

Performance Audit: Service Agreements between Government and INSPIRE Foundation



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'This report has been prepared under sub-paragraph 9(a) of the First Schedule of the Auditor General and National Audit Office Act, 1997 for presentation to the House of Representatives in accordance with sub-paragraph 9(b) of the First Schedule of the said Act'

Table of Contents

| | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| List of Abbreviations | 5 |
| Executive Summary | 7 |
| Chapter 1 - Introduction | 15 |
| 1.1 Terms of Reference | 16 |
| 1.2 Aims and objectives | 17 |
| 1.3 Methodology | 17 |
| 1.4 Report structure | 18 |
| Chapter 2 – Service Agreements with Inspire Foundation | 19 |
| 2.1 Introduction | 20 |
| 2.2 Service delivery, timeframes for admission and fees dues by service-users were not clearly defined in the Education Services Agreement (MEDE) | 21 |
| 2.3 The Therapeutic Care Package Agreement (MFSS) does not clearly define service delivery, referral responsibilities, fees due by users and service provider’s qualifications | 23 |
| 2.4 No significant contractual deficiencies were noted in the STAR-25 Agreement (MFSS) | 25 |
| 2.5 Referral responsibilities, fees due by users and service provider’s qualifications are not clearly defined in the Inspire Adult Training Programme (MSDC) | 26 |
| 2.6 Current Service Agreements do not fully embrace best practices in relation to parties’ operational risks responsibilities | 26 |
| 2.7 Conclusions | 28 |
| Chapter 3 – Inspire Foundation’s main sources of income and expenditure | 29 |
| 3.1 Introduction | 30 |
| 3.2 Service Agreements with Government Ministries accounted for 44 per cent of Inspire Foundation’s income | 30 |
| 3.3 Service Agreements with Government resulted in 64 per cent of the Foundation’s total expenditure | 31 |
| 3.4 Management accounting inaccuracies prohibit conclusive financial analysis of publicly funded Service Agreements | 32 |
| 3.5 Audited financial statements for 2014 outlined a qualified audit opinion | 34 |
| 3.6 Conclusions | 35 |
| Chapter 4 – Service Delivery | 37 |
| 4.1 Introduction | 38 |
| 4.2 During 2014, overpayments of €69,152 resulted since the Education Services Agreement (MEDE) was not operating at its full capacity | 39 |
| 4.3 Uncertainty exists with respect to service delivery clauses in the Therapeutic Care Package Agreement (MFSS) | 43 |
| 4.4 Generally, the STAR-25 programme (MFSS) was delivered in accordance with the relative Service Agreement | 44 |
| 4.5 The Inspire Adult Training Programme (MSDC) generally adhered to contractual clauses as stipulated in the Agreement | 44 |
| 4.6 Contractual lacunae and limited availability of data limit conclusive analysis of Value for Money | 44 |
| 4.7 Conclusions | 45 |

List of Tables

| | | |
|------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|----|
| Table 1 : | Overview of Agreements between Government Ministries and Inspire Foundation | 20 |
| Table 2 : | Summary of the main contractual deficiencies | 21 |
| Table 3 : | Schedule of outputs by Inspire Foundation through the Therapeutic Care Package Agreement | 24 |
| Table 4 : | The extent of reflection of best practices contractual clauses | 27 |
| Table 5 : | Classification of Inspire Foundation's main sources of income (2014) | 31 |
| Table 6 : | Classification of Inspire Foundation's main sources of expenditure (2014) | 32 |
| Table 7 : | Tutor input per week for the respective programme (2014) | 39 |
| Table 8 : | Variance between actual and agreed direct contact time to be received by enrolled service-users (2014) | 40 |
| Table 9 : | Minimum and maximum number of service-users that could potentially be admitted into one of the programmes pertaining to the Education Services Agreement (2014) | 41 |
| Table 10 : | Average number of days between referral of service-users by SSD and their actual commencement date at Inspire Foundation | 42 |

List of Figures

| | | |
|------------|-----------------------------------------------|----|
| Figure 1 : | Inspire Foundation's sources of income (2014) | 31 |
|------------|-----------------------------------------------|----|

