Corruption risks associated with government funded human services delivered by community service organisations
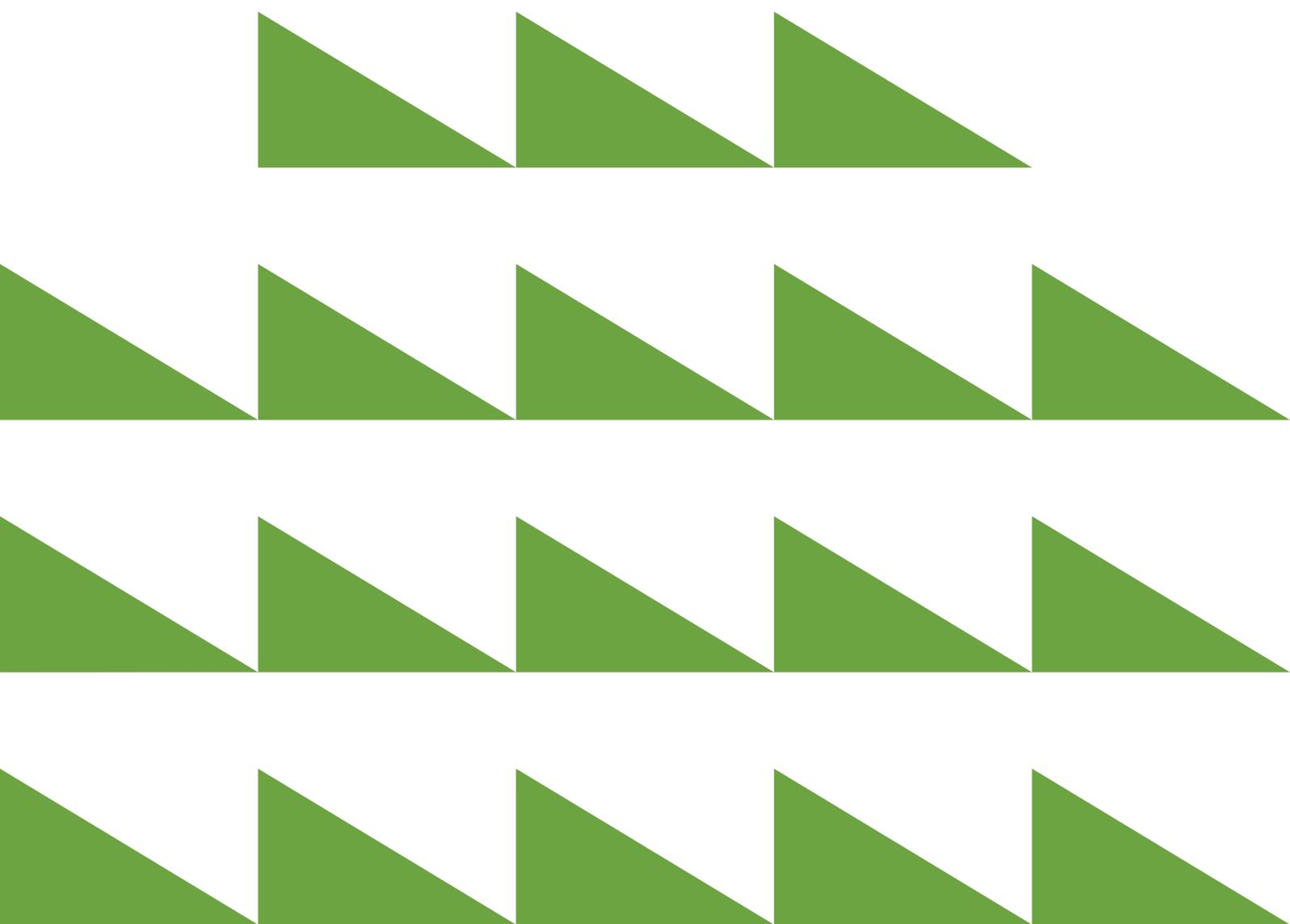
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Contents

Definitions

Acronym / term	Definition
ACCO	Aboriginal Community Controlled Organisations
ACNC	Australian Charities and Not-for-profits Commission
ACNC Act	*Australian Charities and Not-for-profits Commission Act 2012 (Cth)*
AMF	Agency Monitoring Framework
ASIC	Australian Securities and Investments Commission
ATO	Australian Taxation Office
CAV	Consumer Affairs Victoria
CCYG	Commissioner for Children and Young People
CIMS	Critical Incident Management System
CLG	Companies limited by guarantee
CSO	Community Service Organisation
CWS Act	*Child Wellbeing and Safety Act 2005* (Vic)
CYF Act	*Children, Youth and Families Act 2005* (Vic)
DET	Department of Education and Training
DFFH	Department of Families, Fairness and Housing (formerly part of the previous Department of Health and Human Services)
DH	Department of Health (formerly part of the previous Department of Health and Human Services)
Disability Act	*Disability Act 2006* (Vic)
DJCS	Department of Justice and Community Safety
Health Services	Health services include a diverse range of clinical and non-medical health related services.
Human Services	Human services involves the provision of a range of health, welfare and social services to support the needs of individuals, families and communities. These services focus on prevention and remediation of problems, as well as improving overall quality of life.

Definitions

IBAC	Independent Broad-based Anti-Corruption Commission
NDIS	National Disability Insurance Scheme
NFP Sector	Not for profit sector includes non-profit, voluntary, social, community, cultural or civil sector organisations.
NGO	Non-government organisation
NSW ICAC	New South Wales Independent Commission Against Corruption
ORIC	Commonwealth Office of the Registrar of Indigenous Corporations
OVIC	Office of the Victorian Information Commissioner
PID	Public Interest Disclosure
PID Act	*Public Interest Disclosures Act 2012* (Vic)
SRS Act	*Supported Residential Services (Private Proprietors) Act 2010* (Vic)
VAGO	Victorian Auditor General's Office
VCFA	Victorian Common Funding Agreement
VO	Victorian Ombudsman
VCOSS	Victorian Council of Social Services

1 Overview

Community service organisations (CSOs) play a critical role in delivering a range of welfare and social services to support individuals, families and communities. The Victorian Government provides partial or full funding to thousands of CSOs within the not-for-profit (NFP) sector to deliver a diverse range of human services to people across Victoria.

Given the size and the complexity of this sector, the important role it plays in providing services to Victorians, and the considerable public funds that support the delivery of many of these services, IBAC has undertaken research into the corruption risks that could affect CSOs' delivery of human services.

The community expects these organisations to act with integrity in how they engage with their clients and use public funds. CSOs should provide high-quality services and support to their clients and, in turn, also benefit the broader Victorian community.

IBAC's research has identified a number of corruption risks that could affect CSOs' delivery of human services. This report outlines those risks and a range of corruption prevention strategies to help mitigate them. The risks and drivers identified in this report do not apply to all CSOs and the report does not assess the extent of corruption occurring within the CSO sector.

The report considers services funded by the Department of Families, Fairness and Housing (DFFH) and the Department of Health (DH).[1] These services include drug and alcohol and aged care (DH), social housing, homelessness, support for children and families and some disability services (DFFH). This report does not consider human services funded by other areas of government.

The report provides context around the size and complexity of this sector, with a focus on CSOs funded through DFFH and DH (the Departments). However, the insights and risks identified will be of interest to all government departments and agencies delivering services through funded non-government agencies. The research identifies risks that may arise, in part, due to the nature of the NFP sector, complex regulatory and funding arrangements, and outsourcing processes for service delivery. Government departments and CSOs need to understand the corruption risks and their drivers in order to develop tailored strategies to detect and prevent corruption.

In developing its findings, IBAC consulted with a range of public sector agencies, experts in the sector, reviewed intelligence, investigations, complaint and notification data, as well as other relevant public reports and information. Through this research IBAC observed that steps are already being taken by government departments, CSOs and regulators to mitigate corruption risks. For example, there is a range of new reporting and oversight systems, as well as resources for use by funded agencies across the sector, which outline the policies and requirements of funded agencies, as well as the roles and responsibilities of good governance.[2]

IBAC will continue to engage with key stakeholders across the Victorian public sector and NFP sector to raise awareness of the risks identified in this report and to support corruption prevention.

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[1] The research and analysis undertaken for this report primarily occurred prior to the Machinery of Government changes announced by the Premier of Victoria on 30 November 2020. The Premier announced that the Department of Health and Human Services was to be separated into two new departments – DFFH and DH on 1 February 2021. The DFFH incorporates the previous DHHS portfolios of Child Protection, Prevention of Family Violence, Housing and Disability.

[2] The DHHS *Service Agreement Requirement*s document and *Community Services Quality Governance Framework* provide advice for funded agencies on addressing some of the identified vulnerabilities and risks.

1.1 Key findings

The government-funded CSO sector is large and complex; DFFH and DH fund more than 1100 CSOs to deliver human services (excluding health services), and significant state funding is provided to these organisations. As more sophisticated models of funding and contracting of the NFP sector develop, and the range of outsourced human services provided by CSOs expands, it becomes more challenging to clearly identify and mitigate corruption vulnerabilities.

IBAC has identified the following key risks:

Enduring corruption risks, such as those associated with procurement and contract management,[3] employment practices, conflict of interest and thefts of cash and small physical assets. A lack of awareness about corruption and associated prevention strategies is likely to heighten these risks. These vulnerabilities within the CSO sector also apply to the broader public sector and for-profit contractors.

False or inaccurate reporting practices about services delivered may arise where CSOs lack, or have unsophisticated, reporting systems. Additionally, CSOs may inaccurately report service delivery outputs to obtain future funding.

CSOs funded to provide human services increasingly have access to sensitive personal and business information. The inappropriate access to, and misuse of, information is a corruption risk previously identified in IBAC's investigations across the public sector,[4] and is heightened within CSOs that may either lack the resources to invest in information technology safeguards, and policies, processes and formal training regarding the use of information.

There are persistent vulnerabilities in contractual oversight by DH and DFFH. While the Departments have taken steps to strengthen contract management, ongoing issues relating to the design and administration of service agreements and inconsistent compliance activities across services create corruption risks within the CSO sector.

Risks related to broader external oversight and regulatory arrangements, which have the potential to create confusion for CSOs due to overlap or duplication of regulatory activity, as well as potential gaps or blind spots. Additionally, confusion around regulation and limited understanding of Public Interest Disclosures (PID) (whistleblower) protections is likely to contribute to the underreporting of improper conduct or corruption.

Some CSOs lack the necessary capability and resources to invest in dedicated formal governance and corruption prevention policies, processes, audit and risk management, information technology safeguards and training.

Although not unique to CSO boards, there are inherent risks around board and governance structures, particularly where board members are closely associated with their local community, or where boards experience high or extremely low turnover. The capability of boards governing CSOs may be further limited in rural and remote communities.

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[3] Including for Service Agreements and Victorian Common Funding Agreements.
[4] IBAC 2020, *Unauthorised access and disclosure of information held by the Victorian public sector*.

1.1.1 Opportunities to strengthen corruption prevention and detection

The report highlights opportunities for departments, funding agencies, CSO boards and CSOs to strengthen the ways they prevent and detect corruption.

These opportunities include:

ensuring CSOs have appropriate conflict of interest frameworks that identify what constitutes a conflict of interest, and how conflicts should be reported, recorded and managed

protecting information through training and awareness of information security risks, frameworks for preventing and detecting information misuse, and appropriate auditing of employees' access of information systems

strengthening awareness of corruption risks so CSO staff are equipped to identify corrupt behaviour and understand how they can report it

ensuring the governance and oversight of procurement processes and contract management within CSOs is appropriate to address corruption risks

departments and funding agencies risk assessing CSOs to determine the appropriate level of oversight and governance that should be applied to the delivery of government-funded services.

1.2 Methodology

1.2.1 Scope

For the purpose of this report, IBAC has limited the scope of its research and analysis to examine the risks of CSOs delivering human services funded by DFFH and DH, herein referred to as 'the Departments'.

1.2.2 Information sources

This report has been compiled from an analysis of IBAC intelligence, complaint and notification holdings and a literature review.

IBAC also gathered information from a range of sources, including consultation with:

- the Australian Charities and Not-for-profits Commission (ACNC)
- the former Department of Health and Human Services (DHHS)
- Consumer Affairs Victoria (CAV) within the Department of Justice and Community Safety (DJCS)
- Victorian Auditor-General's Office (VAGO)
- Victorian Council of Social Services (VCOSS)
- Victorian Ombudsman (VO).

1.2.3 Terminology

1.2.3.1 Human services

Human services involve a range of welfare and social services to support the needs of individuals, families and communities. These services focus on helping prevent and resolve problems, as well as improving overall quality of life. In many cases, organisations that provide human services also provide health services. While this report uses the term 'human services', these are sometimes also referred to as community services.

This report has adopted a broad view of human services, and includes services delivered under Service Agreements. Service provision through the NFP sector is described as follows:

• Child and family services – family and parenting support, out-of-home care, leaving care, child protection, family violence, sexual assault, youth programs, support services for refugees who are minors.

• Family violence services – crisis support, information and advice, programs.

• Empowering individuals and communities – community participation, and other services for refugees and migrants, Aboriginal people and multicultural, Lesbian, Gay, Bisexual, Transsexual and Intersex (LGBTIQ) communities.

• Disability – community support services, accommodation, aids and equipment, family and carer support, specialist support (many of these are now provided through the National Disability Insurance Scheme (NDIS)).

• Housing assistance – crisis accommodation, homelessness support services, rooming houses, social housing, supported accommodation and respite services.

• Ageing – services for dementia care, elder abuse, increasing the participation and contribution of seniors society, ageing issues for culturally and linguistically diverse (CALD) communities.

1.2.3.2 The NFP sector

There are three broad sectors that provide goods and services in society. The public sector (government), the for-profit sector (private, commercial or business sector) and the NFP sector (non-profit, voluntary, social, community, cultural or civil sector). No widely accepted definition of the NFP sector exists, and the sector is large and diverse.

In other jurisdictions, such as New South Wales (NSW), and particularly in the international aid sector, the term non-government organisation (NGO) is commonly used to describe bodies operating within the NFP sector. However, in Victoria and for the purposes of this report, the term CSO is used.

1.2.3.3 Community Services and Aboriginal Controlled Community Organisations

Entities operating within the NFP sector are also often described in different terms within legislation, policies and literature in Victoria, across Australia and internationally. There are four common structures that can be used to incorporate an NFP sector organisation in Victoria:

• an incorporated association (most common NFP sector legal structure)

• a company limited by guarantee (second most common NFP sector legal structure)

• a non-distributing co-operative

• an Aboriginal corporation.

