



WALTERTURNBULL
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Department of Agriculture, Fisheries
and Forestry

**Overarching Report - Performance
Audits of Rural Financial Counselling
Service Providers**

January 2008 ■ ■ ■

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1 Executive Summary

1.1 Purpose of Report

This Overarching Report summarises the results of the recently completed performance audits carried out by WalterTurnbull on behalf of the Department of Agriculture, Fisheries and Forestry (the Department/DAFF) of the 16 funded service provider organisations delivering the Rural Financial Counselling Service (RFCS) Program to June 2008.

The Report provides comment on overall performance across all organisations reviewed. It identifies areas of good practice across the organisations as well as areas where procedures could be improved. The Report includes recommendations for performance improvement.

Draft results of the individual performance audits, including recommendations for performance improvement at the individual organisation level, were provided to each service provider for feedback on the factual correctness of its content and findings, before the report was finalised.

Each finalised report was then provided to the Department for distribution.

1.2 Conclusions

1.2.1 Overall performance assessment

The performance audits of the 16 rural financial counselling service organisations found that, on the whole, the organisations are performing at a medium to high level.

Since the implementation of the new service delivery arrangements, the majority of organisations have successfully moved to the required corporate governance structure, with the Board focusing on the strategic direction of the organisation and the Executive Officer (EO) responsible for the management of day-to-day operations.

Some difficulties and delays were experienced by various organisations whilst establishing the Program under the new service delivery arrangements, however at the time of our audit it had been approximately 12 months since the new arrangements were implemented and it appears that most organisations are now in a position to:

- Increase their focus on strategic and business planning;
- Ensure that supporting documentation, such as policies and procedures are completed and implemented; and
- Develop more structured, measurable and documented processes for the monitoring of performance at the rural financial counsellor, EO and organisational level.

1.2.2 Assessment against the Standards

Corporate Governance

On the whole, Boards are meeting on a regular basis and are being provided with sufficiently detailed and timely reports on organisation finances and performance of operations.

However, organisations need to:

- Ensure that supporting documentation, such as policies and procedures are completed and implemented;
- Increase their focus on strategic and business planning and the development of appropriate documentation so that performance can be properly measured and tracked; and
- Ensure that reporting requirements to the Department are met on time. We note that some service provider organisations are still having difficulty meeting reporting deadlines but the expectation is that compliance with future reporting deadlines will be improved.

Financial Management

On the whole, the financial management demonstrated by the RFCS organisations was sound. However, certain organisations need to ensure that:

- Supporting documentation, such as financial policies and procedures are completed and implemented;
- Appropriate financial delegations are documented and approved by the Board; and
- Appropriate approval procedures and separation of duties are in place in relation to internet banking transactions.

Service Delivery

Overall the performance of the RFCS organisations in relation to service delivery was adequate, however improvements are required to ensure that the level of service provided by the organisations, EOs and their rural financial counsellors is formally monitored and reported against.

Whilst informal monitoring of performance was being undertaken by all organisations to some degree, no organisation had detailed and finalised client service standards covering areas such as accessibility, responsiveness, timeliness and quality of services to clients against which they could regularly monitor the organisation's performance. Likewise, not all organisations had commenced counsellor reviews or client file audits.

2 Overview of the Performance Audit program and Approach

2.1 Background

The RFCS Program funds state, regional and community level organisations to employ rural financial counsellors who provide free and impartial rural financial counselling to primary producers, fishers and small rural businesses who are suffering financial hardship and who have no alternative sources of impartial support.

In 2003, Acumen Alliance conducted a performance review and audit of a third of the then 68 rural financial counselling services. The overall findings of the audit were that a significant number of services were undertaking activities which were contrary to the funding agreement and no service was fully compliant with audit criteria and funding agreement requirements. A review of the program in 2004 recommended that the corporate governance and administrative burden on volunteers be removed, that local involvement be maintained and that program delivery be enhanced to increase flexibility, improve the consistency of service delivery and avoid duplication.

In response to the individual performance audits and review recommendations, the RFCS Program adopted new service delivery arrangements that allowed state, regional and community level organisations to apply for funding to deliver an enhanced rural financial counselling service. Following a competitive grant process in 2006, 16 service providers were selected to deliver the Program under these new arrangements (some of the 16 service providers being auspiced by, or an amalgamation of, a previous RFCS community group or groups).

The new arrangements came into effect progressively (by state) from 1 August 2006 and included improved corporate governance, risk management, more stringent monitoring and reporting requirements and increased focus on delivering a flexible and responsive service.