List of Abbreviations

| | |
|-------|--------------------------------------------------------------------|
| CIP | Community and Inclusion Programme |
| EU | European Union |
| DES | Directorate for Educational Services |
| FSWS | Foundation for Social Welfare Services |
| ILST | Independent Living Skills Training |
| KPI | Key Performance Indicator |
| LANES | Literacy and Numeracy Enhancement Services |
| LME | Learning Made Easy |
| LSA | Learning Support Assistant |
| MEDE | Ministry for Education and Employment |
| MEH | Ministry for Energy and Health |
| MFSS | Ministry for Family and Social Solidarity |
| MJDF | Ministry for Justice, Dialogue and the Family |
| MSDC | Ministry for Social Dialogue, Consumer Affairs and Civil Liberties |
| NAO | National Audit Office |
| NGO | Non-Governmental Organisation |
| PPE | Property, Plant and Equipment |
| SSD | Student Services Department |
| VfM | Value for Money |

Executive Summary

Executive Summary

1. An audit in terms of Article 9 of the Auditor General and National Audit Office Act 1997, was undertaken at Inspire Foundation. This review focused on the four Service Agreements, in force during 2014, between this Non-Governmental Organisation (NGO) and three Ministries. The first Contract reviewed by this Office relates to the *'Education Services Agreement'* signed with the Ministry for Education and Employment (MEDE) in February 2013. The second Contract refers to the *'Therapeutic Care Package Agreement'* (signed in October 2012) with the former Ministry for Justice, Dialogue and the Family (MJDF) and currently administered by the Ministry for Family and Social Solidarity (MFSS). The third Contract entitled the *'STAR-25 Agreement'* was signed with MFSS in June 2013. The fourth Agreement relates to the *'Inspire Adult Training Programme'* signed with the Ministry for Social Dialogue, Consumer Affairs and Civil Liberties (MSDC) in June 2014.
2. These four Agreements mainly related to the provision of disability and inclusion services to persons, mainly service-users who have a diagnosis of a disorder within the autism spectrum. The *'STAR-25 Agreement'* provides for total funding through the relative Service Contract. The three other Service Agreements provide for varying levels of financing through public funds. Consequently, the remaining costs are financed through service-users' contributions and other funds generated by the Foundation.
3. During 2013, it was becoming increasingly apparent that projects of a social welfare provision were hampered by various operational concerns. To this end, an Inter-Ministerial Committee *'MFSS Soċjeta` Ġusta Sub-Committee on NGOs Funds'* (Support for Voluntary Organisations Fund) was established to address these issues. Discussions commenced in 2014 with the objective of reforming the workings of the NGO Fund. To this effect, measures were announced in the Budget 2016 Document whereby it was agreed that projects by NGOs for service provisions (considered as long-term service agreements) would in future be the responsibility of MFSS, whereas other specific one-time projects by NGOs would fall under the responsibility of MSDC.
4. Against this backdrop and following consultations with MFSS, the Ministry which instigated this audit due to a number of operational concerns, the objectives for this Report included:
 - i. Review the Agreements entered into between Government and Inspire Foundation, entitling the latter to public funding and establishing the services that the NGO is to deliver.

- ii. Establish the allocation of public funds assigned to Inspire Foundation for 2014 (including contributions in kind or indirect funding) and other sources of income.
 - iii. Review the audited financial statements of Inspire Foundation for 2014.
 - iv. Examine the deliverables as established in the Agreements with Government and determine the cost of such deliverables.
 - v. Where possible, compare such costs to similar deliverables and determine whether value for money is obtained.
5. The findings and conclusions presented in this audit are based on a comprehensive review of the four Agreements and their implementation. Unless otherwise indicated, findings and conclusions reflect the situation during 2014 based on information available as at end 2015.