Other structures such as charitable trusts, trade unions and companies limited by shares do exist, although the latter are usually seen as for-profit businesses. This report uses the term CSO to broadly refer to not-for-profit organisations established to undertake activities for the benefit or welfare of the community or any members who have a particular need by reason of social or economic circumstances, or people with disability. Where specifically referring to Aboriginal CSOs, these will be described as 'Aboriginal Controlled Community Organisations' (ACCOs). ACCOs provide for community representation and support self-determination.

This research report does not focus on specific corruption risks relating to ACCOs, partly due to the complexities associated with these organisations having to comply with the Departments' separate Aboriginal governance and accountability framework. While that is the case, some of the risks identified in this report will apply to these types of organisations. IBAC recognises and supports the need for culturally aware, tailored and self-determined approaches for ACCO-related organisations.

1.2.3.4 Funding agencies and funded bodies

Government funding of human services is provided through different mechanisms, ranging from grants and concessions, to multi-million-dollar service agreements – all with varying levels of reporting, audit and oversight. In Victoria, DFFH is the primary funding agency for CSOs delivering human services.

In this report, 'funding agencies' refers to government departments and agencies that distribute funds to NFP and private sector bodies (funded bodies) for the purpose of delivering services. The terms CSOs and funded bodies may be used interchangeably.

1.2.3.5 Regulatory agencies

Regulatory authorities are either established on a statutory basis, operating with some independence from the relevant Minister, or as branches of government departments. Often, they receive support from departmental staff or units. Regulatory authorities vary in terms of organisational structure, funding, staff and the industry being regulated.[5]

Regulators are responsible for ensuring the proper delivery of vital services in Victoria that impact on our safety and the good running of the State. Regulation applies to CSOs in various forms, from complying with legislative requirements through to self-regulation. One of the most significant recent changes to service provision has been the creation of the National Disability Insurance Scheme (NDIS), and the move towards an insurance model of care. This has diversified the market to include more for-profit organisations. At the same time, the regulatory environment for CSOs has become more complex, in particular for organisations managing funding from multiple sources. These complexities have raised questions around how to best ensure clients receive services they require, and that there is robust accountability for the use of taxpayer funds.

[5] IBAC 2018, *Corruption risks associated with public regulatory authorities*.

1.2.4.1 IBAC's jurisdiction

DETERMINING WHETHER A CSO IS A 'PUBLIC BODY'

Factors taken into account when determining if a CSO is a public body as per section 6(1)(e) of the *Independent Broad-based Anti-corruption Commission Act 2011* (Vic) (IBAC Act), and performing a public function on behalf of a department, include whether the functions:

• are generally identified with the functions of government

• are publicly funded

• are exercised on behalf of the community in the public interest, especially when they are not routine but involve the provision of important social services to people experiencing vulnerability, marginalisation or disadvantage (ie as a result of disability or social, economic or cultural circumstances)

• involve a sufficient degree of government regulation and control of the functions being performed.

If one or more of the above factors applies, it is more likely to be deemed a public function and the CSO deemed a public body. However, due to the contractual context of delivering government funded services, it is likely that a CSO would be deemed a public body only while it is performing a public function on behalf of a department.

1.2.4.2 Obligations to report suspected corrupt conduct

CSOs are not required to report corrupt conduct directly to IBAC, as they do not have a relevant principal officer as defined in section 3(1) of the IBAC Act. CSOs also do not have obligations under the IBAC Act to notify their funding agencies of corrupt conduct.

However, a department-funded CSO has enforceable obligations through service agreements and common funding agreements to notify the department of certain conduct, including corrupt conduct. A failure to comply with this obligation may result in termination of the agreement, or suspension of the delivery of services. A department is then required to notify IBAC of alleged corrupt conduct within a CSO if its principal officer is aware of corrupt conduct constituting a relevant offence as set out in section 4(1) of the IBAC Act, and reasonably believes that the conduct is occurring or has occurred.

In recent decades, Victoria has seen the relationship between the government and NFP sector transform. As with other Australian and international jurisdictions, the Victorian Government has increasingly moved away from directly providing human services, towards outsourcing these services. Funding has increasingly transitioned to formalised, contractual relationships with stronger reporting obligations, and many services previously provided by government, or on a charitable and voluntary basis by CSOs, have been outsourced to a fee-for-service market, or for program delivery more broadly. While the scope of this report relates to human services delivered by CSOs and funded through the Departments, many of the findings will apply to other departments that outsource services.

Historically, charitable organisations have provided many welfare services on a voluntary or philanthropic basis, sometimes with partial government funding, and often on the basis of a grant. Today, many CSOs deliver multiple programs which can be funded by the Commonwealth, state and/or local government as well as private philanthropic donors. Adding to this complexity, for some programs, the Victorian Government will rely on a co-contribution from the NFP sector to cover the cost of service delivery. The management of multiple funding sources and compliance of reporting obligations creates challenges for the sector as well as a variety of governance and corruption risks.

Many CSOs now substantially depend on government funding, and in some cases compete with for-profit providers. A persistent dilemma for government is how to achieve appropriate accountability for the expenditure of taxpayer funds and to protect the interests of clients, without creating undesirable bureaucratic rigidity within NFP organisations which have traditionally prided themselves on a nimble and responsive approach to service delivery. Market-driven settings coupled with over-regulation could pressure organisations to change how they operate and might impact the trust-based relationships they have with staff, volunteers, and the communities they seek to serve.

Many CSOs have limited resources to invest in formal governance and corruption prevention processes, and may consider implementing such practices as contrary to the trust-based, community centred ethos of the NFP sector.[6] This raises issues around how to ensure accountability for the use of taxpayer funds and to protect the interests of clients, while avoiding administrative rigidity within NFP sector organisations which have traditionally successfully operated with a flexible and responsive approach to delivering services.

CSOs work within a complex regulatory environment, and this complexity is greater for those operating across multiple jurisdictions and receiving funding from a range of Commonwealth and state government agencies. In addition to their contractual obligations with departments, they are likely to have obligations to other state and Commonwealth regulatory bodies. Some service areas, such as out-of-home care for children who are not able to live with their families and some forms of disability service, are subject to specialist oversight and accreditation. There have also been a number of Royal Commissions, parliamentary inquiries and inquests[7] that have resulted in increased regulation and changes to organisational governance, policies, practices, systems and human resource management in CSOs delivering these services.

In the past, integrity agencies such as the Ombudsman, the Auditor-General and state anti-corruption bodies have tended not to investigate the conduct of CSO. The focus has instead been on the adequacy of oversight provided by funding departments such as the former DHHS. In some Australian jurisdictions, the value of expanded external scrutiny has been disputed by CSOs,[8] as they have argued that it runs the risk of increasing the weight of regulatory compliance disproportionately to any real or demonstrated risk of corruption or maladministration within the sector. However, as some substantiated cases of fraud and corruption have shown, increased scrutiny is important to ensure public accountability for the use of ever-increasing amounts of public funds, and to safeguard the vital interests and wellbeing of clients, many of whom experience vulnerability.[9]

6   Shergold P, *Service sector reform: A roadmap for community and human services reform – Final Report*.
7   Royal Commission into Institutional Responses to Child Sexual Abuse 2017, *Final Report*.
8   New South Wales Council of Social Service 2012, *NCOSS Submission to the ICAC Consultation Paper Funding NGO Delivery of Human Services: A period of transition*.
9   Evans M and Begley P, 'NSW Government scraps 'follow the dollar' reform despite Sharobeem, Ella cases, *Sydney Morning Herald*, July 24 2017.

2 Context

2.1 The NFP sector

2.1.1 Diversity, size and funding of the NFP sector

CSOs are diverse in their service focus, legal status, activities, size, location and sources of funding. Where their purpose is charitable, CSOs can be registered as charities with the ACNC under the *Australian Charities and Not-for-profits Commission Act 2012* (Cth) (ACNC Act). However, not all CSOs are charities. Adding to this complexity, no single legal structure exists for CSOs; they can be incorporated associations, non-distributing co-operatives, companies limited by guarantee, Aboriginal corporations, trusts or unincorporated associations.

The size and diversity of the NFP sector makes it difficult to accurately determine the number of CSOs or the extent to which the sector is funded by government. There are approximately 140,000 CSOs in Victoria, and while the sector is estimated to receive almost $3 billion per annum, the total amount funded by the Victorian Government, and the processes by which all such payments are made, is difficult to accurately define.[10]

Many funding arrangements have been in place for years, with funding for some programs allocated on a discretionary basis in response to strong advocacy for local need, and this has evolved across decades. For example, in previous years the majority of funding for some disability or children's services programs may have been provided on a philanthropic basis, or by faith-based organisations, with government funds at best a top-up. The transition to full government funding of these services, and the consequent expansion of oversight, creates challenges for both government and the NFP sector.

CSOs may receive funding from multiple sources for numerous programs. For example, as a result of the NDIS, CSOs may be providing Commonwealth Government funded services to people living with disability, while simultaneously providing state funded housing or family support services to the same clients and their families for different purposes.

The Victorian Government budget data indicates the largest source of funding for the delivery of public services is allocated to the Departments. In 2020/21, the Departments will be distributing $2.7 billion through service agreements. This figure does not include funding to hospitals for service delivery.[11]

Table 1 details the spread of funding across the then DHHS-funded agencies for the service agreement period covering 2015 to 2019 (health and human services).[12] The table indicates the magnitude of funding provided to CSOs, particularly to the 11 highest funded CSOs which received the same proportion of total funding as the 1762 least funded CSOs during the period. More specifically, the top 10 funded agencies account for $2.6 billion in funding and the bottom 100 organisations accounted for only $556 million.

TABLE 1: THE FORMER DHHS FUNDING DISTRIBUTION (HEALTH AND HUMAN SERVICES) FOR THE SERVICE AGREEMENT PERIOD (2015–19)

Number of organisations	Average amount of funding	Percentage of total funding
11	$249,936,650	25
40	$71,695,808	25
114	$24,728,434	25
1762	$1,601,362	25

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[10] VAGO 2018, Contact Management Capability in DHHS: Service Agreements.
[11] These figures do not differentiate between payments to for-profit and NFP organisations. They also do not take into account funding for service delivery of multi-department owned government programs and initiatives such as those for Family Violence, Aboriginal Affairs and the Ice Action Plan, for which DFFH is involved.
[12] VAGO 2018, *Contact Management Capability in DHHS: Service Agreements*.

CSOs which receive greater levels of funding might be seen to be at greater risk of corruption. However, additional funds may also mean there is more capacity to dedicate resources to governance and compliance responsibilities. In contrast, CSOs which receive lower levels of funding might indeed be at greater risk of corruption, as they may have more limited capacity in this regard.

2.1.2 Size of charities sector

As at 2019, the ACNC approximates there to be just over 14,000[13] charities operating in Victoria.[14] It was estimated these bodies generated in excess of $37 billion in revenue and employed 338,724 paid staff and 811,352 volunteers.

Research into charity trends between 2014 and 2016 showed the number of registered charities was steadily decreasing, although there was a 10 per cent increase in their gross income.[15] This research also found 'religious activities' and 'education and research' were the most common activity category of Australian charities. Comparatively in 2019, nearly half of the charities registered with the ACNC had social and community welfare recorded as their main purpose, with religious or faith-based charities making up approximately 22 per cent of these.[16]

2.2 Human services delivery in Victoria

2.2.1 What are human services?

The human services funded by the Victorian Government and delivered through the Departments and by CSOs include child and family services, aged care services, support services for families and children, housing and support during emergencies, disability services, drug and alcohol services, and problem gambling support.

Services can cross over due to the person-centred approach for service delivery, which takes into consideration all the influences on a person's health and wellbeing. This approach considers the whole person (or family) to understand their physical, cultural and social context, and helps to identify any additional services or supports that would make a difference to their health, wellbeing and safety.[17] General services include community health, early childhood and education services, sport and recreation, employment, and maternal and child health services. Some of these are delivered through other agencies rather than the Departments.

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13 ACNC 2019, *The Australian Charities and Not-for-profit Commission*.
14 ACNC data does not differentiate between registered charities and non-charity CSOs.
15 Ramia I, Powell A, Cortis N and Marjolin A 2018, *Growth and change in Australia's charities: 2014 to 2016,* Centre for Social Impact and Social Policy Research Centre, UNSW Australia.
16 ACNC 2019, *The Australian Charity Sector*.
17 DHHS 2019, *Department of Health and Human Services strategic plan*.

2.2.2 Who delivers human services?

While the Departments are the core funding agency for human service delivery within Victoria, other departments and agencies also deliver support services. For example:

- Department of Premier and Cabinet – provides services operating in conjunction with many human services, such as those targeting youth, women, and CALD communities.

- DJCS – provides youth programs to divert young people away from the criminal justice system and programs to people before and after release from the prison system.

- Department of Jobs, Precincts and Regions – funds job agencies to find employment for Victorians experiencing vulnerability.

- Transport Accident Commission– supports people injured following transport accidents.

- CAV – provides information relating to social housing and family violence, as well as information regarding financial and legal support.

2.2.3 Current Victorian government focus areas

The State Budget includes a range of targeted, whole-of-government and single agency funding commitments for human services, delivered by CSOs.

2.2.4 Department of Health and Human Services

The then DHHS was the primary funding agency for the delivery of human services by CSOs in Victoria, funding the delivery of services through more than 1100 CSOs in Victoria. A Machinery of Government change on 1 February has separated DHHS into two new departments – DFFH and DH. DH is responsible for services relating to drug and alcohol and aged care, and DFFH is responsible for social housing, homelessness, support for children and families and some disability services.

DFFH is also responsible for the key portfolios of Multicultural Affairs, LGBTQI+ Equality, Veterans, and the offices for Women and Youth enhancing the alignment with policy areas and portfolios focusing on the recovery and growth of our diverse communities. Its departmental structure also supports Family Safety Victoria, Homes Victoria and Respect Victoria.

The then DHHS total 2020/21 budget allocation for health and human services outputs and funding (tabled prior to the Machinery of Government change) was $31.01 billion. Figure 1 summarises key human services outputs and funding which form part of this budget.