WalterTurnbull was engaged by the Department of Agriculture, Fisheries and Forestry to assess the performance of the 16 service providers operating under the new service delivery arrangements.

2.2 Audit Objectives

The objective of the audits was to assess the performance of the organisations against the following framework:

- Corporate Governance;
- Financial Management; and
- Service Delivery.

The audit also assessed the service providers' performance and compliance under the Deed of Grant and RFCS Program Resource Manual.

2.3 Approach of Performance Audits

2.3.1 Methodology

Key steps in the overall methodology applied to the performance audits included:

- Planning and set up:
 - Development of a draft Guide for Auditors; and
 - Development of a draft individual organisation report template.
- On-site visits to three individual organisations for pilot performance audits over the period 31 July 2007 to 9 August 2007.
- Finalisation of Guide for Auditors and the individual organisation report template following pilot reviews.
- On-site visits to the remaining 13 organisations over the period 14 August – 7 September 2007. All on-site visits were conducted over approximately two days and comprised:
 - Meetings with the Chairperson and/or Board members;
 - Meetings with the Executive Officer; and
 - Collection of data to support assessments of organisations.
- Analysis and assessment of organisations:
 - Review and analysis of data collected;
 - Assessment against standards, Deed of Grant and RFCS Program Resource Manual; and
 - Preparation of draft reports.
- Quality Assurance:
 - Internal quality assurance to ensure analysis is sound and draft reports meet client requirements.
- Reporting on individual organisations:
 - Provision of draft reports on each organisation to DAFF including performance assessments and recommendations for improvement;
 - Provision of draft individual organisation reports to the respective organisation for its review and comment on factual correctness; and
 - Finalisation of individual reports in light of comments received.

- Preparation of Overarching Report:
 - Summarising the performance of all organisations;
 - Presenting key summary level data/information for all organisations reviewed;
 - Providing recommendations for improvement; and
 - Finalising Report in light of feedback from DAFF.

3 Performance of RFCS organisations

3.1 Corporate Governance

3.1.1 Summary of Performance

Since the implementation of the new service delivery arrangements, the majority of organisations have successfully moved to the required corporate governance structure, with the Board focusing on the strategic direction of the organisation and the Executive Officer (EO) responsible for the management of day-to-day operations. On the whole, Boards are meeting on a regular basis and are being provided with sufficiently detailed and timely reports on the organisation's finances and performance of operations.

However, organisations need to:

- Ensure that supporting documentation, such as policies and procedures are completed and implemented;
- Increase their focus on strategic and business planning and the development of appropriate documentation so that performance can be properly measured and tracked; and
- Ensure that reporting requirements to the Department are met on time. We note that some service provider organisations are still having difficulty meeting reporting deadlines but the expectation is that compliance with future reporting deadlines will be improved

3.1.2 Detailed analysis of performance

Our performance audit revealed the following:

- All Boards were found to have, collectively, a mix of appropriate skills, knowledge and experience.
- Board minutes for all organisations were sufficiently detailed to gain a clear understanding of the business discussed. This provides for sound transparency and accountability as an accurate record of issues discussed is maintained.
- Since the move to the new service delivery arrangements, the majority of organisations have successfully moved to the required corporate governance structure, with the Board focusing on the strategic direction of the organisation and the EO responsible for the management of day-to-day operations. For many of the organisations the transition to this structure was a gradual one, with some Board members initially finding it difficult to step away from the management of day-to-day operations and other organisations choosing to gradually reduce the Board's involvement in day-to-day operations over time as the EO was mentored and became more familiar with the position.

It is positive to note that all organisations which have not completed the transition to the required corporate governance structure are aware of this short-coming and are taking steps towards the Board becoming a higher level / strategic group and leaving the management of operations

to the EO. The reasons for organisations not having completed the transition to the required corporate governance structure included the following:

