



Tasmanian
Audit Office

Department of Health's funding of Community Service Organisations

Report of the Auditor-General No. 9 of 2024-25

Some background

- Health is the largest state government funder of CSOs

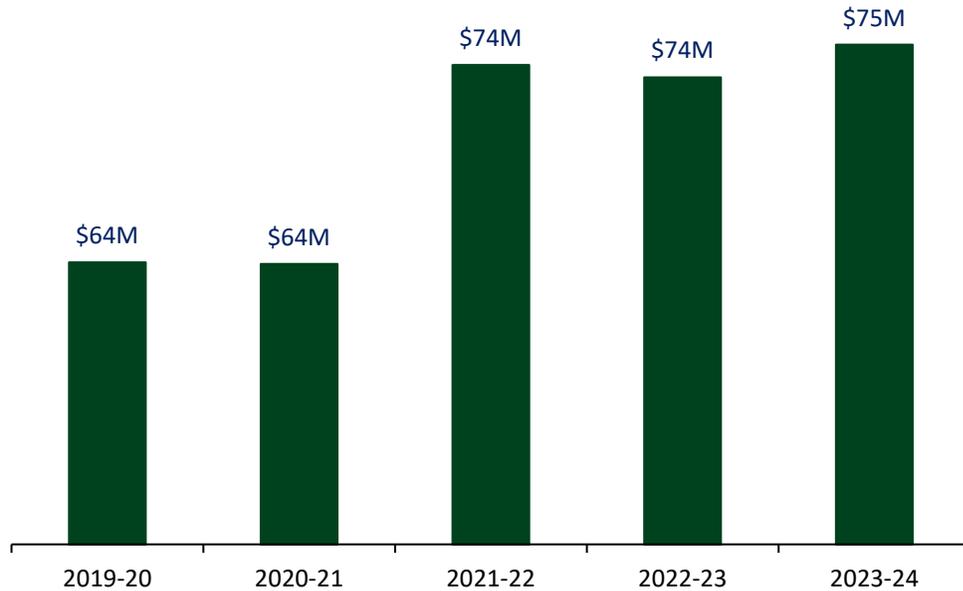


Figure 1: Grants provided to CSOs (millions), 2019-20 to 2023-24



Random selection of some CSOs funded by Health

Impact of Machinery of Government Changes

- Health lost grants administration resources in 2018



Figure 4: Staff allocated to Health's central grants administration team

About this audit

We did this audit to assess the **effectiveness** of Health's administration of funding arrangements with CSOs.

We asked:

- Does Health have effective **frameworks** supporting CSO funding arrangements?
- Has Health established effective **funding arrangements** with CSOs?
- Does Health appropriately manage CSO **performance**?

We looked at Health's processes as a whole and 16 funding arrangements from 2022-23 in detail. We held focus groups with 35 participants from CSOs across the State.

What we concluded

Health's management of funding arrangements with community service organisations was **not effective**.

Key findings – frameworks and governance

1. There is uncertainty in Health and other agencies about when something should be a grant or a procurement.
2. There are systemic issues with procurement and contract management at Health, and these have not been addressed.
3. Health's grants management framework is ineffective, out of date, and not outcomes-based.

'A framework has been on the wish list for more than 20 years, but, for whatever reason, has never happened'

CSO Focus Group Participant

4. Health's quality and safety framework is ineffective and not resourced, and Health has not responded to risks this has created since 2019.

Key findings – individual funding arrangements

5. Health's individual funding arrangements were not always supported by clear links to government policy objectives

'There are zero links between the [relevant strategy] and individual reporting for our agreements. I can't see the links about how our work fits within government strategy'

CSO Focus Group Participant

6. Health's individual funding arrangements were not supported by risk assessments, risk management plans, or value for money assessments.

7. Health's individual funding arrangements did not include accreditation / standards requirements.

'We have accreditation but there is no requirement for this in our... agreement. We just say we are compliant, and we have never been asked for more information.'

CSO Focus Group Participant

Key findings – performance management

8. Health did not undertake required risk-based site visits, mid-term reviews, independent Q&S audits, or post implementation reviews. It relied on CSO self-reporting and financial acquittals.

'Does the [Health] even look at these 6-monthly reports? What purpose do they serve? Is it necessary to do this every 6 months?'

'One time we sent a report to [Health] and put a zero in every field of that report to see if anyone would check it and nobody from [Health] actually picked it up.'

CSO Focus Group Participants

Key findings – performance management

9. Health's relationship management with CSOs was inconsistent

10. Health had no process for complaints and critical incident reporting

'When things go... wrong, we send an email. We document what happened and what we have done. We do all the work. We then just inform [Health] in an email.'

'[Health] didn't seem to want to know about any incidents. Some of our services shifted from [Health] to [the Commonwealth Government agency Primary Health Tasmania] and [they] wanted to know much more detail about incidents. [They] seemed shocked that [Health] wasn't asking for the same level of detail.'

CSO Focus Group Participants

What we recommended

The executive of Health...	identifies and addresses cultural and structural issues that have prevented it from responding to previous internal and external recommendations to improve its management of funding arrangements.	AGREED
The Department of Health...	develops and implements a strategic approach and framework for commissioning community service organisations, and associated controls to support its implementation.	AGREED
This requires...	holistic review, redevelopment or reactivation of the existing internal frameworks and implementation of historic recommendations	
	continued participation in DPAC's development of a whole-of-government outcomes-based purchasing framework	
	processes to track and assign responsibility for recommendations	
	appropriate resources for grants administration and quality and safety	

Summary of responses

We received responses from:

- The Premier
- The Department of Health
- Department of Treasury and Finance
- Department of Premier and Cabinet

Full submissions are at Appendix E of the report