FIGURE 1: SUMMARY OF DHHS HUMAN SERVICE OUTPUTS FOR 2019/20[18]
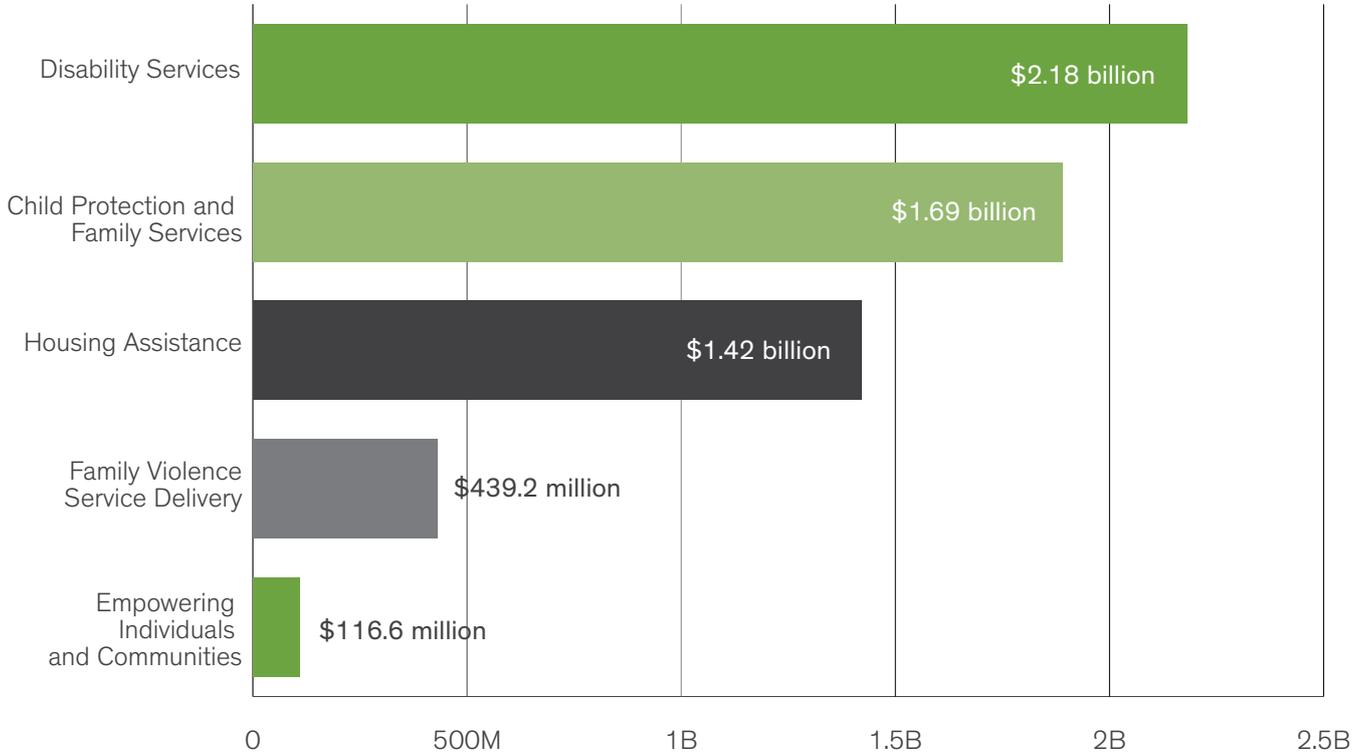
A substantial amount of ongoing department-funded service provision through CSOs can be grouped into children, youth and families, disability services, and housing assistance. Other services can include Mental Health Community Support Services, Alcohol and Other Drugs, and Primary Care.

Children, youth and families

Under the *Children, Youth and Families Act 2005* (Vic), a service provider that holds a service agreement with DFFH to deliver community-based child and family services and out-of-home care is required to register as a community service provider. Service providers need to demonstrate their capacity to comply with Human Services Standards[19] through an online self-assessment tool and an independent review within 12 months of registration, and then every 18 months. A Register of Community Service Providers is updated monthly and accessible online.

A list of children, youth and family support services, and descriptions and examples of these services, are provided in Appendix 1.

Disability services

Introduced in 2013, the NDIS is a national approach to providing individualised support and services to Australians living with a disability.[20] The NDIS is the biggest national social reform since Medicare was introduced in 1984. The purpose of the NDIS is to provide greater independence, choice and flexibility to people living with a disability, their carers and families.

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[18] Victorian Government Delivering for all Victorians, Victorian Budget 20/21, Budget Paper Number 3, p 214.
[19] The Human Services Standards represent a single set of service quality standards for DFFH and DH funded service providers and department-managed services. More information is available on the DHHS website.
[20] The NDIS provides support to eligible people with intellectual, physical, sensory, cognitive and psychosocial disabilities. Early intervention supports can also be provided for eligible people with disability or children with developmental delay.

The NDIS has been fully operational in Victoria since 1 July 2019 and is administered by the National Disability Insurance Agency. Under the NDIS, approximately 105,000 Victorians will have access to disability services, and Victoria is investing $2.5 billion a year in the NDIS.[21] The Commonwealth Government is contributing an additional $2.6 billion a year, and meeting any additional costs.

The NDIS has transitioned away from block funding, where funding went directly to a provider of goods and services, rather than the person buying the services. Block funding arguably encouraged a 'one size fits all' approach under which available services could not adequately respond to the diverse needs of people living with a disability.

The Departments continue to fund and provide a limited range of disability services which fall out of the scope of the NDIS. These services continue to be regulated by the State.

A range of disability support services delivered by CSOs are detailed in Appendix 2.

Housing assistance

Housing assistance services delivered by DFFH include crisis accommodation, supported accommodation and social housing. Although some of these are delivered by DFFH, a large portion are delivered through CSOs. Further details of the accommodation support services delivered by CSOs are available in Appendix 3.

2.3 Funding CSOs to deliver human services

2.3.1 Victorian Common Funding Agreement

The Victorian Common Funding Agreement (VCFA) is used by all Victorian Government departments that fund CSOs and local government to deliver services and projects, including specified capital works.[22] The VCFA, which was last updated in 2015, was designed to reduce red tape and simplify funding arrangements as it standardises how funding is managed across all departments. A new VCFA is expected to commence in 2020.[23]

The VCFA model includes core terms and conditions that apply to all funding. These are used as the basis for consistent, risk-proportionate forms of funding agreement. There are two key forms for the VCFA: Standard Form and Short Form. Further details regarding the VCFA are available on the DFFH website.[24]

2.3.2 Service Agreements

A service agreement is a legal contract between a department and a funded organisation for the delivery of services in the community on behalf of the department.[25] Service agreements are more comprehensive than the VCFA Standard Form and Short Form, and are primarily used by the Departments instead of the VCFA. Service agreements detail the parameters of the contract between the funded agency and the Departments, including:

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[21] Victorian Government 2019, *About the NDIS in Victoria*.
[22] Except for Alliance Contracting, Partnerships Victoria, Major Projects Victoria, those provided by the Director of Housing to housing agencies registered under Part VIII of the *Housing Act 1983 (Vic)*, and those that must comply with the Government Public Construction Policy.
[23] Victorian Government 2020, *Victorian Common Funding Agreement*.
[24] DHHS 2020, *Victorian Common Funding Agreement*.
[25] DHHS 2020, *Service Agreement*.

- details of the parties to the service agreement

- services being delivered, including the individual activities and relevant activity descriptions

- applicable departmental policies, including the Service Agreement Requirements and program requirements

- funding summary and payment schedule

- agreement level information.

The Departments are responsible for assessing whether services are delivered according to the funding purpose. The service agreement sets out the key obligations, objectives, rights and responsibilities of the agency delivering services and contains various service plans. Service plans contain the details and performance measure targets relating to a particular service that an agency is funded to perform.

In response to a 2018 VAGO audit of the former DHHS,[26] DHHS adopted a new approach to how it monitors agencies funded through a service agreement. The Agency Monitoring Framework, which formally commenced on 1 July 2019, introduced a risk-based approach. It consists of policies, procedures and tools designed to streamline and standardise the monitoring of service agreement compliance across the state.[27]

A Service Agreement Requirements document was also developed in response to recommendations from VAGO's 2018 audit. It replaced the Service Agreement Information Kit and the Policy and Funding Guidelines, and is a streamlined contractual document which outlines the departmental responsibilities and the policies and obligations that all funded organisations must comply with.[28]

2.4 CSO regulation, oversight and accreditation

There is a range of bodies that have a regulatory, oversight and accreditation function over at least some of the work undertaken by CSOs.

Although CSOs delivering human services operate in a regulated environment, information is fragmented across commonwealth and state regulatory bodies. This makes it difficult to understand the size, scope and activities of all CSOs operating in Victoria.

The Human Services Standards policy sets out the requirements for DFFH and DH-funded service providers that receive funding in scope of the Standards, and with registration under the *Disability Act 2006* (Vic) (Disability Act) and/or *Children, Youth and Families Act 2005* (Vic) (CYF Act). Organisations required to adhere to the Human Services Standards are those which offer in-scope direct client services including: children, youth and family services; disability services; housing and homelessness assistance services; and family violence and sexual assault services.

The Human Services Standards work in addition to service agreements to hold the CSOs to account in many cases. Organisations in scope for independent review are required to be accredited by a DFFH and DH-endorsed Independent Review Body once every three years and provide evidence of compliance against accreditation standards. Example standards for accreditation can include governance, management systems, consumer and community engagement, diversity and cultural appropriateness, and service delivery.

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[26] VAGO 2018, *Contact Management Capability in DHHS: Service Agreements*.
[27] DHHS 2019, *Department of Health and Human Services annual report 2018–19.*.
[28] DHHS 2020, *Service Agreement Requirements*.

The Human Services Regulator was established following a consolidation of regulatory schemes previously dispersed across the former DHHS. The Human Services Regulator is now part of DFFH, and is responsible for administering legislation intended to protect the safety and wellbeing of Victorians accessing human services. This includes regulatory schemes under the Disability Act, CYF Act, the *Child Wellbeing and Safety Act 2005* (Vic) (CWS Act) and the *Supported Residential Services (Private Proprietors) Act 2010* (Vic) (SRS Act).

The regulatory functions of the Human Services Regulator include:

• providing advice and education to prospective providers, regulated entities and registered carers

• registration of CSOs, out-of-home carers, disability service providers, proprietors and premises of supported residential services

• compliance monitoring of regulated entities, including graduated and proportionate enforcement to remedy non-compliance

• strategy and risk analysis to identify, assess and manage emerging risks to regulatory objectives.

Staff from the Human Services Regulator Unit are located centrally and within regional offices. This enables staff to have direct access to the organisations being regulated, and appropriately capture the operational environments. In order to avoid any potential conflict of interest that may arise from their close involvement with the community, regional Human Services Regulator Unit staff report back to DFFH's central office rather than regionally.

Even with the changes implemented in response to VAGO's audit of its management of service agreements, [29] it will remain difficult for the Departments to ensure contractual compliance and probity across more than 1100 funded CSOs. This risk is amplified where a CSO is smaller, with fewer resources available to ensure compliance with governance standards.

At present, there is no legislated requirement to maintain a register of human services entities, other than for those organisations registered under the CYF Act and the Disability Act. The Service Agreement Management System (SAMS2) is used by DFFH, DH and a number of other funding bodies and includes a range of information relevant to funded organisations. This is not a publicly accessible system, which means it is difficult to obtain a universal view of all CSOs delivering Victorian Government funded services in Victoria.

While the relevant funding department oversights contractual compliance, most CSOs are oversighted or regulated by other bodies. Some significant bodies are listed in Table 2 on the next page. Although this table is not exhaustive, it highlights the complexity of the reporting environment for CSOs and how a complaint might get missed or might not get to the agency it needs to.

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[29] VAGO 2018, *Contact Management Capability in DHHS: Service Agreements*.

TABLE 2: OVERSIGHT OF CSOS

	Oversight agency	Description of role
Commonwealth	Australian Charities and Not-for-Profits Commission (ACNC)	The ACNC is Australia's national regulator of charities, and maintains a public register of charities online, and lists any charities which have been revoked. Further information about the ACNC is detailed in Section 2.4.1.
	Australian Securities and Investments Commission (ASIC)	ASIC is the national regulator responsible for oversight of entities incorporated under the *Corporations Act 2001* (Cth). CSOs can incorporate with ASIC as Companies Limited by Guarantee (CLGs). A 2017 AUSTRAC report stated there were approximately 15,000 CLGs in Australia, with a proportion of these operating within the NFP sector and also registered as charities.[30] Each state and territory regulator enforces its own legislation and requirements regarding incorporated associations. If these associations want to operate in multiple jurisdictions, they have the option to either incorporate in all states they operate, apply to ASIC to operate as an Australian Registered Body or change their legal structure to an entity regulated by the Commonwealth.
	Australian Taxation Office (ATO)	The ATO administers tax concessions and obligations for CSOs including a range of charity tax concessions and tax exemptions. CSOs that are not charities can access tax concessions on a 'self-assessment' basis which is monitored by the ATO.
	NDIS Quality and Safeguards Commission	NDIS Quality and Safeguards Commission is an independent agency established to improve the quality and safety of NDIS supports and services. It regulates NDIS providers, provides national consistency, promotes safety and quality services, resolves problems and identifies areas for improvement. Further information about the NDIS Quality and Safeguards Commission is detailed in Section 2.6.7.
	Commonwealth Office of the Registrar of Indigenous Corporations (ORIC)	The ORIC is an independent statutory office that administers the *Corporations (Aboriginal and Torres Strait Islander) Act 2006* (Cth). The ORIC supports and regulates the corporations that are incorporated under the Act. ORIC provides a tailored service that responds to the special needs of ACCOs and other Aboriginal and Torres Strait Islander groups and corporations, and strives for national and international best practice in corporate governance. It offers advice on how to incorporate, delivers training for directors, members and key staff in good corporate governance, makes sure corporations comply with the law, and intervenes when needed.

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[30] AUSTRAC 2017, *ACNC and AUSTRAC: Strengthening NPOs against money laundering and terrorism financing*.

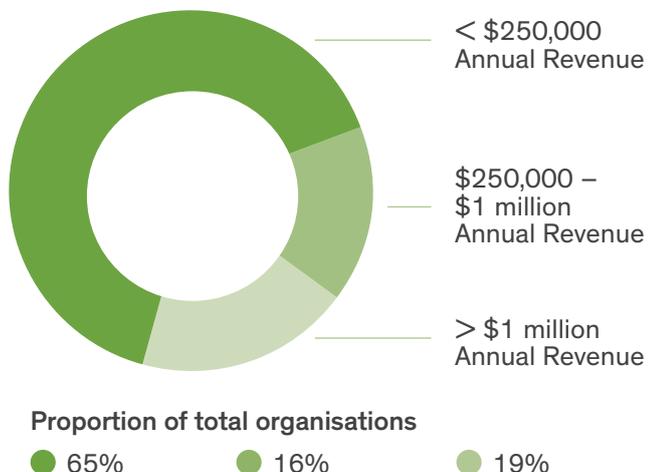|		
Victoria	Human Services Regulator	Within DFFH, the Human Services Regulator Unit is responsible for ensuring registered organisations meet the Human Services Standards. It does this by interacting with a broad range of stakeholders to help deliver outcomes, share intelligence, and to identify and act on non-compliance. The Victorian Government is undertaking work to update the regulatory standards to better reflect risks and achieve outcomes.
	Commissioner for Children and Young People (CCYP)	The CCYP is an independent statutory body that is responsible for compliance with child safe standards and the reportable conduct scheme to ensure the safety and wellbeing of Victorian children and young people. The CCYP provides independent scrutiny and oversight of services by conducting systemic and individual inquiries into services provided to children and young people, and conducting child death inquiries into services provided to any child who has died and who was involved with child protection within 12 months of their death.
	Consumer Affairs Victoria (CAV)	CAV regulates Victoria's consumer affairs, and advises and assists government, the public and businesses on a range of matters relevant to a fair and competitive marketplace. CAV also provides financial advice and family violence support services.
	Victorian Auditor-General's Office (VAGO)	The Victorian Auditor-General is an independent officer of the Victorian Parliament, and conducts audits to establish how effectively public sector agencies are providing services and using public money. Through its audit work, VAGO makes recommendations that promote accountability and transparency in government, and improvements in service efficiency and effectiveness.
	Victorian Housing Registrar (VHR)	The VHR, under the Department of Treasury and Finance, is the regulator of housing associations or housing providers registered under the *Housing Act 1983* (Vic). As at 1 January 2020, there were 10 housing associations and 29 housing providers. All registered agencies must comply with performance standards and other legislative requirements. The housing agencies regulated by the VHR primarily provide long term and transitional housing, however some provide housing services such as crisis housing and disability shared accommodation
	Victorian Ombudsman (VO)	The Victorian Ombudsman investigates complaints about the administrative actions and decisions taken by government departments and agencies, and about the conduct or behaviour of their staff.
	IBAC	IBAC is Victoria's independent anti-corruption agency. Its role is to assist in the prevention of public sector corruption. Its jurisdiction covers the entire Victorian public sector, including CSOs performing a public function (for example, the delivery of human services) on behalf of DFFH and DH through a Service Agreement.

