies and program areas included in this audit also indicated their commitment to sharing better practice and to encouraging service providers to engage with clients to identify the features of service delivery appropriate to client needs. However, with the exception of the Job Services Australia program, there was little indication that departments were effectively using client satisfaction measures as a mechanism to adapt or redesign program arrangements to better accommodate the needs of their client groups.



Ian McPhee
Auditor-General

Canberra ACT
26 May 2010

Appendices

Appendix 1: Agency Responses

Department of Agriculture, Fisheries and Forestry



Dear Mr Cahill

Thank you for your letter of 23 March 2010 providing the Department of Agriculture, Fisheries and Forestry (the department) with the proposed performance audit report on *Application of the core APS Values and Code of Conduct to Australian Government service providers*. I appreciate the opportunity to comment on the draft report.

I agree with the recommendation in the report. Incorporating better practice principles for applying values and codes of conduct to the department's service providers will assist in ensuring that services will be appropriately delivered to clients.

The department is currently reviewing its complaints handling framework. I have asked for the recommendation and better practice principles to be taken into account as part of this review in relation to developing and reviewing any new and existing arrangements with service providers.

I am, however, concerned that the report could be interpreted as implying that the department as a whole does not consider that values and codes of conduct should be included in all funding arrangements, and that this is a shortcoming. Service delivery of the type examined in this audit is rare in the department. For this reason I do not think such clauses should be included in all the department's standard funding arrangements. Rather such arrangements are dealt with on a case-by-case basis. I would be grateful if the true situation could be more clearly explained in the report.

More detailed commentary on the audit report is attached.

Should you require further information, please contact Ms Leanne Herrick, A/g General Manager, Governance, Contracts and Services, on 02 6272 4411 or by email at leanne.herrick@daf.gov.au.

Yours sincerely

Conall O'Connell

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DEPARTMENT OF AGRICULTURE, FISHERIES AND FORESTRY

Department of Education, Employment and Workplace Relations



Australian Government

Department of Education, Employment and Workplace Relations

Mr Matt Cahill
Group Executive Director
Performance Audit: Services Group
Australian National Audit Office
GPO Box 797
CANBERRA ACT 2601

Dear Mr Cahill

ANAO Performance Audit – Application of the core APS Values and Code of Conduct to Australian Government service providers

I refer to your letter of 23 March 2010 in which you provided a copy of the proposed report for the abovementioned audit under Section 19 arrangements.

You requested that DEEWR respond covering three parts.

1. Agency consideration of the recommendation

DEEWR response

Agree

The Department of Education, Employment and Workplace Relations (DEEWR) notes that the report identifies that its contractual arrangement with Job Services Australia providers embodies the recommendation as framed by the report and appreciates the opportunity which this report gives to revisit and openly consider alternative approaches to applying the APS values and codes of conduct to Australian Government service providers.

While DEEWR has sound practices, as noted in the report, DEEWR is committed to further strengthening its approach by implementing, where appropriate, the better practice principles outlined in this report.

2. Summary of DEEWR comments for inclusion in the report summary and brochure

DEEWR response

The Department of Education, Employment and Workplace Relations (DEEWR) welcomes this report and notes, as demonstrated in the findings of the audit, that the Audit Office considers that the department has a strong commitment to promulgating the APS values and code of conduct through the contracting arrangements it has in place with Job Services Australia.



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2

While DEEWR has sound practices, as noted in the report, DEEWR is committed to further strengthening its approach by implementing, where appropriate, the better practice principles outlined in this report.

3. Any additional detailed commentary, including of an editorial nature, that can be reflected as appropriate in the body of the report.

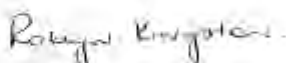
DEEWR response

DEEWR does not have any additional information to add to the report nor are there any changes of an editorial nature.

Thank you for the opportunity to provide comment with respect to this report.

If you have any queries regarding the department's response, please contact me on (02) 6121 5002.

Yours sincerely



Robyn Kingston
Chief Internal Auditor

19 April 2010

Department of Families, Housing, Community Services and Indigenous Affairs



Australian Government
Department of Families, Housing,
Community Services and Indigenous Affairs

Dr Jeff Harmer AO
Secretary

Mr. Ian McPhee
Auditor- General for Australia
Performance Audit Service Group
Australian National Audit Office
19 National Circuit Barton, ACT 2600

Dear Mr. McPhee

ANAO PERFORMANCE AUDIT - *Application of the core APS Values and Code of Conduct to Australian Government service providers*

I am pleased to provide FaHCSIA's comments on the proposed audit report, *Application of the core APS Values and Code of Conduct to Australian Government service providers*. In general, FaHCSIA agrees with the recommendations with some qualifications as detailed in our comments.