Service Agreements with Inspire Foundation

6. To varying degrees, the Service Agreements under review were characterised by a number of deficiencies. These shortcomings mainly refer to unclear definitions and details relating to service delivery. To this end, issues mainly concerned service delivery specifications, including the maximum period to be taken to admit clients to specific programmes since referral. Another issue also concerned the qualifications of service providers. In addition, with respect to the programmes, which are partly funded by Government, the Agreements do not refer to service-users' financial contributions.
7. Moreover, in certain instances, the Agreements omitted or did not adequately define certain clauses, which appropriately allocate operational risks related responsibilities between the contracted parties. Within this context, in general, these four Service Agreements do not appropriately mitigate risks associated with *'conflict of interest'*, *'insurance'*, *'penalties and incentives'* as well as *'subcontracting'*.
8. Discussions between MEDE and MFSS (formerly known as Ministry for Justice, Dialogue and the Family) on their respective Service Agreements, through which the same service-users benefitted from complementary services, were minimal. Such a state of affairs potentially influenced the coordination and quality of the service provided through these Agreements.

Inspire's Foundation's main sources of income and expenditure

9. During 2014, the Government grants derived by Inspire Foundation in conjunction with the four Service Agreements under review amounted to €1,442,357 or 44 per cent of the Foundations' total income of €3,250,227. To an extent, these figures illustrate the NGO's dependence on public funding to finance its wide-ranging programmes.
10. On the other hand, the Service Agreements related Government grants of €1,442,357 accounted for around 70 per cent of the financing of the programmes catered for in these four Contracts. The remaining costs pertaining to these Service Agreements were covered through €284,636 (14 per cent) service-users' contributions and a further €341,013 (16 per cent) generated from the Foundation's activities.
11. The figures quoted in the preceding paragraph, however, are subject to some qualifications based on a review of the respective management accounts pertaining to each of the four Service Agreements under review. Although some testing limitations existed, the following issues were noted:

- i. Inspire Foundation does not apportion overheads to respective programmes in accordance with a corporate broad policy. Consequently, some overheads apportionment inconsistencies materialised.
- ii. Management accounts pertaining to the Agreement currently administered by MEDE erroneously included payroll emoluments utilised on non-government subsidised programmes.
- iii. Non-government subsidised clients were erroneously accounted for in management accounts pertaining to the Service Agreement referred to in the preceding statement.

Service Delivery

12. The impact of contractual deficiencies concerning service delivery becomes more apparent when reviewing deliverables in terms of the four Agreements. The main issue of contention mainly related to the interpretation of service hours to be delivered within particular programmes.
13. Service delivery by Inspire Foundation during 2014 was, to varying degrees, also influenced by staff retention and recruitment issues. At the time, the NGO was generally implementing the Service Agreements below the agreed programme capacity levels. Furthermore, due to its staffing levels, the Foundation was constrained to delay service-users' admissions.
14. The Student Services Department (SSD) within MEDE twice attempted to effect payment in accordance with the number of service-users attending the relative programmes rather than the invoiced amount raised by the Foundation, which incorrectly quoted that all programmes were operating at full capacity. However, in both instances, it seems that the SSD was not authorised to reduce the invoiced monthly payments. Consequently, the resultant overpayments question the extent to which contract management mechanisms were fully employed by the responsible Ministry. During the drafting of this Report, NAO was informed that ongoing negotiations between the two parties resulted in an agreement whereby the Foundation will refund the overpaid funds through services in kind.
15. A number of issues precluded comprehensive value for money analysis. These included contractual deficiencies related to service delivery, limited operational documentation maintained by the service provider and the scarcity of information relating to fees charged by similar service providers for similar services.
16. Nevertheless, this audit noted a number of indicators pointing towards a situation whereby services provided through the four Agreements were of the appropriate quality. To this end, three main service effectiveness criteria were adopted, namely the quality accreditation of services, the level of service-users complaints and the value added for service-users through receiving complementary services within the same organisational framework.
17. The economy criteria adopted related to major cost elements comprised within the services' fees. Such criteria mainly concerned staff costs. Within this context, the cost of service provided could have resulted in a potentially higher expenditure if such services were provided directly by Government entities. Such a state of affairs mainly materialises due to the more favourable remuneration package available to public sector employees in the social and care categories.