2.4.1 Australian Charities and Not-for-Profits Commission (ACNC)

A CSO must have a charitable purpose, be for the public benefit, and meet a minimum standard of governance to be registered with the ACNC. There are an estimated 257,000 NFP organisations in Australia,[31] and as at January 2021, approximately 58,000 of these are registered charities with ACNC.[32]

A charitable entity operating in Australia is required to register with the ACNC. Entities that want to fund raise must also register in the state in which they intend to operate, such as with CAV in Victoria.

As shown in Figure 2, the ACNC categorises charities and other CSOs in terms of the size of their annual revenue (as does CAV), with almost two-thirds (65 per cent) of organisations within this sector considered small.

FIGURE 2*: ANNUAL REVENUE OF AUSTRALIAN CHARITIES[33]

< $250,000 Annual Revenue

$250,000 – $1 million Annual Revenue

> $1 million Annual Revenue

Proportion of total organisations

● 65%   ● 16%   ● 19%

* This graph is based on the data from approximately 47,000 2017 Annual Information Statements, published in 2019.

The bulk of ACNC's compliance activities in 2019/20 were in response to concerns relating to perceived mismanagement of funds or individuals obtaining a private benefit from a charity.

The ACNC works proactively with other agencies to identify and target a range of compliance issues. The ACNC operates under an evidence and risk-based framework and uses appropriate compliance and enforcement measures to address non-compliance.

ACNC publicly advises charities on the importance of embedding strong policies and processes around managing and expending funds. It provides support and guidance on associated obligations, governance and record keeping, and in January 2020, made a statement around how in the wake of a natural disaster, a charity might raise large sums of money which mean its financial reporting obligations could change.[34] In this statement, ACNC said 'through past experience, we know about the pitfalls that can occur for charities that have rapid growth'.[35] ACNC is developing specific guidance to assist those responding to recent disasters facing Australia.

[31] Australian Government, The Treasury 2017, *Review of Australian Charities and Not-for-profits Commission (ACNC) legislation*.
[32] ACNC, Register of Australian charities, data available from <data.vic.gov.au>, viewed 29 January 2021.
[33] ACNC 2019, *Australian Charities Report 2017*.
[34] ACNC 2020, *Charities and the bushfire disaster*.
[35] ibid.

2.5 Research

Government funding of the NFP sector has been subject to significant reform in recent years, with the stated aim of building a collaborative approach to service delivery, reducing the regulatory burden faced by CSOs while maintaining oversight, reporting and governance.

2.5.1 The Victorian context

Research into corruption risks relating to government funded human services delivered by CSOs within Victoria is limited. Where it does exist, it is largely through the lens of specific investigations into instances of poor service quality, or has focused on ways to reduce regulation and improve effectiveness and productivity.

The VO has previously conducted a number of investigations into the adequacy of the former DHHS' oversight of CSO service provision, particularly in areas such as out-of-home care and disability. In 2017, the VO flagged:

- deficiencies at a disability housing provider concerning the sexual assault of residents, including weak oversight by DHHS, non-compliance with incident reporting, and funding agreement violations about staffing levels[36]

- inadequate post-release alcohol and other drug rehabilitation services for offenders, due to insufficient and overextended resources.[37]

More recently, VAGO has conducted audits examining elements of the Victorian public sector's outsourcing of public services to the NFP sector, noting deficiencies in the former DHHS's Service Agreements. VAGO's future work program includes a broad range of planned work relating to the Departments and CSOs, and includes examining mental health services for children and adolescents, sharing information to address family violence, and delivering local government services and Victoria's child protection system.

The adequacy of government oversight of services provided by the NFP sector within Victoria has been explored in investigations and reports focusing on issues such as the abuse that children and people with disability have experienced in the care of organisations. These have included reports by Royal Commissions, parliamentary inquiries and special inquiries of various types.

For example, the 2011 public inquiry into the protection of vulnerable children was critical of the lack of a 'comprehensive and well-articulated set of policies and practices for the involvement, development and independent regulation of these organisations' and called for increased checks and balances. The inquiry repudiated the notion that a light touch, trust-based approach to oversight of NFP sector providers was uniformly appropriate, finding that 'in seeking to reduce the regulatory burden on CSOs, DHS has failed to maintain an adequate level of external scrutiny of [NFP] performance'.[38]

Some of the recommendations of this 2011 inquiry were referred to a parliamentary committee that investigated decades of abuse in institutions run by large, particularly faith-based, NFP organisations. The inquiry recommended new regulatory and oversight measures, most of which were consistent with the recommendations made four years later by the (national) Royal Commission into Institutional Responses to Child Sexual Abuse (RCIRCSA).[39] The RCIRCSA considered the failure of governments in all jurisdictions to adequately oversight the delivery of services by the NFP sector, while noting the intractable regulatory challenges. Governments across Australia are now in the process of implementing the recommendations of the RCIRCSA.

IBAC acknowledges DFFH has made considerable changes to policies and procedures to address the findings of these, and other related inquiries, as discussed throughout Section 4.

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[36] VO 2017, *Investigation into the management and protection of disability group home residents by the Department of Health and Human Services and Autism Plus.*
[37] VO 2017, *Enquiry into the provision of alcohol and drug rehabilitation services following contact with the criminal justice system.*
[38] Department of Premier and Cabinet 2012, *Report of the Protecting Victoria's Vulnerable Children Inquiry.*
[39] Royal Commission into Institutional Responses to Child Sexual Abuse (2017), *Final Report.*

The current (national) Royal Commission into Violence, Abuse, Neglect and Exploitation of People with Disability and the recently finalised Royal Commission into Aged Care Quality and Safety (Aged Care Royal Commission) are also considering issues related to government oversight and funding of CSOs which provide services to people living with disability and in aged care, respectively.

On 1 March 2021, the Aged Care Royal Commission tabled its report to the Australian Government.[40] It makes 148 wide-ranging recommendations that if implemented would significantly alter how aged care facilities are governed. These recommendations relate to staffing, funding and the creation of new standards and a new regulator.

2.5.2 New South Wales

In 2012, the NSW Independent Commission Against Corruption (ICAC) published a position paper concerning CSOs.[41] NSW ICAC examined the shifting model of the delivery of human services towards greater outsourcing to CSOs and the corruption risks associated with this transition.

The NSW ICAC paper found instances of CSOs, or their staff:

- using government money and resources for their own benefit

- using funds to deliver a different service from the one agreed with the government agency

- CSOs obtaining funding for the same service from multiple programs, agencies and jurisdictions

- obtaining funding for capital works but delaying construction in order to bank the funds and earn interest

- stealing government-funded assets or, in one case, using them to run a private business

- providing services to favoured clients from the same family or community

- colluding with government frontline staff either to obtain funding or to agree to weak or minimally-specified delivery outcomes in return for funding

- falsely reporting that services have been delivered when they had not, or delivering at a lower quality than required.

In 2018, the NSW ICAC published an assessment of corruption and integrity trends in the NSW Public Sector. As part of this assessment, the NSW ICAC detailed corruption risks associated with procurement and contracting more generally, as well as through outsourcing to the NFP sector.[42] A modified version of the corruption risks checklist produced by NSW ICAC is detailed in Appendix 4.

A NSW ICAC investigation report, summarised in the following case study, illustrates many of the issues and challenges faced by regulators and funders.

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[40] Royal Commission into Aged Care Quality and Safety 2021, *Final Report.*
[41] NSW ICAC 2012, *Funding NGO delivery of human services in NSW: A period of transition.*
[42] NSW ICAC 2018, *Corruption and Integrity in the NSW Public Sector: an assessment of current trends and events.*

CASE STUDY: NSW ICAC − OPERATION TARLO

In September 2018, NSW ICAC released its report into Operation Tarlo, an investigation that illustrates potential corruption risks arising from government funding of CSOs delivering human services.

Ms Eman Sharobeem was CEO of the Immigrant Women's Health Service (IWHS) and the former chairperson of the Non-English Speaking Housing Women's Scheme Inc (NESH). These two organisations were funded by the NSW Department of Family and Community Services and the South West Sydney Local Health District. The IWHS also received funds from the Smith Family to conduct multicultural parenting and employment projects. The Smith Family is funded for this program by the Commonwealth Government.

The investigation identified theft, fraudulent invoicing and favouritism (nepotism) and misuse of resources by Ms Sharobeem. Specifically, Ms Sharobeem improperly used funds through reimbursement, bank transfers, and misuse of credit cards for personal goods and services. Further, Ms Sharobeem's sons worked under various aliases to claim as facilitators of non-existent programs and group activities. ICAC found Ms Sharobeem misused up to $773,000 of public funds.

IWHS leased and operated from a property in Fairfield, NSW from 2004. In 2011, Ms Sharobeem purchased that property for $660,000 and between 2011 and 2016, leased it back to IWHS. She claimed $60,000 of work and repairs to the property despite being legally responsible for these costs. Further, in 2014, Ms Sharobeem fraudulently obtained a $60,000 NSW Community Building Partnership grant to renovate the property. She sold the property in 2016 for $1.3 million.

Ms Sharobeem also falsely represented herself as a psychologist and provided psychological treatment to clients, arranged for her son to be employed by NESH and submitted falsified academic qualifications to be appointed to paid roles at the Community Relations Commission (CRC).

The NSW ICAC found that Ms Sharobeem falsified statistics and arranged for false information to be provided to funding bodies when reporting on the activities for which the IWHS was funded by the NSW and Commonwealth (via the Smith Family) Governments. Ms Sharobeem did this by creating ghost identities within reporting systems, and instructing and manipulating staff responsible for preparing reports.

Red flags identified through this investigation included:

- CEO's active involvement in the reimbursement process and exerting pressure over the IWHS bookkeeper
- CEO access to the CSOs' online banking systems
- receipts submitted for reimbursement were cropped to remove the identity of the vendor and obfuscate whether the purchase was work-related or personal.

2.5.3 Other jurisdictions and national inquiries

In 2013, the Honourable Tim Carmody QC conducted an inquiry into child protection in Queensland. He criticised the departmental approach to NFP sector oversight (in the context of child protection services delivery) as being unduly coercive and the scrutiny of the independent regulator as being costly and disruptive.[43] He saw competition as an important lever in driving cost efficiency and allocating resources fairly, and urged initiatives to enhance collaboration with the NFP sector, giving sector representatives more direct influence on decisions affecting the shape of the welfare sector in Queensland. This inquiry did not consider corruption risks.

National reviews, such as those by the Productivity Commission have been important in shaping the ongoing relationship between government funders and the NFP sector.[44] In general these reviews argue that the use of market mechanisms brings greater efficiency, transparency and consumer choice. They also recognise the potentially detrimental impacts of government accountability processes on the one hand, and market-style competitive processes on the other. Corruption risks, however, have not been a focus of these reports; the major focus has been on ways to increase efficiency and reduce cost.

2.6 Complaints and notifications

Complaints about CSOs often relate to the standard of care provided as part of a service agreement. Although these types of complaints generally fall outside IBAC's jurisdiction, they may involve conduct that is potentially within jurisdiction – for example, corrupt conduct arising from an undisclosed or mismanaged conflict of interest, poor recruitment practices, or the unauthorised access and disclosure of information.

The most common service-related complaints received by IBAC include:

- inadequate care
- inadequate supervision
- theft of personal property and money of clients
- excessive use of force
- inappropriate relationships with clients.

There is a range of bodies and avenues for lodging complaints regarding department-funded human services delivered by CSOs across Victoria. This arguably makes it difficult for a member of the community, a client of a service, or a concerned staff member to identify the most appropriate body to which complaints should be addressed. Avenues for lodging a complaint include:

- directly to the CSO
- to the funding agency
- to Victoria Police
- to a regulator
- to an integrity body (IBAC, VO).

43 Queensland Child Protection Commission of Inquiry 2013, *Taking responsibility: A Roadmap for Queensland Child Protection*.
44 Productivity Commission 2016, *Introducing competition and informed user choice into human services: Identifying sectors for reform: Productivity Commission Study Report*.

Any community member can make a complaint directly to the CSO and the agency funding the services delivered. Under the VCFA Funded Organisations User Guide, there is no requirement for funded agencies to establish a complaints mechanism. CSOs funded by the Departments or the Department of Education and Training (DET) through service agreements are required to have complaints processes and provide this detail to their clients. Given the complexity of funding arrangements, it may be unclear to a member of the public which agency funds a particular service or activity provided by a CSO.

Other factors that may inhibit clients or community members from complaining about the conduct of a CSO or a funding department can include:

- the CSO may be the only provider of a particular service in a region or town; there may be a fear that complaints will see the service removed altogether

- clients may experience vulnerability and may lack the means to make a complaint without independent advocacy

- informal processes, including processes for allocating scarce resources may be perceived as the way things 'have always been done' or may be positively valued over more formal methods which are stigmatised as bureaucratic

- board members and staff of many CSOs have worked within the organisation for significant periods of time, and may have played a role in establishing the CSOs. Often they have strong community connections and are highly valued for bringing services to an area, or on behalf of individual clients.

Funding agencies can become aware of corruption-related issues or incidents through a variety of avenues and mechanisms, including:

- complaints from the community

- formal notification from the CSO

- complaints by a CSO employee (including public interest disclosures)

- notification from another government agency, regulator or integrity body.