I note that the proposed report recognises that FaHCSIA has already substantially addressed the role of values statements and codes of conduct through the use of standard clauses in funding agreements and quality assurance arrangements requiring service providers to abide by existing recognised industry standards or developed by relevant professional bodies.

Detailed comments are attached. As requested, these are provided in three parts:

- formal agency agreement / comments on the proposed report for each of the audit's recommendations;
- a short summary of FaHCSIA comments to be included in the report summary and brochure
- additional commentary (including editorial comments) that can be reflected in the body of the report

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www.fahcsia.gov.au

The contact officer in the Department is Yvonne Korn, Branch Manager Program Frameworks, 6132 1050.

Yours sincerely



Dr Jeff Harmer

11 May 2010



Australian Government

**Department of Families, Housing,
Community Services and Indigenous Affairs**

Comments re proposed audit report – Application of core APS Values and Code of Conduct to Australian Government service providers

Part 1 - Formal Agency Comments

Recommendation

“The ANAO recommends that Australian Government agencies consider incorporating, where appropriate, the better practice principles identified in this audit for applying values and codes of conduct to Australian government service providers including:

Comments

FaHCSIA notes the preamble to the recommendation, i.e.:

“The following recommendation is based on areas of better practice and potential improvement identified in the four audited agencies. Australian Government agencies, generally, are encouraged to assess the relevance of these areas in light of their own circumstances, including the extent to which they are already addressed by practices in place.”

FaHCSIA has already substantially addressed the role of values statements and codes of conduct through existing business processes namely the use of standard clauses in funding agreements and quality assurance arrangements requiring service providers to abide by existing recognised industry standards or developed by relevant professional bodies.

Notwithstanding these processes already in place, FaHCSIA continues to work with service providers through the National Compact and through ongoing funding arrangements to improve the quality of services delivered to families and

communities with respect to the points raised in the recommendation. Further comments on each point are provided below.

<i>Recommendation sub-point</i>	<i>Agree / Agree with qualification / Do not agree</i>	<i>Comments</i>
<i>Considering how the APS Values and Code of Conduct may apply</i>	Agree	The application of Values and Codes of Conduct are assessed either as part of the funding principles underpinning the strategy for program delivery or through specific selection criteria required to be addressed as part of selection processes.
<i>Inserting relevant provisions in funding agreements</i>	Agree	<p>FaHCSIA has already substantially addressed the role of values statements and codes of conduct through the use of standard clauses in funding agreements and quality assurance arrangements requiring service providers to abide by relevant existing recognised industry standards or developed by relevant professional bodies. Clause 3.2(b) of the Terms and Conditions of FaHCSIA's standard funding agreement requires funding recipients to 'comply with any codes of ethics, regulations or other industry standards relevant to the activity.'</p> <p>APS Values and Codes of Conduct provisions could be more explicitly incorporated into funding agreements or specifically articulated in Program Guidelines. Inclusion of these provisions in funding agreements would result in the Values and Code becoming a contractual requirement and impose an additional administrative burden on providers where industry and sector standards already exist.</p> <p>Inclusion of the APS Values and Code of Conduct within program guidelines would result in a best practice approach. For example, funding agreements require Communities For Children service providers to</p>