Overall Conclusions

18. Inspire Foundation's key objective is to provide disability and inclusion services. To this end, this NGO is offering various programmes through four Service Agreements with three Government Ministries. This state of affairs implies that the parties involved in the implementation of these four Service Agreements are in partnership to fulfill a social responsibility emanating from a contractual relationship for a delivery of service.
19. Generally, the deliverables by Inspire Foundation with respect to these Service Agreements were of the appropriate quality to service-users. However, this review has flagged a number of issues, which to varying degrees, highlight that the opportunity exists for a more balanced and effective partnership in the provision of such services.
20. A major weakness in this partnership emanates from contractual deficiencies, which regulate service delivery as well as the parties' obligations towards service-users and each other. This Report referred to various issues which, on occasions, precluded these Agreements from being the primary source of reference in contentious issues, litigation between the parties or in adequately mitigating operational risks. Additionally, contractual lacunae do not appropriately safeguard users' interests. A case in point relates to situations where Agreements do not stipulate the extent of service-users' financial contribution towards these services. In turn, this is seen as encroaching on the principle of transparency.
21. Organisational structures which are conducive to good governance were not constantly in place or fully operational at the NGO and the Government Ministries procuring these services. The NGO maintained all the operational documentation required through its contractual obligations. However, from a corporate governance point of view, on a number of occasions, other operational records maintained by Inspire Foundation did not readily provide critical management information. This situation limited the NGO's administrative capacity. Examples in this regard relate to ensuring a greater level of accuracy in its management accounting and being able to better account on the use of resources utilised in the provision of services associated with these four Agreements.
22. Similarly, the organisational structures within the Government Ministries were not always conducive to good governance through their individual and collective contract management. Absent communication during the course of negotiations resulted into two Agreements. Moreover, the monitoring of these Agreements was also carried out separately, without the Ministries concerned being fully cognisant of each other's actions – a situation which is currently being addressed through an Inter-Ministerial Committee. Governance structure concerns also relate to overpayments for services rendered over a period of three years. To this effect, it was only recently that negotiations to rectify matters were taken in hand.
23. In conclusion, this audit acknowledges that over the past year, the Ministries involved in the provision of services through these Service Agreements set up an Inter-Ministerial Committee to address the situations referred to in this Report. The working group was set up because these Ministries, motivated by the need for good governance, realised that more coordination was necessary in this area especially to avoid possible overlaps between the services provided or contracted by the respective Ministries. Although this Office is not cognisant of the findings raised or intended course of action being proposed by this Committee, separate discussions with senior officials within these Ministries indicated that their work is nearing conclusion. On the other hand, during the course of this review, Inspire Foundation was in the process of

further developing their services in terms of quality and broadening their service-user base.

24. It is argued that the issues discussed in this Report together with the endeavours of the Inter-Ministerial Committee and the NGO itself contribute towards ensuring that stronger partnerships prevail to the benefit of the various persons utilising these essential services.

Recommendations

25. In view of the findings and conclusions emanating from this review, the NAO proposes the following recommendations:

Contractual clauses

- i. Subsequent Service Agreements are to better define deliverables through clear terms, conditions, specifications and Key Performance Indicators for each service component. Additionally, Service Agreements are to include clauses, which mitigate operational risks through the clear allocation of parties' responsibilities. Such measures would strengthen the relationship between the signatories, provide a better understanding of deliverables, increase transparency, minimise contentious issues and litigation as well as enhance the safeguarding of service-users' interests.
- ii. Where possible, complementary services, which are targeted at the same service-users' cohort, are to be provided and managed through a single contract by one authority. This would enable the better coordination and synchronisation of services to increase the benefits and value added to users. To this end, the NAO encourages the full implementation of the recent policy developments. This mainly relates to an arrangement whereby the former will be responsible for long-term social care related service agreements delivered by NGOs.