Funding agencies and CSOs may not fully appreciate the value of complaint-related information in signalling potential corruption issues. However, the new Agency Monitoring Framework (AMF) established by the former DHHS uses complaints data as a risk indicator and DFFH is currently undertaking work to develop a more risk-informed approach to oversight.

CSOs delivering human services funded by the Departments require compliance with the Departments' incident reporting policies, and incident management differs across state and commonwealth funding agencies. A client incident is defined as 'an event or circumstance that occurred during service delivery and resulted in harm to a client'.[45] There are two categories of client incidents; major impact and non-major impact incidents. These incidents relate to client welfare, and are unlikely to constitute corrupt conduct.

CSOs are required to own, manage and maintain a client incident register to capture and transmit information. Critical Incidents are reported through the Critical Incident Management System (CIMS). Financial abuse which could constitute corrupt conduct, and excessive force, theft, inadequate care, inadequate supervision, and inappropriate relationships with clients would all be in scope of CIMS (for in scope service types). CIMS enables CSOs to capture and transmit information in relation to client incident reports and follow-up recommendations, investigations, and reviews.

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[45] DHHS 2020, *Client Incident Management System*.

2.6.1 Privacy complaints

The Service Agreement Requirements document directs organisations to the complaints management policy for organisations funded by the Departments. Under this policy, where the Departments receive a privacy complaint about a funded organisation, it will provide written notification to the organisation to investigate the complaint and provide a written response to the complainant.

The privacy reporting element also requires service providers to report unauthorised access and disclosure of information to the Departments (and for critical risks, the Departments involve the Office of the Victorian Information Commissioner (OVIC)).

2.6.2 Complaints made to Victoria Police

It is often the case that where fraud and other corruption-related behaviours are identified, they are reported to Victoria Police.

CSOs are required to report allegations of abuse, or incidents where a client is potentially a victim of a crime, to both Victoria Police and into CIMS.

Some complaints of criminal activity will constitute corrupt conduct under the IBAC Act. These complaints may be handled by different areas of Victoria Police including fraud, child abuse, cybercrime and other specialist units. The impact of this is that funding agencies and IBAC are less likely to be made aware of such complaints and as such, cannot identify trends or patterns related to individuals or entities to help prevent and expose corruption.

2.6.3 Complaints made to a regulator

CSOs operate in a regulated environment, and the Service Agreement Requirements document and VCFA User Guide provide directions on the requirement for funded agencies to comply with certain policies and legislation. These can differ between funded agencies or the services being delivered by the CSO.

The Service Agreement Requirements document directs users to the complaints management policy for funded organisations.[46] The complaints management policy states that the CSO must always advise complainants of their option to take their complaint to an external oversight body at any stage of the complaints process, and provides details of the following:

- DHHS[47]
- Disability Services Commissioner
- Health Complaints Commissioner
- IBAC
- Mental Health Complaints Commissioner
- OVIC
- Victorian Equal Opportunity and Human Rights Commissioner
- Victims of Crime Commissioner
- Victorian Disability Worker Commission
- VO.

Although IBAC is included in this list, it was not previously referred to in the now defunct Service Agreement Information Kit.

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[46] DHHS 2020, *Complaints management policy for organisations funded by the Department of Health and Human Services.*
[47] At the time of writing, this policy has not been updated to reflect the Machinery of Government change effective 1 February 2021.

2.6.3.1 Complaints received by Commissioner for Children and Young People

The reportable conduct scheme commenced on 1 July 2017 and was introduced to improve oversight of how organisations prevent and respond to allegations of child abuse. The scheme requires centralised reporting to CCYP of allegations of child abuse made against workers or volunteers in relevant organisations with a high level of responsibility for children, such as out-of-home care services.

Service providers are required to comply with the CYF Act, and notify the CCYP of an incident that meets the threshold for the Reportable Conduct Scheme set by the Act within a specified timeframe.

2.6.3.2 Complaints received by the ACNC

The ACNC receives complaints, called 'concerns', about charities from a range of sources. These include the public, government referrals, and proactive analysis and media. Nationally in 2019/20, the ACNC received 2102 concerns about charities.

2.6.4 Cases received by IBAC

Since IBAC became fully operational in 2013, a total of 28 cases have been assessed involving 109 allegations related to CSOs, as demonstrated in Figure 3 below. This is likely a result of under-reporting within the sector, and suggests a lack of awareness around the behaviour, jurisdiction or processes for referring such matters to IBAC for consideration.

FIGURE 3: CASES AND ALLEGATIONS ASSESSED BY IBAC INVOLVING NFP SECTOR ENTITIES
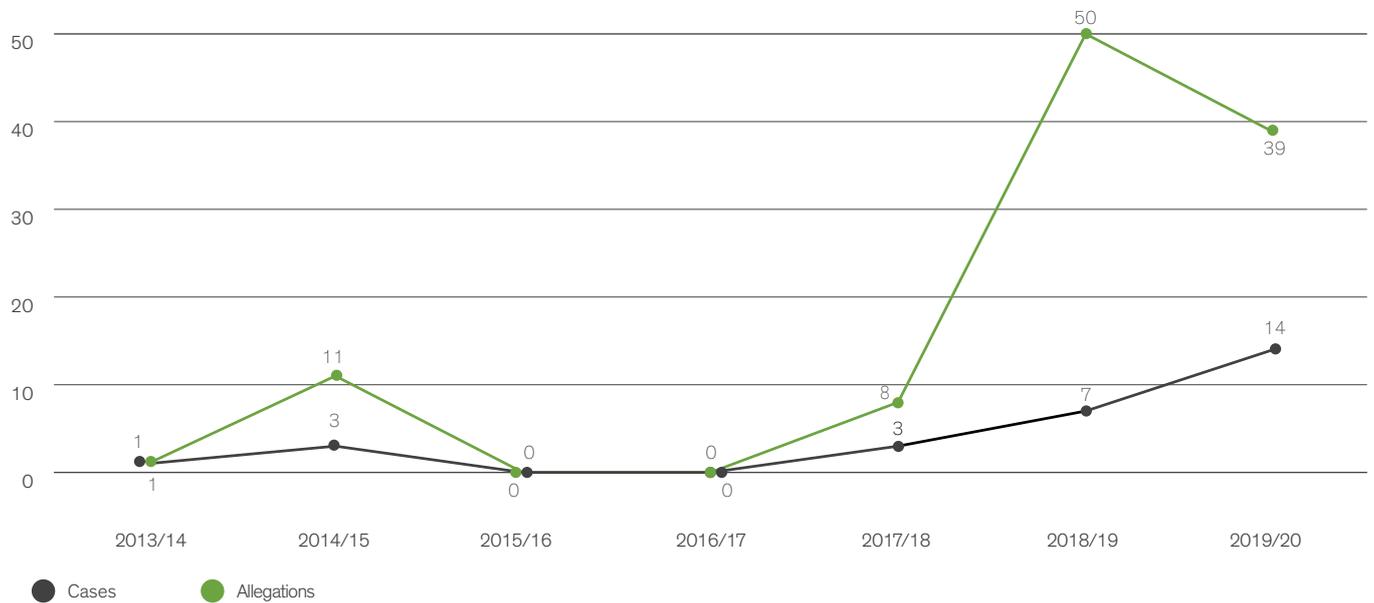
IBAC has conducted a small number of investigations directly involving allegations of corruption within an NFP organisation, with some matters ongoing. Of the 28 cases alleging corrupt conduct by NFP sector entities, eight were assessed by IBAC as requiring investigation (leading to two separate operations), two were referred for action to the VO and Department of Jobs, Precincts and Regions, and the remaining 18 were dismissed.

2.6.5 Complaints received by the Victorian Ombudsman

Between July 2015 and June 2018, the VO was contacted on 80 occasions regarding CSOs. A contact can include a phone call or email enquiry, a complaint or an allegation. This is in comparison to 5458 contacts during the same period regarding non-CSO providers of human services, approximately 50 per cent of which related to child protection.

VO contacts involving CSOs included the following themes:

- serious financial misconduct (eg allocating work to family/friends, forged documents, questionable audit and financial controls by a CSO, board members getting 'kick-backs' during the selling of assets, and board members approving substantial pay rises for themselves)
- failure of a provider to deliver a funded service
- lack of accountability by a CSO to clients or their advocates about how the funded package/service was delivered
- 'unfair' allocation of resources in an organisation
- governance processes (including nepotism at board level)
- conflicts of interest/favouritism in employment
- allegations of poor quality of care/placement concerns (clients at serious risk in placement; failure to attend to medical needs)
- serious non-financial misconduct by individual employees.

2.6.6 Complaints to the NDIS Quality and Safeguards Commissioner

The Commonwealth Government established the NDIS Quality and Safeguards Commissioner in response to possible corruption, fraud and misconduct risks associated with the transition to the NDIS. The Commissioner has responsibility to investigate complaints and serious incidents, which include:

- incidents involving fraud
- incidents of alleged physical or sexual assault of a participant committed by an employee, or another participant while in the care of the provider
- culpable neglect
- serious unexplained injury
- death of a participant (irrespective of cause)
- unauthorised use of restrictive practices.

In relation to serious incidents, the Commissioner is empowered to:

- receive and assess serious incident reports
- work with providers to develop a positive reporting culture
- build provider capability to prevent and respond to serious incidents, including working with providers to develop a service response to incidents if necessary
- recommend compliance action to the NDIS registrar when required
- refer matters to worker screening units, the NDIS registrar, the NDIS senior practitioner or other relevant authorities, and coordinate the response
- review serious incident reporting data to identify systemic issues to be addressed
- report publicly on the level of serious incidents and prevention strategies.

2.6.7 Public interest disclosures

The *Public Interest Disclosures Act 2012* (Vic) (the PID Act) ensures that people who report improper conduct and corruption in the Victorian public sector (whistleblowers) can do so in the knowledge that they will be protected. The PID Act replaced the *Protected Disclosures Act 2012* (Vic) (the PD Act) as at 1 January 2020.

The PID Act includes protections around the identity of the person reporting improper conduct and protects them from reprisals including bullying, harassment or legal action. The Service Agreement Requirements document requires CSOs to have their own reporting, investigation and fraud risk management strategies in place. The former DHHS's Fraud and corruption control framework was last updated in November 2016, and does not detail changes arising from the update of the PID Act.[48] It is currently being updated; however, due to the redeployment of resources in response to COVID-19, the finalisation of this has been delayed. These frameworks are expected to be completed in 2021.

DFFH's website will also be updated to include further information and advice to CSOs on their responsibilities under the PID Act.

[48] DHHS 2019, *Fraud and corruption control framework*.

3 Corruption risks

3.1 Fraudulent or inaccurate reporting practices

Fraudulent activities within CSOs can relate to providing false or misleading information when a Service Agreement is created in an effort to receive funding (or higher levels of funding), and fraudulent or overreporting of services that have not been delivered. Funding agreements will usually define what services the funds are being provided for, however the fraud risk arises where these funds are improperly used for personal gain.

CSOs are generally required to report outputs to funding agencies. This enables the funding agency to monitor where service delivery, or other aspects of the funding arrangements, are not being met, and take action. Such reporting is associated with two key risks:

- the organisation may lack, or have unsophisticated, reporting systems (particularly where a range of services are funded from multiple sources)
- organisations may fraudulently report service delivery outputs to ensure future funding.

While not all instances of misreporting constitute corrupt conduct, inaccurate reporting practices can lead to (and could be) masking a range of corrupt behaviours that fall within IBAC's jurisdiction. Misreporting can relate to the number and types of services delivered or the associated service delivery costs.

Misreporting funding arrangements, or underreporting serious misconduct or corrupt conduct, also poses risks, such as concealing the use of funds for commercial or private purposes. These activities can mean clients do not receive services, undermine community trust in these agencies, lead to adverse publicity, and damage their public reputation as well as the reputation of the broader NFP sector.

3.2 Poor conflict of interest management

Not declaring and/or mismanaging conflicts of interest[49] may leave CSOs vulnerable to corrupt conduct. Mismanaging conflicts of interest has been identified by IBAC as a recurring corruption risk across the Victorian public sector, and is a risk for CSOs. A conflict is not corrupt merely because it exists; rather, conflicts of interest often become problematic when they are not appropriately identified (concealed or only partially revealed), declared or managed.

A conflict of interest creates the risk that a public officer cannot separate their decision-making from the influence of their private interest.[50] The service agreement (which covers most funded human services) contains a conflict of interest clause that requires funded organisations to maintain a written conflict of interest policy, to give notice of actual and potential conflicts of interest, and allows the Departments to terminate the agreement if an organisation fails to appropriately manage or respond to a conflict of interest. If a conflict of interest arises during the term of an agreement, the organisation must notify and inform the Departments of strategies it has in place to manage the conflict of interest. Where the Departments believe a conflict of interest is not being managed sufficiently, it can request the CSO take appropriate action and provide details in writing.

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[49] A conflict of interest occurs when a public officer's private interests conflict with their public duties and their responsibility to act in the public interest. Conflicts of interest can take various forms – direct, indirect, financial and non-financial – and can arise as a result of private interests, personal or business associations, conflicting duties, and the provision and/or receipt of gifts, benefits or hospitality.
[50] IBAC 2019, *Managing corruption risks associated with conflicts of interest in the Victorian public sector*.

Nepotism and cronyism are forms of favouritism based on familial or other close relationships where a public officer exploits their position to provide a benefit (financial or non-financial) to a family member, a friend or an associate. This is a risk across many funded CSOs as well as for-profit services, and IBAC identifies this to be a particular risk in some regional areas where a CSO works within a community where close familial and other relationships may be common, have existed for a long period of time, and may be run by a highly regarded local figure or prominent family.

Close relationships between a CSO's board members, staff and the broader community can create challenges in adequately managing conflicts of interest. For example, boards can be 'stacked' with preferred members who are easily manipulated to vote in favour of an agenda. This can enable decisions to be made that may not necessarily align with the intentions or service delivery requirements of a CSO.

3.3 Poor procurement and contract management practices

Procurement risks, including those relating to tender and contract management that exist across the Victorian public sector, also apply to CSOs. Some key procurement and contract management corruption risks for CSOs include:

- procuring goods and services from family, friends and related parties
- reimbursing payments without supporting documentation
- misuse of credit cards or purchasing items using cash
- purchases made without a contract or purchase order
- service delivery by a subcontracted entity not approved by the funding body.[51]

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[51] Adapted from NSW ICAC 2018, *Corruption and Integrity in the NSW Public Sector: an assessment of current trends and events*.

3.4 Unauthorised access and disclosure of information

With the increased outsourcing of human services, CSOs hold a large amount of sensitive information about individuals and families, including information originally provided to government under statutory powers. This information may be stored by CSOs using information technology with outdated protections, or in an environment without clear procedures and training on appropriate sharing of information.