		<p>deliver the activity in accordance with the Financial Management Program Guidelines, which include standards relating to values and codes of conduct. Appropriate amendments will be considered as relevant documents are revised and updated.</p>
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<p><i>Ensuring complaints handling procedures are in place</i></p>	<p>Agree</p>	<p>FaHCSIA agrees that there is scope to provide service providers with increased guidance about the design of an effective complaints system. This sort of advice is currently provided in varying levels of detail directly by program areas. FaHCSIA sees value in the development of a broader set of guidelines that could be used by all service providers and encourage providers to ensure their complaints handling systems are in line with the Commonwealth Ombudsman's Better Practice Guide.</p> <p>FaHCSIA supports the recommendation that Program Guidelines state complaints handling procedures should be in place by service providers. We note, however, that many providers have existing procedures which are applied across the range of programs they deliver. As a result it may not be necessary to specify in detail the procedures service providers should undertake. Program guidelines are reviewed regularly. Guidance on good practise in complaints handling will be considered for inclusion in the guidelines.</p> <p>The National Compact's eight priority action areas include documenting and promoting the value and contribution of the Sector, including by the development of a guide to assist Government and the sector to implement the Compact. The cooperation and collaboration fostered by the Compact can assist in minimising the risk of gaps or misunderstanding between industry, provider or program approaches and give rise to the development of agreed values and codes of engagement/conduct.</p>
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<i>Monitoring and reporting the performance of service providers</i>	Agree	<p>The monitoring of service providers' implementation of complaints systems forms part of ongoing performance management against funding agreement requirements. FaHCSIA uses a risk based approach to monitoring service providers' compliance with funding agreement requirements. Understanding of risks can be informed by the analysis of complaints data. Complaints regarding service providers that escalate to the FaHCSIA complaints team continue to be recorded and monitored through our processes.</p> <p>FaHCSIA is reviewing its current data collection and reporting arrangements. Mechanisms for obtaining client feedback are being considered in this context.</p>

Department of Health and Ageing



Australian Government
Department of Health and Ageing

SECRETARY

Ref: 2009/064071

Mr Matt Cahill
Group Executive Director
Performance Audit Services Group
Australian National Audit Office
GPO Box 707
CANBERRA ACT 2601

Dear Mr Cahill

**PERFORMANCE AUDIT – APPLICATION OF THE CORE APS VALUES AND
CODE OF CONDUCT TO AUSTRALIAN GOVERNMENT SERVICE PROVIDERS**

Thank you for your letter of 23 March 2010 and the opportunity for the Department to provide comments on the proposed report on the above-referenced audit.

The Department is generally supportive of the audit report and agrees with the recommendation.

If you have any questions about the Department's response, please contact Mr Colin Cronin, Assistant Secretary, Audit & Fraud Control (☎62897877) in the first instance.

Yours sincerely



Jane Halton PSM
Secretary

26 April 2010

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Appendix 2: The development of the APS Values and Code of Conduct

1. Key points in the development of the APS Values and Code of Conduct are summarised in the table below.

Table A 2

Key points in the development of the APS Values and Code of Conduct

Date	Action/development
1980 – early 1990s	Growing push to review the Public Service Act, including reports such as the <i>Reid Review of Commonwealth Administration</i> (1982-83) and the <i>Building a Better Public Service</i> (Management Advisory Board, 1993).
1994	McLeod Public Service Act Review Group, which reported a need for a common set of values, and consulted widely on what the values should include. The final report identified 14 Key Public Service Values, around issues such as responsiveness, results, merit, integrity, accountability, and continuous improvement.
1996-97	Discussion papers were released about the form of the new Public Service Act – <i>Towards a Best Practice Australian Public Service</i> (Management Advisory Board, 1996) and <i>The Public Service Act 1997 – Accountability in a devolved Management Framework</i> (PSMPC 1997). This paper included ten proposed values to become the basis of the new public service act.
June 1997	The Public Service Bill 1997 was introduced to Parliament. The Bill included 11 values ‘to which the APS should aspire’ and 13 criteria under a Code of Conduct.
June – December 1997	Bill inquiries by the Joint Committee of Public Accounts and Audit and the Senate Finance and Public Administration Committee recommend substantial amendments, including to the proposed APS Values. The Bill lapsed.
March 1999	Public Service Bill 1999 (identical to the 1997 Bill) was introduced to Parliament. The government negotiated with the Australian Democrats and the Coalition Opposition on amendments to the Bill, including four new values. These were: <ul style="list-style-type: none"> • The APS promotes equity in employment; • The APS provides a reasonable opportunity to all eligible members of the community to apply for APS employment; • The APS is a career-based service to enhance the effectiveness and cohesiveness of Australia’s democratic system of government; and • The APS provides a fair system of review of decisions in respect of APS employment.
5 December 1999	The <i>Public Service Act 1999</i> comes into effect, including 15 Values and 13 sub-clauses under the Code of Conduct.

2. This table is based on two articles. See these publications for a more detailed history of the development of the *Public Service Act 1999*:
- John Wanna, 'Public Service, Public Values: the Implementation of a Charter of Values in the Australian Public Service', presentation to the Australasian Political Studies Association Conference 2005, Otago University, New Zealand; and
 - ASPC Occasional Paper no. 3: *A History in Three Acts: Evolution of the Public Service Act 1999*, Commonwealth of Australia, Canberra, 2004.