Enhancing governance structures in conjunction with the provision of disability and inclusion services

- iii. Consideration be given to delegating contract management responsibilities associated with disability and inclusion services to a single point of authority, such as a specific Ministry, department or agency. Such an approach would however entail that this body is suitably resourced and has the appropriate legal mandate and technical expertise to implement as well as monitor the delivery of such services effectively.
- iv. The Inter-Ministerial Committee is further encouraged in its endeavours to strengthen public governance structures associated with the delivery of services through NGOs. The Committee's work underlines the critical importance of cooperation and coordination between different Ministries, which in turn will encourage the provision of sustainable services related to disability and inclusion.
- v. The opportunity exists for the establishment of stronger public governance mechanisms to ensure that services provided through NGOs further embrace the principles of transparency. Although the fulfillment of transparency principle might be viewed as increasing service delivery overheads, the main benefit of such an approach emanates from the ensuing promotion of the NGO ethos of fulfilling social responsibilities.

- vi. Ministries involved in administering long-term social care related service agreements with NGOs are further encouraged to ascertain that adequate human resources are allocated for a more effective monitoring structure. This will ensure that the services provided by the Foundation are sufficient to meet specific needs of the service-users.
- vii. The strengthening of corporate governance structures at Inspire Foundation, on the other hand, will provide further assurances that grants emanating from public funds are being utilised solely for their intended purposes. Initiatives regarding such matters are primarily to focus on the drawing up of the relevant financial policies and the maintaining of more comprehensive operational records, preferably in electronic format.

Payments

- viii. For each of the respective Service Agreement, Government Ministries are to ensure that monthly payments to Inspire Foundation reflect the total hours of service provided to service-users. Any overpayments made should be rectified within a reasonable time.

Service Delivery

- ix. The admission process of service-users benefitting from Service Agreements in place with Inspire Foundation should be further enhanced. Contracts' signatories are encouraged to agree on applicable maximum periods for referrals and admissions into the relative programmes.
- x. Further to the foregoing, contracted parties are to increase their respective efforts to ensure a higher level of coordination and communication between them. Examples of such initiatives relate to MEDE forwarding referral lists on a more frequent basis while on the other hand, Inspire Foundation makes every endeavour to expedite the admission process.
- xi. Inspire Foundation is encouraged to continuously seek approaches to ensure that, as far as possible, Service Agreements are operating at the stipulated maximum capacity. To this end, various approaches are available for the NGO's consideration, namely a) the optimisation of existing resources; b) on-going recruitment programmes; and c) continuous product development, which increasingly consider operational efficiency gains. The effectiveness of the foregoing, however, remains greatly dependant on qualitative communication between the contracts' signatories. To this effect, information exchange relating to programmes' demand is critical in enabling the Foundation's management to conduct more realistic and robust business planning.
- xii. The contract management, particularly the service delivery monitoring function within the Ministries procuring services from Inspire Foundation, is to be strengthened. An appropriate starting point would entail emulating the service delivery monitoring approach adopted by the SSD within MEDE. Nevertheless, even this function needs to be strengthened, particularly through the increased utilisation of Information and Communication Technology, the increased frequency of on-site visits as well as the scientific gauging of service-users satisfaction. The benefits of rendering the contract management function more robust will primarily revolve at monitoring the outputs and outcomes of service delivery through these Agreements.

Chapter 1

Introduction

Chapter 1 – Introduction

1.1 Terms of Reference

- 1.1.1 The National Audit Office (NAO) conducted a review on the contractual provisions of services by Inspire Foundation to various Government Ministries and departments. This audit was undertaken following a request by the Permanent Secretary, Ministry for Family and Social Solidarity (MFSS) for the NAO to review the provision of disability and inclusion services by this Non-Governmental Organisation (NGO). The Minister for Finance endorsed this request in terms of Article 9 of the Auditor General and National Audit Office Act 1997. As indicated in the aforementioned request, this study mainly focused on the Agreements that were in force during 2014 and based on information available as at end 2015.
- 1.1.2 Over a number of years, Government Ministries and departments contractually engaged this NGO to provide services related to the situation referred to in the preceding paragraph. To date, the provision of services to Governmental organisations by Inspire Foundation is regulated by four main Contractual Agreements involving three Ministries.
- 1.1.3 The current *'Education Services Agreement'*, which mainly caters for service-users who have a diagnosis of a disorder within the autism spectrum, was signed with the Ministry for Education and Employment (MEDE) in February 2013. A further two Agreements are currently being administered by MFSS. These refer to the *'Therapeutic Care Package Agreement'* signed in October 2012 with the former Ministry for Justice, Dialogue and the Family (MJDF) and the *'STAR-25 Agreement'* signed with MFSS in June 2013. The former Agreement provides a range of therapeutic services whereas the latter addresses the needs of young adults with profound multiple disabilities.
- 1.1.4 The fourth Agreement, which relates to the *'Inspire Adult Training Programme'*, was signed in June 2014 with the Ministry for Social Dialogue, Consumer Affairs and Civil Liberties (MSDC). This programme addresses the needs of adult persons with disabilities who require care, a better quality of life and training. It is mainly aimed to attain self-realisation through the fulfillment of each individual's aspirations and capabilities.
- 1.1.5 During 2013, both MFSS and MSDC became increasingly aware that different Ministries were providing funds to various NGOs. Towards this end, both Ministries carried out an internal analysis on the system and criteria used to award such funds.