The protection of clients creates an expectation around sharing sensitive information between agencies, including information about staff misconduct. This may heighten privacy concerns and potential corruption risks, particularly where the appropriate processes for privacy complaints in these circumstances are not necessarily always developed or updated. Without appropriate safeguards, information can be misused intentionally or unintentionally.

IBAC has identified the unauthorised access and disclosure of information in areas such as child protection as a high risk.[52] Many CSOs operating within child protection have access to highly sensitive information from government databases, often stored on ageing systems and with few precautions against inappropriate action and unauthorised release. It is possible that members of the public affected by a child protection case might seek to access information for their personal interest or benefit; for example, in family law cases where there are incentives for attempting to access this information.

Small CSOs which lack the resources to invest in relevant technologies, or the appropriate security platforms to keep their data safe, are more susceptible to information security breaches. In addition, they may not be aware nor appreciate the potential value of sensitive and personal information they hold about their clients.

3.5 Improper 'double dipping' practices

Recent changes to the funding of disability services in Victoria means CSOs can receive funds from both State and Commonwealth government, depending on the service provided. For example, where a CSO provides Commonwealth funded services to people with disabilities, while at the same time providing State-funded housing or family support services to the same clients and/or their families. 'Double dipping' occurs where a CSO receives funding for the same service from more than one source. There is potential for double dipping where funds are inappropriately used for non-funded purposes, particularly if an organisation is funded by both the Commonwealth and the State.

CSOs providing services funded by both the State and Commonwealth may attempt to manipulate funding programs in order to obtain funds outside the intention or guidelines of those programs. These additional services could potentially lead to improper double dipping practices. It is also possible that inadvertent or mistaken double dipping can occur due to the multitude of programs and funding sources coupled with the relative lack of administrative capability of many CSOs.

Risks also exist around government funds being mixed with funds from other sources. This can cloud accountability requirements and potentially create an opportunity where total funding is understated. This can also lead to an environment where funds are used to deliver different services than those encompassed in the original service or funding agreement.

Although modelled to provide choice and control to people living with a disability, the transition from block funding to individual assessments for disability services has created opportunities to those seeking to commit fraud. These may arise similar to what has occurred in the Commonwealth's funding of childcare, as detailed in the case study on the next page.

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[52] IBAC 2020, *Unauthorised access and disclosure of information held by the Victorian public sector*.

CASE STUDY: 'AUSSIE GIGGLES' ALBURY – A CASE OF CHILDCARE FRAUD IN AUSTRALIA

On 26 May 2017, Melissa Jade Higgins was sentenced by the New South Wales District Court to seven years' imprisonment with a non-parole period of four years for fraudulently claiming $3,646,269.72 in childcare benefits, forging documents and dealing with the proceeds of crime.

On 80 occasions between 20 September 2013 and 25 March 2015, Higgins used her child day care business Aussie Giggles in Albury, NSW, to fraudulently claim the Commonwealth Special Child Care Benefit (SCCB) meant to subsidise children from disadvantaged and vulnerable backgrounds.

Higgins was found to have lied about the attendance of 14 children, and claimed a much higher hourly rate than the standard one charged by Aussie Giggles. Higgins lodged the false claims for SCCB electronically by using an integrated software program via the Child Care Management System maintained by the NSW Department of Human Services.

Higgins dealt with the proceeds of the false claims by moving approximately $3,621,307.90, between company and personal bank accounts.

3.6 Underreporting of abuse of clients

There can be increased risks of abuse associated with the delivery of disability, youth and aged care services. Investigations into abuse within these sectors, including by specialised inquiries and other oversight functions, reflects the presence of 'use of force' related issues, and shows the need for ongoing oversight.

Abuse or inappropriate force used by employees delivering government funded human services, may be considered corrupt conduct. Such behaviours can be accompanied by other corrupt behaviours that seek to hide or mask abusive conduct, whether through misreporting, collusion or other activities.

In the first instance, when such behaviours are identified, they are reported to bodies other than IBAC. These include Victoria Police, the Departments, and the various Commissioners that oversee these sectors. Where reports are made to these bodies, IBAC is not always notified. It is possible this is due to the perception that they do not meet IBAC's threshold of corruption.

CASE STUDY: VO INVESTIGATION INTO THE MANAGEMENT AND PROTECTION OF RESIDENTS AT A DISABILITY GROUP HOME[53]

In September 2017, the VO published details of its investigation into the management and protection of disability group home residents by Autism Plus. The investigation commenced in 2015 following multiple allegations of sexual assaults by one resident identified as 'Edward' on up to five other residents.

Autism Plus is a for-profit provider of accommodation and day program services, and operates on a 'fee for service' basis for DHHS clients. DHHS has regulatory and funding oversight of Autism Plus, which received over $5.3 million from DHHS to deliver services in 2014/15. During this period, more than $260,000 in funding was allocated towards Edward's care. Edward had been the subject of regular discussion between various department officials and Autism Plus due to his escalating pattern of assaultive behaviour.

The VO highlighted concerns about the suitability of Autism Plus to provide programs and care for DHHS clients, with key findings from the report including that:

- although Autism Plus expressed concern to DHHS about its ability to manage Edward, it reluctantly agreed to keep him at the group home at DHHS's instruction, at least in part from fear of losing government funding

- Autism Plus reduced overnight supervision of Edward from two staff members to one in an effort to save money, despite this contravening his contract of care

- although Edward was a DHHS client through Child Protection and Disability Services, neither area obtained a specialist risk assessment of Edward after the first alleged assault

- Child Protection had not visited Edward for more than three years, despite his involvement in 30 incidents of alleged physical assaults, sexual assaults and behaviour, and property damage

- Disability Services took insufficient action to ensure the plan to manage Edward's challenging behaviour was updated by Autism Plus, that medical reviews for psychiatric drugs were completed, or that his carers were trained to respond to sexual assault and to predict assaultive behaviour.

This investigation raises questions about both the action and inaction by DHHS officers, particularly the role of Child Protection, and poor coordination between Child Protection and Disability Services.

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[53] VO 2017, *Investigation into the management and protection of disability group home residents by the Department of Health and Human Services and Autism Plus*.

4 Drivers

4.1 Complicated oversight and accountability requirements

The funding department has oversight of a CSO's contractual compliance; however, most of these organisations are also often oversighted or regulated by other bodies.[54] Although the establishment of the Human Services Regulator (detailed in Section 2.4 of this report) has consolidated the Departments' regulatory schemes that were previously dispersed, this function can still create confusion. Where oversight and regulatory roles are held by a number of bodies, this can create confusion as well as potential overlap and duplication of regulatory activity. Complexities resulting from managing multiple funding sources and reporting obligations creates challenges, and poses governance and corruption risks.

One way the Departments oversight CSOs is through service agreements. The service agreement sets out the terms and conditions of the funding, along with the deliverables to be achieved. In 2018, VAGO found the then DHHS's approach to managing and monitoring service agreements to be fragmented, duplicative, and not commensurate with service risk.[55] The VAGO audit identified vulnerabilities in the administration of service agreements, a lack of investment in skilled procurement staff, and inconsistent compliance activities. It also identified DHHS was using multiple approaches to assess risk, and recommended developing a consolidated approach to assessing risk.

In response, DFFH has advised it has since undertaken significant reform regarding how it monitors the agencies it funds. It redesigned its approach for monitoring agency performance using a risk-based approach to compliance activities, achieved with the implementation of the Agency Monitoring Framework in June 2019. This approach allows DFFH to rate and rank agencies by risk to determine the level of minimum monitoring effort, commensurate to risk tier level, that the department will undertake during its business as usual operations. Agency risk is primarily assessed based on the types of services delivered and associated complexity and vulnerability of client groups. Risk tiering has been temporarily suspended during the COVID-19 pandemic.

Duplicating reporting across funding agencies and programs is expensive and can be confusing for CSOs to navigate. DFFH staff meet with funded agencies to follow up on reporting; however, CSOs say they are required to submit multiple reports, often providing different information with varying timeframes. This has the potential to create a 'tick-box' approach, rather than encouraging accurate governance reporting. Governance systems that make it easier for CSOs to report funding use and compliance would prevent maladministration, misconduct or corrupt conduct.

4.1.1 Oversight by the former DHHS

The 2013 VAGO audit of grants to government funded CSOs found a lack of clarity around the definitions of grants, subsidies, sponsorships, donations and service agreement payments. The audit also identified marked variability in accountability frameworks. In September 2018, VAGO found the former DHHS continued to insufficiently manage service agreements. VAGO determined that despite the changes made, DHHS's approach to managing and monitoring service agreements had become 'increasingly fragmented and duplicative' and were not commensurate with service risk'.[56]

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[54] Other regulatory oversight bodies include, but are not limited to, Consumer Affairs Victoria, the Australian Taxation Office, the Australian Securities and Investments Commission and the Victorian Housing Registrar.
[55] VAGO 2018, *Contact Management Capability in DHHS: Service Agreements*.
[56] ibid.

Fragmented and inconsistent oversight and quality assurance presents risks that changes can be made on computer systems by multiple users. This allows data holdings to be easily changed, thereby enabling fraud and corruption.

VAGO identified further weaknesses in the oversight by the former DHHS, including:

- the risk assessment tool used to categorise funded organisations has limited coverage, applying only to approximately one-third of all organisations, and only half of relevant DHHS staff were using the tool

- the computer program for storing DHHS service agreements was outdated and not user friendly with only two DHHS staff members that have sufficient corporate knowledge to fully utilise the system's capabilities, and no formal measures in place to capture the knowledge of these staff

- the Funded Organisation Performance Monitoring Framework system (FOPMF) contained 127 overdue planned remedial actions regarding funded organisation performance issues, with actions overdue by an average of 264 days

- DHHS did not appear to be using existing performance information generated through the FOPMF to inform future service agreement funding decisions, despite documented guidance instructing staff to do so.

In response to the VAGO audit, DFFH has advised it is working through an action plan that aims to build a more consistent and effective approach to how it funds agencies, enabling it to better understand and respond to capabilities and performance across the system. The four key components of the action plan relate to:

- streamlining contract management documentation and ensuring consistent application through strengthened governance processes

- developing a capability framework to fill staff knowledge gaps and professionalise contract management practices

- improving support for service agreement performance

- developing a single risk tiering framework and reviewing monitoring requirements.

Staff capabilities at the former DHHS were also described in the VAGO audit as limited, increasing a CSO's vulnerability to corruption. Particular issues raised include:

- frontline staff are geographically dispersed across Victoria and their roles and responsibilities shift over time, with little to no training

- many staff do not appear to have performance development plans, so their performance is not assessed, and there is no oversight of their development

- community programs subject to the VCFA are viewed as lower risk by DHHS, and as the performance of CSOs is largely self-reported, this can create difficulties for DHHS to verify outputs.[57]

In response, DFFH has advised it has developed a capability framework and learning and development activities for staff undertaking contract management activities. Some key improvements include:

- Creation of a formal approach to contract management pertaining to contracting of funded service delivery. It details the appropriate management of service agreements across the contract life-cycle and is a resource to aid staff in recognising their own roles and responsibilities within that system.

- Agency Performance and System Support (APSS) teams are region-based teams in operational divisions across Victoria and have responsibility for contract managing funded agencies, ensuring that the Service Agreement Requirements are met. Specific guidance has been developed for the performance development plans of APSS teams to ensure staff performance is appropriately assessed and there is consistent oversight of staff development.

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57 VAGO, 2018, *Contact Management Capability in DHHS: Service Agreements*.

• Developing a conversation guide that provides practical guidance to staff involved in managing service agreements. The purpose of this guide is to assist staff with preparing for agency monitoring meetings, using the risk indicators and tiers outlined in the Agency Monitoring Framework.

In addition to the above, other reports identify risks where departmental staff are not clear on appropriate boundaries with their clients, making them vulnerable to regulatory capture.[58]

4.1.2 Weakness in reporting obligations

Although CSOs fall within IBAC's jurisdiction, they are not obligated under the IBAC Act to notify their funding agencies or IBAC of corrupt conduct. They are, however, contractually obligated to notify the Departments of conduct as detailed within current service agreement templates, but this conduct is not explicit regarding suspected corrupt conduct. Although CSOs do not have clear obligations to report corrupt conduct under the IBAC Act, CSOs registered as charities have a duty to notify the ACNC of non-compliance with the ACNC Act.

Consideration could be given to expanding the requirements in the Service Agreement Requirements document to include a positive obligation to report corruption or suspected corruption to the Departments.

4.1.3 Underreporting of complaints

As previously mentioned, there is a range of avenues available for lodging complaints,[59] however many CSOs are unlikely to know how and where to report suspected corruption, and are unclear of their reporting obligations. Having multiple avenues to report can create confusion and make it difficult for a member of the community, a client of a service or a concerned staff member to identify the most appropriate body to which complaints should be addressed. This may mean the corrupt conduct will continue to occur undetected and unreported.

Regulatory confusion and the limited understanding of identifiable public interest disclosure protections are also likely contributing to the underreporting of serious misconduct or corrupt conduct. This could be addressed through better engagement and education across the sector.

4.1.4 Double defaulters

Charities are required to submit Annual Information Statements to the ACNC. Double-defaulting occurs where two years have passed without a charity lodging a statement, and leads to the organisation's charity status being revoked. In September 2019, the ACNC announced it had revoked the charity status of more than 1200 charities across Australia due to double-defaulting.[60] The ACNC makes data available to government agencies through the Charity Passport which includes the ACNC's publicly available charity information, including financial information.

Double-defaulting can indicate an at-risk funded organisation if the organisation continues to be funded for services by a Victorian government agency, and should be considered by funding agencies when assessing the status of charities.

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[58] Regulatory capture is the process by which regulatory agencies or their employees inappropriately identify with the interests of the client or the industries they are tasked with regulating. See IBAC's 2018 report, *Corruption risks associated with public regulatory authorities* and NSW ICAC's 2018 report, *Corruption and Integrity in the NSW Public Sector: an assessment of current trends and events.*

[59] Complaints can be lodged directly to the CSO, the funding agency, Victoria Police, a regulator or to an integrity body (such as the Victorian Ombudsman or IBAC).

[60] ACNC 2019, *'Double defaulter' charities revoked*. Additional information on the ACNC's Charity Passports is available at www.acnc.gov.au/about/red-tape-reduction/charity-passport

4.2 Board and governance structures

For smaller CSOs, there may be a lack of resources to support good governance, including training for board members which govern CSOs. It is important that training is regular and ongoing, and ensures board members understand and fulfil their statutory obligations, including around reporting suspected corrupt conduct.

While there are obvious advantages when board members have close community ties and a personal connection or stake in the service being provided, there is also a significant risk that unmanaged conflicts of interest will be created. It can also mean a board is comprised of members of varying capabilities and limited understanding of their obligations. These risks are commonly heightened for CSOs based in rural and remote communities.