Appendix 3: Service provider opinion survey

1. As a key input to this performance audit, the ANAO sought feedback from service providers (via an online survey) on a range of issues, including whether:
 - government agencies had effectively communicated their expectations in relation to values/codes of conduct when dealing with clients;
 - government agencies had adequately engaged them in developing values/codes of conduct for their program and whether these values/codes of conduct were appropriate to the specific services being delivered; and whether
 - the level of administration associated with handling complaints from clients and reporting compliance with agreed values/codes of conduct was unduly burdensome.
2. Table A 3 identifies the seven programs that were surveyed, the number of service providers, the number of respondents and the actual response rate. The eighth program - Healthy for Life (HfL) which is delivered by service providers on behalf of OATSIH DoHA – was not surveyed. It was decided that this program would be excluded from the online survey and that face-to-face interviews be conducted with relevant Departmental staff and staff from one HfL service provider.

Table A 3**Programs surveyed by the ANAO**

Program Name	No. of service providers	No. of Respondents	Response Rate %
National Respite for Carers (NRCP)	308	136	44
Mental Health Respite Program (MHRP)	132	66	50
Job Services Australia (JSA)	115	56	49
Commonwealth Financial Counselling (CFC)	66	35	53
Communities for Children Initiative (C4C)	33	24	73
Rural Financial Counselling Services (RFCS)	14	13	93
Program of Assistance for Survivors of Trauma and Torture (PASTT)	8	5	63
TOTAL	676	335	50

Source: ANAO.

3. A number of questions sought opinions from service providers on a scale from 'Strongly agree' to 'Strongly disagree'. A fifth possible response was added—'Don't know/not applicable'. These two categories were amalgamated into one response category because it was unlikely that the distinction between these two responses would be reliably assessed and differentiating would increase the burden on respondents (adversely impacting on the survey completion rate). The combined 'Don't know / not applicable' response is commonly used in opinion surveys and enables respondents to indicate where they do not have an informed opinion on an issue (regardless of the reason).

Appendix 4: Service provider characteristics gathered through the ANAO Opinion Survey

1. Table A 4 summarises the characteristics of the service providers delivering the seven programs surveyed by the ANAO.
2. For each program, Table A 4 presents the median:
 - number of staff employed by service providers as at 1 July 2009;
 - number of service provider staff involved in delivering program services;
 - number of volunteers that service providers involve in delivering program services;
 - number of Commonwealth programs delivered by service providers; and
 - percentage of service provider funding provided by the Commonwealth.

Table A 4

Service provider characteristics

Program	Number of staff at 1 July (median)	Staff delivering program (median)	Volunteers delivering program (median)	No of programs delivered for Commonwealth (median)	Percentage of funding from Commonwealth (median)
JSA	85	43	0	3	80
NRCP	60	12	2	3	52
PASTT	30	6	3	4	76
MHRP	33	6	0	5	56
CFC	40	1	0	3	40
C4C	149	5	9	10	40
RFCS	14	10	0	1	76

Source: ANAO service provider Opinion Survey.

3. Given the impact of outliers on average statistics, the median is often a better measure of 'typical' service provider characteristics.³⁹ Based on the median values shown in Table A 4 we see that:

- JSA service providers typically employ around 85 staff, of which around half (43 staff) are involved in delivering JSA services. JSA service providers typically deliver three programs on behalf of the Commonwealth and source most (80%) of their funding from the Commonwealth Government;
- NRCP service providers typically employ around 60 staff, of which around 12 are involved in delivering NRCP services with the assistance of two volunteers. NRCP service providers typically deliver around three programs on behalf of the Commonwealth and source around half (52%) of their funding from the Commonwealth Government;
- PASTT service providers typically employ around 30 staff, of which six are involved in delivering PASTT services with the assistance of three volunteers. PASTT service providers typically deliver four (4) programs on behalf of the Commonwealth and source around three-quarters (76%) of their funding from the Commonwealth Government;
- MHRP service providers typically employ around 33 staff, of which around six are involved in delivering NRCP services. MHRP service providers typically deliver around five programs on behalf of the Commonwealth and source over half (56%) of their funding from the Commonwealth Government;
- CFC service providers typically employ around 40 staff. However, typically only one staff member is involved in delivering CFC services. CFC service providers typically deliver around three programs on behalf of the Commonwealth and source less than half (40%) of their funding from the Commonwealth Government;

³⁹ For example, a very large organisation may significantly increase the average number of staff employed by service providers such that almost all service providers employ less than this average number of staff. In such instances, it is standard practice to report median values for the measures listed in Table A2.1.