Moreover, these Ministries contend that projects of a social welfare provision were hampered by various operational concerns. These mainly arose due to administrative capacity issues, which limited the monitoring of services provided by NGOs.

1.1.6 An Inter-Ministerial Committee '*MFSS Sočjeta` Ğusta Sub-Committee on NGOs Funds*' (Support for Voluntary Organisations Fund), which includes MFSS, MEDE and the Ministry for Energy and Health (MEH) was established to address the aforementioned issues. Discussions relating to this Inter-Ministerial Committee commenced in 2014 with the objective of ensuring value for money in the awarding of public funds to NGOs. The working group was set up because these Ministries, motivated by the need for improved governance, realised that more coordination was necessary in this area. Such an approach would especially be conducive to avoid possible overlaps between the services provided or contracted by the respective Ministries.

1.1.7 Furthermore, measures were also announced in the Budget 2016 Document whereby it was agreed that a new template agreement, in the form of a Public Social Partnership, would be created. To this effect, it was established that projects by NGOs for service provisions (considered as long-term service agreements) would in future be the responsibility of MFSS, whereas other specific one-time projects by NGOs would fall under the responsibility of MSDC. Moreover, such a measure would avoid cross funding.

1.2 Aims and objectives

1.2.1 The objectives of this review were mainly based on the MFSS's concerns as expressed by officials of this Ministry in a meeting with NAO on 25 March 2015. Following consultations between NAO and MFSS, the audit's terms of reference were derived as follows:

- i. Review the Agreements entered into between Government and Inspire Foundation, entitling the latter to public funding and establishing the services that the NGO is to deliver.
- ii. Establish the allocation of public funds assigned to Inspire Foundation for 2014 (including contributions in kind or indirect funding) and other sources of income.
- iii. Review the audited financial statements of Inspire Foundation for 2014.
- iv. Examine the deliverables as established in the Agreements with Government and determine the cost of such deliverables.
- v. Where possible, compare such costs to similar deliverables and determine whether value for money is obtained.

1.3 Methodology

1.3.1 In order to attain the above objectives, the NAO reviewed various documentation, including the respective Agreements as well as other service delivery related records as maintained by both the NGO and the respective Ministries and departments. Moreover, interviews were carried out with key officials from Inspire Foundation and the three Ministries concerned. Audited financial statements for 2014 were also reviewed during the course of this study.

1.4 Report structure

1.4.1 Following this introduction, the Report proceeds to discuss the following:

- i. Chapter 2 evaluates the Contractual Agreements in force during 2014 between Government and Inspire Foundation. Towards this end, it discusses the degree to which Agreements in place safeguard Government's and service-users' interests.
- ii. Chapter 3 determines the different sources of Government funding to Inspire Foundation. Moreover, it also elicits issues of concern from the audited financial statements prepared for 2014.
- iii. Chapter 4 discusses the degree to which services were delivered to the pre-determined and agreed standards. Moreover, this Chapter also evaluates service delivery in terms of value for money considerations.

1.4.2 The audit's overall conclusions and recommendations are included in the Report's Executive Summary on pages 8 to 13.