Many CSO boards are subject to annual elections which can result in regular turnover of members. This can mean board members can have varying levels of expertise, experience and awareness of corruption issues. While this may enable fraud to occur without detection, it can also empower newer board members to act in response to risks as a means to make a positive change. New members can bring fresh ideas and perspectives, in contrast to reluctance or complacency by long-standing boards to address issues, which impacts on the ability of CSOs to detect, prevent or report corruption.

The Departments have advised they do not directly engage at the board level unless concerns regarding a CSO's service delivery are raised. Resource limitations have been suggested to make it difficult for the Departments to proactively audit or undertake enquiries of board members. However, service agreements require funded organisations to notify the Departments where changes in control occur. Part of the Departments' new risk tiering approach now requires consideration of the frequency of board transitions, noting that too little or too frequent turnover can indicate possible issues within an

organisation. Finding balance between tenure and turnover of boards can be difficult, particularly where there are limited volunteers, or volunteers with appropriate skills.

It is not uncommon for board members to participate on the boards of multiple CSOs. This may limit their ability to closely scrutinise the practices and procedures of the organisation due to competing priorities. This can also provide CSOs with the opportunity for broader governance experience and to share good practice across organisations.

Additionally, board members may have served together for many years, producing an element of group think, which leads to a reluctance to change or fix problems.

The Community Services Quality Governance Framework was introduced by the former DHHS in 2018 to provide a framework for all organisations that deliver community services, including Department-funded community services.[61] It provides specific guidance to boards, directors and committees of management, noting that these governing bodies have ultimate responsibility to ensure the services delivered are safe and of a high quality. It outlines indicators of risk, including but not limited to organisational culture, level of CEO, executive and board member engagement (and how connected these leaders are to oversight systems), and the strength of data reporting.

Many of these risks also apply to small for-profit organisations within the sector, and across the public sector more broadly. IBAC has published an information sheet further detailing the corruption risks associated with public sector boards.[62]

The Victorian Public Sector Commission (VPSC) has a number of resources on its website that outline the duties and responsibilities of board directors, including key integrity obligations.[63] Although CSO boards do not fall within the remit of the VPSC, these resources are a helpful source of guidance to boards of funded organisations.

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[61] DHHS 2018, *Community Services Quality Governance Framework*.
[62] IBAC 2019, *Corruption risks associated with public sector boards*.
[63] VPSC 2015, *Board Directors*.

4.3 Lack of awareness about corruption prevention

A variety of resources exist that can enhance a CSO's awareness about fraud, corruption, and improper conduct.[64] However, frequent turnover of staff, or rapid growth and change in a CSO's activities without appropriate education and awareness programs in place, can contribute to low levels of corruption awareness in the sector.

Core documents[65] that govern the relationship between CSOs and funding agencies do not include information or definitions around improper conduct or corruption, or how to manage or escalate complaints. This is also likely to contribute to low levels of awareness within CSOs around how to detect, prevent and report suspected corrupt conduct. Updating these documents would enhance awareness across CSOs, and mitigate risks.

4.3.1 Awareness about corruption and anti-corruption bodies

It is reasonable to assume that across a sector as large and diverse as the CSO sector, there would be variability in the awareness and appreciation of IBAC and the VO. Although there is a range of avenues for lodging complaints, many CSOs are unlikely to know how and where to report suspected corruption, and are unclear of their reporting obligations. This arguably makes it difficult for a member of the community, a client of a service or a concerned staff member to identify the most appropriate body to which complaints should be addressed.

Additionally, some CSOs may lack a nuanced understanding of potential corruption risks and the impact of corruption on human service delivery. Without a solid understanding of corruption risks, it is difficult for CSOs to be alert and put in place relevant policies, procedures and controls to mitigate risks.

To assist with raising awareness about corruption, its impacts and the protections available to those who come forward, IBAC runs public awareness campaigns and has a number of corruption prevention resources available on its website.[66] IBAC also undertakes communication and engagement activities to raise awareness amongst various stakeholder groups and the different agencies that CSOs and the community can complain to. Having similar campaigns undertaken by the relevant department and VCOSS, with supporting information provided by IBAC, would help to further increase awareness across the sector.

4.3.2 Size of funded organisation and level of funding

Smaller CSOs can lack the resources to develop robust corruption prevention policies, systems and processes, and to educate staff on corruption prevention. Some CSOs experience pressure to rapidly expand to meet service delivery requirements. This can affect the already limited resourcing of smaller CSOs, particularly if they cannot develop their corruption prevention capabilities in line with their growth. This is similar in the charities sector, where larger bodies generally have more resources available to implement good governance compared to smaller charities.

There can also be challenges in training and overseeing staff who are geographically dispersed and whose roles and responsibilities shift over time.

Limited awareness regarding corruption prevention may lead to inappropriate reporting activities by CSOs. This is likely to be the case where they are unfamiliar with public sector values and principles, or may also be driven by fear of losing funding if they report corrupt or fraudulent conduct by their own staff.

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[64] DHHS 2019, *Service Agreement Requirements (DHHS)*.
[65] See documents including the *Funded Organisations User Guide*, the *Victorian Common Funding Agreement* and *Terms and Conditions*.
[66] For example, the *Yes, it's corruption. Yes, I can do something about it* campaign launched in June 2019.

Organisations with an element of charitable funding, or that receive a diverse range of government funding sources, may be more financially robust than smaller, single service CSOs, but they will face other challenges. For example, large organisations may have a complex federated structure, with large boards and multiple layers of internal reporting.

4.3.3 Core documents do not adequately address corruption reporting requirements

The VCFA is currently under review, with a new Agreement expected to commence in the near future.[67] At the time of writing, neither the VCFA, the Terms and Conditions nor the User Guide make reference to IBAC. Separately, the DFFH's Complaints Management policy[68] for funded organisations only refers to IBAC in a list of 'Other Contacts', stating IBAC receives complaints about corruption in the Victorian public sector or complaints about police misconduct.

These resources also do not articulate whether a funded organisation and its employees would be considered a public body/public officer under the IBAC Act, or provide guidance on how to assess and determine whether they would be. Including this information will likely have a positive impact on the limited number of complaints currently being received by IBAC.

These core documents do not include any general or specific information or definitions around improper conduct or corruption. They do not detail how to manage or escalate complaints, or detail what individuals and organisations should do if a complaint involves suspected corruption, or relates to the funding agency or its staff. This further contributes to the low levels of awareness within CSOs around how to detect, prevent and report suspected corrupt conduct. VCFA clauses surrounding requirements to notify the funding agency or department also do not include reference to fraud or corruption. There are no proactive requirements on the funded organisation to notify the funding agency of suspected existence of fraud or corruption generally, or specifically in relation to activities funded, or any impact on the delivery of services funded by the Victorian Government.

4.3.4 Public Interest disclosures

The legislated changes which commenced on 1 January 2020 regarding PIDs provide a lower threshold for making PIDs to IBAC, a 'no wrong door' principle for handling PIDs made to a receiving agency, and increased flexibility and alternative pathways for how investigating agencies handle PIDs (and public interest complaints).

At the time of writing, the VCFA includes only one reference to PIDs[69] which explains that if the PID Act applies to the funding organisation, the organisation agrees to comply and be bound by the provisions of the Act. Similarly, the DFFH's Complaints Management policy for funded organisations notes that a funded organisation's complaints policy should 'take into consideration legislated privacy, and public interest disclosure and whistle-blower requirements'. Although neither document provides guidance for determining whether the PID Act applies to a funded organisation, the VCFA does note that to comply with the PID Act, CSOs must have procedures in place to:

• facilitate the making of disclosures under the Act

• investigate the disclosed matters, and

• protect the discloser from reprisals.

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[67] At the time of writing this report, this new version of the Agreement is yet to have commenced.

[68] DHHS 2020, *Complaints management policy for organisations funded by the Department of Health and Human Services*.

[69] At the time of writing, the VCFA had not been updated to reflect the changes from the PD Act to the PID Act. However, for the purposes of this report, the term 'Public Interest Disclosures' also refers to Protected Disclosures under the former PD Act.

4.3.5 Evolving organisations

Smaller CSOs are likely to lack resources to develop robust corruption prevention policies, systems and processes. Smaller CSOs which have been historically in receipt of smaller amounts of grant or block funding are likely to have been assessed as relatively low risk, given the small amounts of money at stake. As these smaller CSOs begin to receive higher levels of funding, the risk of corruption is likely to increase if they do not develop their corruption prevention capabilities. Risks for these transitioning organisations are likely to be greater than in larger organisations with established corruption prevention resources, systems and policies.

Recognising this, as part of its new risk tiering approach for monitoring funded agencies, DFFH has included rapid growth in an agency's funding (an increase by more than 50 per cent in a 12-month period) as an indicator of risk.

4.4 Emergency response environments

CSOs are under extreme pressure to deliver quick and efficient responses following emergency situations. Emergency assistance funding to CSOs can be received from both the Commonwealth and State governments, or through charitable donations. Following a natural disaster, as seen in the 2019/20 bushfires across Australia and the COVID-19 pandemic, there is often a rapid flow of funds to CSOs, and political and public pressure for them to use funds urgently to deliver services.

This pressure can lead to undue regard to procedures, processes, eligibility criteria and other forms of 'red tape'. At times, this can also mean established corruption prevention practices are neglected or seen as non-essential to the service delivery requirements – creating opportunities for corrupt conduct and exploitation.

Crisis-related funding increases can lead to changed conditions that increase existing fraud and corruption risks.[70] Risks can arise in circumstances where CSOs misreport on funding received, or how it has been spent, or conceal instances of funds being misappropriated. Misreporting may be an unintentional result of the size of funding, number of agencies involved, poor governance and underqualified/new employees; such conduct does not itself amount to corrupt conduct. It may, however, contribute to an environment where corrupt conduct can occur without detection.

Misreporting services delivered, or associated service delivery costs, can conceal instances of funds being misappropriated. IBAC has previously identified misappropriation of funds and assets in the public health sector,[71] and similar risks exist for CSOs, particularly where they have complicated funding and oversight arrangements.

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[70] IBAC 2020, *Building public sector integrity during times of crisis or emergency*, Information Sheet.
[71] IBAC 2017, *Operation Liverpool: An investigation into the conduct of two officers of Bendigo Health, Adam Hardinge and John Mulder*, Special Report.

4.5 Competition for funding

Competition for funding may increase corruption risks by creating incentives to misreport service delivery costs, or substitute services upon the contract being awarded. Additionally, restrictive budgets can create pressures around how resources are allocated. This may cause CSOs to assign funds to meet immediate service delivery outcomes, rather than investing in strong governance arrangements. In many cases, government funding agreements restrict the use of funding to immediate service provision, meaning that CSOs must self-fund 'back office' administrative and governance functions.

As outlined in this report, CSOs face a range of corruption risks and drivers tied to the nature of their operating environments. Public sector agencies and CSOs have responsibility to ensure the integrity of their organisations and safeguard the expenditure of vital public funds. IBAC has identified a number of potential measures to address the corruption risks affecting department-funded CSOs, and the NFP sector more broadly.

This is not intended to be an exhaustive list, and not all of the measures will be suitable for every organisation in the sector. Public sector agencies and CSOs are best placed themselves to assess their risks and operating environment, and implement tailored strategies that best suit their situation.

It is important that CSOs review their corruption prevention and detection strategies during times of crises and emergency response, such as the COVID-19 pandemic and bushfire and flood recovery efforts, to ensure strategies are effective in minimising misconduct and corruption risks, but also proportionate to the circumstances. IBAC has published information resources on its website that detail opportunities to strengthen systems, and practices to mitigate corruption risks during times of crisis or emergency.[72] These prevention and detection strategies could be tailored to the community sector's operating environment to ensure they are effective and proportionate for individual CSOs.

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[72] IBAC 2020, *Building public sector integrity during times of crisis or emergency*, Information Sheet.

5 Prevention and detection strategies

5.1 Strong conflict of interest frameworks

The existence of a conflict of interest in itself is not necessarily a problem, nor inherently corrupt. However, the risk of corruption occurs when individuals and their organisations fail to properly and actively identify, declare and manage a conflict in the public interest. In October 2019, IBAC published a research report outlining opportunities to strengthen how the public sector could identify, disclose and manage conflicts of interest.[73] The report detailed good practices to support responsible management of conflict of interest risks associated with procurement, employment, governance, regulatory functions, custodial management, information management and internal investigations.

Some measures to assist CSOs in strengthening conflict of interest management include:

- having a clear conflict of interest policy framework that identifies what constitutes a perceived, potential and actual conflict of interest, and how it is to be managed by staff and managers

- maintaining a Conflict of Interest Register which is reviewed regularly, with responsibility for such maintenance assigned to a particular role or unit

- ensuring staff are informed and familiar with how to declare conflicts of interest, and making a declaration easy, fast and accessible

- conducting mandatory and regular training and awareness raising for employees and contractors

- requiring all employees and contractors to provide written acknowledgement that they understand their organisation's conflict of interest policy

- having clear gifts, benefits and hospitality policies and procedures that contain case studies and examples to improve understanding of risks

- discourage any gifts, benefits and hospitality from current and prospective suppliers

- taking proactive measures (eg audits and surveys) to ensure staff are aware of, and understand, relevant policies

- strengthening recruitment and promotion processes and policies to more effectively identify and manage conflicts of interest

- increasing awareness and compliance around declaring conflicts of interest in procurement.

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[73] IBAC 2019, *Managing corruption risks associated with conflicts of interest in the Victorian public sector*.

5.2 Information security management

An awareness and appreciation of the value of sensitive information and how it can be misused can help promote good information security. IBAC assesses there is a general under-appreciation for information management and lack of awareness of how information misuse can constitute or enable corrupt conduct. IBAC has recently reported on risks associated with the unauthorised access and disclosure of information, noting that poor information security management undermines the credibility of the public sector and jeopardises trust in government agencies to responsibly manage public information and ensure personal information is managed carefully and securely.[74]

DFFH recently developed and launched the Information Security and Funded Agencies SharePoint site to provide funded agencies with information and advice on privacy and data security.[75] The site includes tools and templates to help funded agencies undertake key activities to support the assurance process.

Some measures to assist in improving information security management and prevent unauthorised access and disclosure of information are detailed below, and can be applied by CSOs and funding bodies seeking to strengthen information management frameworks:

• increased training and awareness of information security risks, including a focus on how information can be misused and for what illegitimate purposes

• review procedures for preventing and detecting information misuse

• regular and proactive audits of employees' access of information systems

• system users must record a reason for accessing (or altering) sensitive information

• ensure maintenance of appropriate information security controls, and that staff do not share log-on and password details.