- An excessive workload on the EO, predominantly due to an underestimation of the requirements and level of management responsibility expected of the role, resulting in Board members assisting in the management of day-to-day operations to varying degrees;
 - The Board not allocating sufficient time to the strategic direction of the organisation while operational issues under the new service delivery arrangements are bedded down;
 - One organisation, while having made progress towards a strategically focused Board, still requires further time and development; and
 - Insufficient awareness by some Board members of their role.
- All organisations were conscious of providing for the ongoing training and development needs of Board members and 10 of the 16 organisations had taken appropriate steps to assess these needs and provide training where necessary.
 - 9 of the 16 organisations appeared to have up to date and finalised constitutions. The remaining seven organisations required amendments to their constitutions or for their draft constitutions to be approved by the Board and finalised.
 - Boards for 15 of the 16 organisations were meeting on a regular basis, with the Board of the remaining organisation meeting on an ad-hoc basis. Of the 15 organisations that were conducting regular Board meetings, 14 were meeting on at least a bi-monthly basis, with the Board of the remaining organisation meeting on a quarterly basis. While the quarterly meetings appeared to be effective in providing an adequate level of strategic management by the Board, better practice corporate governance would suggest the Board meet at least bi-monthly.
 - 15 of the 16 organisations had appropriate insurances in place.
 - While all the organisations appeared to have a reasonable understanding of the respective powers, roles, responsibilities and accountabilities of the Board and EO, the majority of organisations did not have documentation adequately detailing these respective powers, roles, responsibilities and accountabilities.
 - 15 of the 16 organisations were providing sufficiently detailed and timely reports to the Board on the organisation's finances and performance of operations.
 - The documentation of policies and procedures for the management and operation of the organisations ranged from comprehensive manuals approved by the Board to essentially no documented policies and procedures. The majority of organisations had draft policies and

procedures in place which required additional work and approval by the Board.

In relation to the documentation of policies and procedures, we feel it is important to note that:

- The new service provider arrangements came into effect progressively (by state) between August and October 2006 and accordingly, at the time of our audit, organisations had received only 10 – 12 months in which to fill EO and rural financial counsellor positions, establish the Program under the new arrangements and put in place all the necessary supporting documentation such as operating policies and procedures and Strategic, Business and Risk Management Plans. Given the short time frame, we believe it is not unreasonable for organisations to only have draft policies and procedures in place, provided they are of a reasonable level of detail and reflective of current practice; and
- Certain RFCS service providers benefited from being part of a larger organisation with well established operating policies and procedures already in place. However, these organisations need to ensure that additional policies and procedures specific to the RFCS Program are documented.
- Only 4 of the 16 organisations had up-to-date Strategic Plans with clearly definable performance measures. Similarly, only 3 of the 16 organisations had an up-to-date Business/Annual Plan outlining what the organisation will be undertaking in the year ahead and providing definable performance measures to monitor performance against. The remaining organisations had either:
 - Out-of-date Plans;
 - High level Plans in place, but with no definable performance measures;
 - Draft Plans still under development; or
 - No Strategic or Business Plans at all.
- Only 5 of the 16 organisations had up-to-date Risk Management Plans documented.
- Although difficulties and delays were experienced at the start of the new service delivery arrangements, nearly all organisations now appear to be providing the Department with the Quarterly Statements of Compliance (including Quarterly Financial Reports) and monthly ARC data as required under the Deed of Grant.
- In relation to the provision of 2007/08 budgets to DAFF we note as follows:
 - 9 of the 16 organisations provided DAFF with the budget on or before the due date specified in the Deed of Grant (15 May 2007);

- 3 of the 16 organisations provided DAFF with the budget within 10 days of the due date;
- One organisation provided the Department with its 2007/08 budget more than 10 days after the due date; and
- As at the date of our audits, three organisations had not yet provided DAFF with their 2007/08 budget in the approved format.

Various organisations noted that the development of the 2007/08 budgets in the format required by DAFF was a difficult and timely process, but now that the process is known the development of future budgets should be easier and more timely.

- In relation to the provision of Communication Plans to DAFF we note as follows:
 - 7 of the 16 organisations provided DAFF with their Communication Plans on or before the due date of 30 June 2007;
 - 5 of the 16 organisations provided the Department with their Communication Plans after the due date; and
 - As at the date of our audits, four organisations had not yet provided DAFF with their Communication Plans.

3.1.3 Areas for Improvement

Below we have listed key areas where improvements could be made in relation to the corporate governance of the organisations. We note that the level of improvement required across the 16 organisations will vary (i.e. some organisations will already be satisfying the identified areas of improvement, whilst others will require improvement in most or all of the areas identified).