- C4C service providers typically employ around 149 staff. However, typically only five (5) are involved in delivering C4C services with the assistance of around nine (9) volunteers. C4C service providers typically deliver around ten (10) programs on behalf of the Commonwealth and source less than half (40%) of their funding from the Commonwealth Government; and
- RFCS service providers typically employ around 14 staff, of which most (around 10) are involved in delivering RFCS services. RFCS service providers typically deliver only one program on behalf of the Commonwealth (i.e. the RFCS) and source around three-quarters (76%) of their funding from the Commonwealth Government.

Appendix 5: International approaches to sharing better practices by obtaining client perspectives

The Common Measurements Tool

1. Testing clients' views of the delivery of government services is well developed in a number of overseas jurisdictions. For example, Canada has a Common Measurements Tool. This Tool improves public sector managers' understanding of client expectations, enables the assessment of levels of satisfaction with delivery approaches, and supports the identification of priorities for improvement. By analysing responses to the questions set out in the Common Measurements Tool, public sector managers can compare their results against peer organisations, identify best practices and share lessons learned.
2. New Zealand has adopted the Common Measurements Tool and through a survey of the population ('Kiwis Count'), identified drivers of satisfaction specific to the NZ experience. Drivers included:
 - the service experience met your expectations;
 - staff were competent;
 - staff kept their promises;
 - you were treated fairly;
 - you feel that your individual circumstances were taken into account; and
 - it's an example of good value for tax dollars spent.
3. Measuring the performance of individual agencies involved in service delivery against these drivers provides a focus for service improvement.

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Administration of Climate Change Programs
Department of the Environment, Water, Heritage and the Arts
Department of Climate Change and Energy Efficiency
Department of Resources, Energy and Tourism

ANAO Audit Report No.27 2009–10

Coordination and Reporting Australia's Climate Change Measures
Department of Climate Change and Energy Efficiency
Department of Innovation, Industry, Science and Research

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The Australian Electoral Commission's Preparation for and Conduct of the 2007 Federal General Election

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Attorney-General's Department Arrangements for the National Identity Security Strategy

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Management of the Strategic Regional Program/Off-Network Program
Department of Infrastructure, Transport, Regional Development and Local Government

ANAO Audit Report No.31 2009–10

Management of the AusLink Roads to Recovery Program
Department of Infrastructure, Transport, Regional Development and Local Government

ANAO Audit Report No.32 2009–10

Management of the Overseas Owned Estate
Department of Foreign Affairs and Trade

ANAO Audit Report No.33 2009–10

Building the Education Revolution—Primary Schools for the 21st Century
Department of Education, Employment and Workplace Relations

ANAO Audit Report No.34 2009–10

The Management and Use of Double Taxation Agreement Information Collected Through Automatic Exchange

Australian Taxation Office

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Administration of the Superannuation Co-contribution Scheme

Australian Taxation Office

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Emergency Management and Community Recovery Assistance in Centrelink

Centrelink

The Department of Families, Housing, Community Services and Indigenous Affairs

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Lightweight Torpedo Replacement Project

Department of Defence

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Campaign Advertising Review July 2009 - March 2010

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Medicare Australia's Administration of the Pharmaceutical Benefits Scheme

Medicare Australia

Department of Health and Ageing

Department of Human Services

Current Better Practice Guides

The following Better Practice Guides are available on the Australian National Audit Office website.

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SAP ECC 6.0

Security and Control	June 2009
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Preparation of Financial Statements by Public Sector Entities	June 2009
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Business Continuity Management

Building resilience in public sector entities	June 2009
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Developing and Managing Internal Budgets	June 2008
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Making implementation matter	Oct 2006
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User-Friendly Forms

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Building Capability—A framework for managing learning and development in the APS	Apr 2003
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Performance Information in Portfolio Budget Statements	May 2002
Some Better Practice Principles for Developing Policy Advice	Nov 2001
Rehabilitation: Managing Return to Work	June 2001
Building a Better Financial Management Framework	Nov 1999
Building Better Financial Management Support	Nov 1999
Commonwealth Agency Energy Management	June 1999
Controlling Performance and Outcomes	Dec 1997
Protective Security Principles (in Audit Report No.21 1997–98)	Dec 1997