5.3 Increased training to improve understanding of corruption risks and to encourage reporting

Despite the various avenues available to lodge a complaint, this report has highlighted that CSOs may be unclear of their reporting obligations, or unlikely to know how and where to report suspected corruption. Separately, VAGO identified that while the Departments provide some training for service agreement staff, the focus of this training is not on good practice principles for contract or risk management.[76]

There is an opportunity for the Departments to update core documents that govern the relationship between CSOs and funding agencies to include information and definitions around improper conduct and corruption, and best practice for managing or escalating complaints. There is also an opportunity for the Departments and VCOSS to consider delivering similar awareness-raising activities to CSOs, with supporting information from IBAC.

[74] IBAC 2019, *Unauthorised access and disclosure of information held by the Victorian public sector.*
[75] DHHS 2020, *Information Security.*
[76] VAGO 2018, *Contact Management Capability in DHHS: Service Agreements.*

Increased and regular training should include education on the serious consequences associated with corruption and misconduct. This includes a training requirement for board members or persons in a directorship position regarding their responsibilities. The IBAC information sheet on risks associated with public sector boards could be adapted to address the corruption risks relevant to CSO boards. A number of public sector agencies have developed instructive resources which are of use to board members or persons in a directorship position. For example, the VPSC details best practice and key integrity obligations of boards,[77] and the Department of Land, Water and Planning has a range of support modules[78] containing model policies and other governance guidance to assist board members of its agencies.

IBAC acknowledges that the IBAC Act does not stipulate a CSO must notify their funding agencies, or IBAC, of corrupt conduct. However, it is essential that allegations of suspected corruption are reported, to prevent systemic abuse of public funds and the resulting detrimental consequences for clients and the community at large. IBAC has published an information sheet which provides examples of corruption and misconduct red flags for CSOs. It also explains the importance of reporting corruption and IBAC's role in preventing and exposing it.[79]

5.4 Procurement

Procurement and contract management risks exist for both the Victorian public sector and individual CSOs. CSOs should tailor their governance and oversight to address risks relevant to their operating environment.

There are key corruption risks associated with the main phases of a procurement process, namely during bidding, supplier selection, contract management and delivery. Measures to manage risks associated with procurement are detailed below, however this list is not exhaustive. Rather, the examples provided are illustrative of actions that could be taken and applied by CSOs.

During the bidding and supplier selection stages, mitigation strategies can include:

- conducting regular and random audits to ensure compliance with procurement policies and procedures
- using electronic procurement systems which provide internal controls preventing the processing of invoices until necessary details regarding quotes are entered into the system.

Once a supplier has been selected, and the contract commenced, the following strategies can be used to minimise potential corruption risks:

- monitor variations in contracts and ensure variations are approved by the appropriate financial delegate
- ensure policies and procedures clearly state purchase orders are to be raised before receipt of an invoice, unless exceptional circumstances apply, and monitor that this practice is occurring
- ensure policies and procedures clearly state invoices must contain sufficient information before being paid, and goods and services must be received before being paid

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[77] VPSC 2015, *Board Directors.*
[78] DELWP 2020, *On Board – Governance guidance.*
[79] IBAC 2017, *Information sheet – Public sector corruption hurts all Victorians.*

- undertake regular and random audits to ensure the veracity of invoices and identify unusual transactions

- segregate duties at various stages of the procurement process; for example, requiring different people to initiate procurement, approve, and receive goods and services

- ensure compliance with segregation to ensure it has not lapsed into an administrative process

- undertake audits to ensure goods and services have been ordered, delivered and invoiced appropriately.

A sound procurement framework is one subject to a rigorous and proactive auditing and compliance regime. CSOs should review their procurement expenditure, where key areas of risk are, and develop an auditing plan to test the adequacy of their controls.

Transparency is a key protection against corruption and any signs of a procurement process being poorly documented or hidden from oversight is a red flag for corruption. Each stage in the procurement process should be clearly and transparently documented, and recorded within information systems and/or in hard copy files for compliance and auditing. CSOs should ensure all stages of procurement are fully documented and acquitted, and that they do not proceed through each stage unless the previous stage is fully documented with the necessary authorisations.

Additional risks arise where cash-based activities are permitted. This presents a risk of misappropriation due to the difficulty of tracking cash transactions compared with electronic transactions. CSOs should strengthen financial management practices to minimise cash-based activities and transactions.

5.5 Rigorous frameworks for risk-profiling

The newly developed Agency Monitoring Framework now tiers all agencies funded through a service agreement and then ranks them according to the contractual risk. A risk assessment is then undertaken to determine the minimum monitoring obligation for each agency. This framework was developed by the former DHHS in response to VAGO's audit findings, which identified a need to develop and apply a system-wide framework for risk-profiling funded organisations that integrates the Department's risk oversight mechanisms.[80] VAGO recommended this be applied to all funded organisations and used to set service agreement requirements that are proportionate to the level of risk associated with the funded organisation and the services they are funded to deliver. The Agency Monitoring Framework is currently undergoing its first review to determine how effective it is in identifying higher-risk CSOs and creating opportunities for close monitoring and oversight.

At an organisational level, the understanding of risk varies significantly across the sector, with larger, more established CSOs likely to have a better understanding of their risks, and so able to develop more robust frameworks to manage them. This can include regular and random audits and closer oversight and engagement with the funding agencies to ensure compliance with policies and procedures, and that grants and other funding are used appropriately. Where separate governance arrangements are in place due to multiple funding agencies, risk assessments are needed to identify and develop controls to mitigate those risks.

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[80] VAGO 2018, *Contact Management Capability in DHHS: Service Agreements*.

6 Conclusion

The CSO sector is large, complex and multi-faceted, and increasingly used to deliver a broad range of services on behalf of the Victorian Government. This report has highlighted the corruption risks that could exist for the large number of CSOs delivering a diverse range of human services within Victoria.

As in other comparable jurisdictions, the accountability processes for many aspects of how funded human services are delivered in Victoria need to be strengthened to help prevent corruption.

The majority of CSOs are performing exemplary community service despite resource and capability constraints, including in response to the added challenges brought on by the COVID-19 pandemic. Although not all risks and drivers identified in this assessment apply to all CSOs, they merit attention so that CSOs, regulators and funding agencies are able to make informed assessments of the risks facing the sector, and invest in appropriate prevention and detection strategies. Many of these risks also apply to the public sector or for-profit funded services.

Oversight of CSOs by funders is currently heavily geared to ensuring services provided are commensurate with the contract and designed to measure service-related outputs, or in some cases inputs or other process-related measures. Reporting and detection efforts are most likely to be focused on areas of major identified service risk, given the vulnerability of many clients, such as children or older people. Proactive detection of corruption and fraud is often not a priority of the funding body, and resources devoted to it reflect this. These factors can leave gaps where corruption may emerge or continue undetected.

This report details the corruption risks and drivers associated with government-funded human services delivered by CSOs, and alerts CSOs, funding agencies, regulators, and public sector agencies to opportunities to strengthen their systems and practices to mitigate them. Agencies need to tailor corruption prevention and detection strategies to their operating environments, to ensure the strategies they adopt are effective and proportionate.

IBAC will continue to engage with key stakeholders across the Victorian public sector and NFP sector to help raise awareness of the risks highlighted in this report and to support corruption prevention.

Children, youth and family services		
Type of service	**Description**	**Examples and further details**
Family and parenting support	Provide a range of programs for children from birth to 17 years of age and their families.	• The Child and Family Services Program (including Child FIRST). • Child FIRST and The Orange Door. • Early Parenting Centre Services. • Cradle to Kinder and Aboriginal Cradle to Kinder Programs. • Out-of-home care.
Adoption and permanent care	Provide enduring family placements for children unable to live with their natural family.	CatholicCare is the only CSO providing a state-wide adoption and permanent care team. There are a further nine regionally based adoption and permanent care teams and four DFFH teams.
Out-of-home care support services	Deliver out-of-home care support services to children and their families who are either at risk, or are in out-of-home care.	• Intensive youth support services. • Adolescent support. • Family preservation (including Koori family preservation and specialist services for regional clients). • Innovative support (support during an immediate crisis).
Kinship care	Where a child is taken into care by a relative or family friend, allowing them to remain within the family or local network.	In addition to kinship care staff employed by DFFH, a First Supports program has been established to be delivered by CSOs and ACCOs, including comprehensive assessments, provision of family services, and flexible brokerage to new kinship placements.
Leaving care	Provide services and supports to young people 16 to 21 years of age, assisting the transition from out-of-home care to independent living and adulthood.	• Transition planning for leaving care. • Post-care support information and referrals. • Mentoring. • Brokerage. • Aboriginal leaving care support services.
Better Futures	Provide assistance to young people as they transition from out-of-home care to independent living.	This program includes: • direct case work support • information and advice • access to flexible funding.
Transition to Independent Living Allowance (TILA)	Financial support to young people aged 15 to 25 years who are leaving or have already left out-of-home care.	Allowance of up to $1500 to cover basic costs such as education, counselling, medical costs, electrical goods and appliances or any other agreed items. The TILA program is administered by Melbourne City Mission.

Children, youth and family services		
Type of service	**Description**	**Examples and further details**
Leaving Care Hotline	Connect young people with their nearest post-care support program or ask about crisis accommodation.	Melbourne City Mission's Frontyard Service manages DFFH's Leaving Care Hotline.
Child protection	Provide child protection support for young people, and largely delivered by the DFFH.	• Referring children and families to relevant services. • Supervising children on legal orders granted by the Children's Court. • Accommodation. • Specialist support. • Adoption. • Permanent care to children and adolescents in need.
Family violence	Support services and violence prevention programs for people experiencing family violence.	• Family violence prevention and support services. • Men's behaviour change programs. • Sexual assault support services. • Sexually abusive behaviour treatment services. • Court advocacy and coping skills support referral services.
Sexual assault	Deliver sexual assault support and sexually abusive treatment services.	Provision of 24-hour crisis support which can be accessed without first reporting to Victoria Police.
Youth programs	General services to assist young people between the ages of 10 and 18 years.	• Adolescent family violence services. • Adolescent support programs. • Finding Solutions Program. • Leaving Care and Aboriginal Leaving Care. • Multiple and Complex Needs Initiative. • Refugee Minor Pprogram.
Finding Solutions Program	Previously known as the Adolescent Mediation and Diversion Service.	Statewide program delivered through collaboration between the Departments, CSOs and ACCOs.
Refugee Minor Program (RMP)	Provide support for unaccompanied refugee children under the age of 18, assisting them and their relatives or carers to develop settlement skills.	• Accommodation and financial support. • Physical and emotional health needs. • Cultural and religious continuity. • Education. • Refugee application processes. • Social and recreational needs. • Developing or maintaining client/family connectedness.

APPENDIX 2: DISABILITY SUPPORT SERVICES DELIVERED BY CSOs

Disability support service	Description
Disability accommodation	Supported accommodation is available to people with a disability. The type of accommodation is determined by a person's level of need, and includes: • support to live in their own or family home through an individual support package • support for younger people at risk of admission to residential aged care • shared supported accommodation.
Aids and equipment	The Victorian State-wide Equipment Program (VSEP) helps people with a disability manage mobility and communication at home and in the community. It provides people with a permanent or long-term disability with subsidised aids, equipment, home and vehicle modifications. The VSEP administers six specific programs: • aids and equipment • supported accommodation equipment assistance scheme • domiciliary oxygen program • continence aids • vehicle modification subsidy scheme • top-up fund for children.
Community life and jobs	Programs that assist people with disabilities to find jobs, learn new skills, become more independent and participate in their local community. These services recognise the diversity of needs and cover the following areas: • post-school transition support – support to transition from high school to adult life • day services – support to learn new skills and participate in the community • community involvement – making communities more inclusive of people with a disability • Video Remote Interpreting service – sign (Auslan) and spoken language interpreting over the internet.
Carer and family support	Support services for families of children with a disability, and carers of adults with a disability. Respite support services provide short-term breaks for families and carers overnight or during the day and can be in-home, in residential settings, out in the community or other flexible arrangements.

APPENDIX 3: ACCOMMODATION SUPPORT SERVICES DELIVERED BY CSOs

Type of service	Description	Examples
Crisis accommodation	Emergency accommodation for individuals facing challenging and complex issues that put them in immediate need of accommodation.	Circumstances necessitating this type of accommodation include for people escaping family violence or another crisis or emergency situation. It also includes specialist services for people who are homeless or at risk of homelessness or following an emergency.
Supported accommodation	Housing that provides higher-level care and support for people with particular needs.	Supported accommodation in the community for people with a disability. For example, aged care homes for older people who cannot live independently at home.
Social housing	Social housing is defined by the *Housing Act 1983* (Vic) as 'public housing, and housing owned, controlled or managed by a participating registered agency of the Victorian Housing Register'. Public housing is directly managed by DFFH and owned by the Director of Housing.	Includes short and long-term rental properties owned and run by the government or CSOs and consist of public housing and community housing.
Community housing	Long-term housing for people on low incomes or with special needs.	Providers are registered and regulated by the Victorian Government and are often participating registered agencies of the Victorian Housing Register. This means community housing is often also social housing.

Activity	Areas of corruption risk
Finance	• Funds received from government may be mixed with funds from other sources, which may cloud accountability requirements or create an opportunity to understate the total level of funding. • Funds received can be used to deliver a different service than the one contracted. • Cheques being pre-signed. • Cheques being signed without supporting documentation. • Sharing passwords and electronic security tokens (such as those provided by banks). • Not keeping security tokens and passwords in a secure place. • One person with end-to-end control over the payments process and poor segregation of duties (small CSOs may often have a single, part-time bookkeeper who looks after finances). • Poor budget management.
Procurement	• Using government funds for commercial or private purposes. • Procuring goods and services from family, friends and related parties. • Purchasing items with cash. • Reimbursing payments without supporting documentation. • Misuse of credit cards. • Purchases made without a contract or purchase order. • Service delivery may be subcontracted to an entity that is not approved by the funding body.
Reporting	• Reports to funding bodies may contain false or exaggerated data about outcomes. • Possible 'gaming' of measures, including 'creaming' of less costly clients. • CSOs may not have systems, including modern information technology, that facilitate accurate reporting when multiple activities are funded from multiple sources. • Board members not educated or trained to understand financial audit procedures or being excluded from seeing the auditor's report. • CSOs are less likely to be able to afford a thorough internal audit program.

[81] Adapted from NSW ICAC's 2018 report, *Corruption and integrity in the NSW public sector: an assessment of current trends and events.*

Recruitment and human resources	• Giving jobs to friends and relatives, without appropriate regard to merit.
	• Failure to declare and manage conflicts of interest, including preferential allocation of services to clients with relationships to board or staff members.
	• Failure to check an applicant's references and qualifications.
	• Absence of position descriptions or performance appraisals.
	• Poor control over payroll systems.
	• Remuneration set outside relevant award with no supporting documentation.
	• Absence of whistleblowing policies and protections.
	• Failing to take action against bullying and harassment.