- Documented training plans/schedules for Board members to be implemented to ensure that the ongoing training and development needs of Board members are considered on a regular basis. Whilst the training needs of Board members will vary, examples of relevant training include corporate governance training and understanding of financial statements.
- Each organisation to ensure its constitution is up to date, approved by the Board and finalised.
- The respective powers, roles, responsibilities and accountabilities of the Board and EO to be appropriately documented.
- Comprehensive policies and procedures for the management and operation of each organisation to be documented, finalised and approved by the Board. In this regard we note as follows:
 - During our audit it was revealed that various organisations have provided their policies and procedures to other organisations as an example/template manual. We do not see the need to 're-invent the wheel' and, provided these example policies and procedures are appropriately reviewed and tailored to reflect the operations of

the receiving organisation, we recommend the practice of sharing policies and procedures continue; and

- During our performance audits certain organisations suggested it would be beneficial for the Department to provide template policies and procedures (above and beyond those set out in the RFCS Resource Manual), which organisations could use as the starting point for the development of their operating manuals. However, other organisations felt the level of Government guidance was already sufficient and did not wish to be further bound by Government imposed policies and procedures.

The Department may wish to consult with the RFCS providers further in relation to this topic to establish the best approach forward. Although template policies and procedures would be appreciated and beneficial to some organisations, other organisations already have relevant and detailed policies and procedures in place.

- Up-to-date Strategic and Business/Annual Plans to be put in place by each organisation. The Strategic Plan should detail the longer term, strategic objectives and vision of the organisation, but also include definable performance measures. The Business Plan should outline what the organisation will be undertaking in the year ahead and provide definable performance measures, in line with the RFCS Program Charter, to monitor performance against. Both documents should be reviewed on a regular (at least six monthly) basis to ensure they remain reflective of the current goals of the organisation.
- Up-to-date Risk Management Plans to be documented by each organisation. The Risk Management Plan should be linked to the Strategic and Business Plans and include (but not be limited to) fraud risks, protection of physical assets and people, disaster recovery and business continuity, information protection etc.
- All organisations to ensure that reporting requirements to the Department are met on time.

3.2 Financial Management

3.2.1 Summary of Performance

On the whole, the financial management demonstrated by the RFCS organisations was sound. However, certain organisations need to ensure that:

- Supporting documentation, such as financial policies and procedures are completed and implemented;
- Appropriate financial delegations are documented and approved by the Board; and
- Appropriate approval procedures and separation of duties are in place in relation to internet banking transactions.

3.2.2 Detailed analysis of performance

Our performance audit revealed the following:

- All organisations were found to be using a separate account or accounts for RFCS grant funds. Although organisations often operated more than one account, RFCS funds were kept separate from non-RFCS funds, so from an accountability perspective, income and expenditure are easily tracked.
- 15 of the 16 organisations had developed annual operational budgets which had been approved by the Board but three of the 16 had not supplied it to DAFF on the standard DAFF template.
- 15 of the 16 Boards are provided with financial reports detailing the financial position and performance of the organisation on a regular (at least quarterly) basis, including budgeted versus actual income and expenditure.
- 11 of the 16 organisations have appropriate financial delegations documented and approved by the Board.
- Less than half of the organisations had detailed financial operating policies and procedures which are reflective of current practice. The documentation of financial policies and procedures ranged from comprehensive manuals approved by the Board to essentially no documented policies and procedures. The majority of organisations had draft policies and procedures in place which required additional work and approval by the Board.

As stated above in section 3.1.2, given the relatively short time frame since the implementation of the new service delivery arrangements, we believe it is not unreasonable for organisations to only have draft policies and procedures in place, provided they are of a reasonable level of detail and reflective of current practice. We also note that certain RFCS service providers benefited from being part of a larger organisation with well established financial operating policies and procedures already in place.

- All organisations were found to have documented asset registers in place, however we note that we did not undertake a full stock-take as part of our audit and accordingly we cannot confirm that the asset registers are up to date with all assets included.
- With the exception of internet banking payment processes at three organisations, appropriate approval procedures and separation of duties in relation to payments were found to be in place for all organisations. Whilst acknowledging that the relatively small size of the organisations and the practicalities of seeking additional approval make it difficult, proper approval procedures require at least two authorised personnel to approve/authorise internet banking transactions.

3.2.3 Areas for Improvement

Below we have listed key areas where improvements could be made in relation to the financial management of the organisations. We note that the level of improvement required across the 16 organisations will vary (i.e. some organisations will already be satisfying all the identified areas of improvement, whilst others will require improvement in one or more areas identified).

- All organisations to ensure they have appropriate financial delegations documented and approved by the Board;
- Comprehensive policies and procedures for the financial management and operation of each organisation to be documented, finalised and approved by the Board; and
- All organisations to ensure appropriate approval procedures and separation of duties are in place in relation to internet banking transactions.

3.3 Service Delivery

3.3.1 Summary of Performance

Overall the performance of the RFCS organisations in relation to service delivery was adequate, however improvements are required to ensure that the level of service provided by organisations and their rural financial counsellors is formally monitored and reported against.

Whilst informal monitoring of performance was being undertaken by all organisations to some degree, no organisation had detailed and finalised client service standards covering areas such as accessibility, responsiveness, timeliness and quality of services to clients against which they could regularly monitor the organisation's performance. Likewise, not all organisations had commenced counsellor reviews or client file audits.

3.3.2 Detailed analysis of performance

Our performance audit revealed the following:

- No organisation had detailed and finalised client service standards covering areas such as accessibility, responsiveness, timeliness and quality of services to clients against which they could regularly monitor the organisation's performance. Various organisations had high level client service standards/objectives documented, however more detailed and measurable standards were lacking.
- Since the establishment of the new service delivery arrangements 12 of the 16 organisations had carried out or commenced their first review of rural financial counsellor performance and 9 of the 16 had conducted client file audits. At least 8 of the 16 organisations had conducted a performance review of the EO.

In accordance with the RFCS Resource Manual, performance reviews of counsellors and client file audits should be carried out at least every six months. However, we note that at least 5 of the 16 organisations had either not established a clear review policy or had planned to undertake reviews and client file audits on an annual basis (as opposed to six monthly).

There was also uncertainty and disparity between the organisations as to the level of detail/scrutiny and sample size that client file audits should entail.

- Various organisations expressed continuing concerns with the accuracy and reliability of the data produced by ARC, which in turn impacts on the ability of organisations to use the data constructively in the evaluation of organisation and counsellor performance.
- Most organisations were conscious of, and had appropriate practices in place in relation to:
 - Confidentiality and Privacy;
 - Complaints; and
 - Occupational Health and Safety.

However, the majority of organisations did not have detailed policies and procedures in relation to the above areas which were finalised and approved by the Board.

- 13 of the 16 organisations were found to have effective staff development processes in place to identify, record and implement training needs of staff. The remaining three organisations appeared conscious of the training needs of counsellors but lacked formal structure and documentation, such as formal training plans/schedules.
- The majority of organisations were conducting regular staff meetings as a means of keeping counsellors and other staff informed of management and Board decisions and to discuss any other relevant RFCS issues and performance.
- Rural financial counsellors at 12 of the 16 organisations had either completed the Diploma of Community Services (Financial Planning), were in the process of completing the Diploma or are required to complete the Diploma in the near future as a condition of employment.

The remaining four organisations strongly encourage counsellors to complete the Diploma, but did not appear to be promoting the Diploma as a mandatory requirement. Two of the organisations provide a salary increase upon completion of the Diploma as an incentive.

3.3.3 Areas for Improvement

Below we have listed key areas where improvements could be made in relation to the service delivery of the organisations. We note that the level of improvement required across the 16 organisations will vary.

- Organisations to document detailed client service standards covering areas such as accessibility, responsiveness, timeliness and quality of services to clients against which they can regularly monitor the organisation's performance. For example, the maximum period of time a client should have to wait to see a counsellor after the organisation is initially contacted by the client, or the documentation/information that is to be provided to clients at initial client meetings.
- All organisations to ensure that counsellor and EO reviews and client file audits are carried out as soon as possible (if they have not already been undertaken) and then at least every six months on an ongoing basis.
- All organisations to ensure they have detailed policies and procedures in relation to confidentiality and privacy, complaints and occupational health and safety, which are finalised and approved by the Board.
- All organisations to promote the Diploma of Community Services (Financial Planning) as a mandatory requirement for counsellors.

4 Overall performance assessment of RFCS organisations

The performance audits of the 16 rural financial counselling service organisations found that, on the whole, the organisations are performing at a medium to high level.

Since the implementation of the new service delivery arrangements, the majority of organisations have successfully moved to the required corporate governance structure, with the Board focusing on the strategic direction of the organisation and the EO responsible for the management of day-to-day operations.

Some difficulties and delays were experienced by various organisations whilst establishing the Program under the new service delivery arrangements, however at the time of our audit it had been approximately 12 months since the new arrangements were implemented and it appears that most organisations are now in a position to:

- Increase their focus on strategic and business planning;
- Ensure that supporting documentation, such as policies and procedures are completed and implemented; and
- Develop more structured, measurable and documented processes for the monitoring of performance at both the Counsellor and organisational level.