Chapter 2
Service Agreements with
Inspire Foundation

Chapter 2 – Service Agreements with Inspire Foundation

2.1 Introduction

2.1.1 This Chapter reviews the Agreements entered into between Government and Inspire Foundation, entitling the latter to public funding for services rendered. To this end, this review examines the extent to which contractual clauses safeguard Government's and service-users' interest.

2.1.2 As at end 2014, the Ministry for Education and Employment (MEDE), the Ministry for Family and Social Solidarity (MFSS) and the Ministry for Social Dialogue, Consumer Affairs and Civil Liberties (MSDC) had four active Agreements with Inspire Foundation. Table 1 provides an overview of these Agreements in terms of their objectives, dates of signature, validity period, number of service-users as well as the costs associated with each contract. With respect to the latter variable, it is to be noted that the costs indicated in Table 1 refer only to Government's expenditure, which accounts from 59 to 100 per cent of the total programmes' costs. The Non-Governmental Organisation (NGO) and service-users cover the remaining programme costs.

Table 1 : Overview of Agreements between Government Ministries and Inspire Foundation

| Contractual Agreement | Ministry | Date of Signing | Contract Duration | Cost (2014) | Target Population | Objective |
|------------------------------------|-------------------|-----------------|---------------------------|-------------|-------------------|---------------------------------------------------------------------------------------------------------------------------|
| Education Services Agreement | MEDE | 26 Feb 13 | 1 Jan 2013 - 31 Dec 2015 | €882,000 | not specified | Delivery of six programmes catering for children with autism, cerebral palsy and other physical and learning disabilities |
| Therapeutic Care Package Agreement | MFSS ¹ | 01 Oct 12 | 1 Jan 2012 - 31 Dec 2015 | €265,225 | 250 clients | Delivery of four therapeutic services |
| STAR-25 Agreement | MFSS | 10 Jun 13 | 10 Jun 2013 - 31 Dec 2015 | €168,000 | 10 clients | Provision of the Profound Multiple Disability Programme |
| Inspire Adult Training Programme | MSDC | 16 Jun 14 | 1 Jan 2014 - 31 Dec 2014 | €120,000 | not specified | Provision of the Inspire Adult Training Programme |

¹ Formerly known as Ministry for Justice, Dialogue and the Family (MJDF).

2.1.3 The review of the four Contracts depicted in Table 1 raises a number of concerns, mostly emanating from clauses, which do not clearly define the services to be provided in terms of frequency, volumes and specifications. Moreover, other contractual lacunae arise such as those related to programme referral responsibilities as well as funding arrangements concerning service-users. It is to be noted that the Directorate for Educational Services (DES) within MEDE was not involved in the drafting of the final Agreement concerning the ‘*Education Services Agreement*’. The Agreement for such services was finalised at Ministry level. Table 2 provides an overview of these concerns.

Table 2 : Summary of the main contractual deficiencies

| Issue | Education Services Agreement (MEDE) | Therapeutic Care Package Agreement (MFSS) | STAR-25 Agreement (MFSS) | Inspire Adult Training Programme (MSDC) |
|------------------------------------------------------------------|-------------------------------------|-------------------------------------------|--------------------------|-----------------------------------------|
| Service delivery not clearly defined | X | X | | |
| Undefined service-user referral responsibilities | | X | | X |
| Undefined timeframes for admission of service-users | X | | | |
| Agreement does not refer to fees due to Inspire by service-users | X | X | | X |
| Agreement does not stipulate service providers qualifications | | X | | X |

2.1.4 The ensuing paragraphs within this Chapter discusses in detail the issues portrayed in Table 2. For ease of reference, issues of concern are presented in accordance with specific Agreements.

2.2 Service delivery, timeframes for admission and fees dues by service-users were not clearly defined in the Education Services Agreement (MEDE)

2.2.1 The Agreement for the provision of educational services, signed between MEDE and Inspire Foundation in February 2013, aims to provide a holistic approach that embraces the individual service-users, as well as their families, in a systematic and integrated manner, ensuring full inclusion in school as well as community life. The services provided aim to address the needs of students with disabilities through the provision of six different programmes. Four out of these six programmes cater mainly for children who have a diagnosis of a disorder within the autism spectrum. The remaining two programmes are tailored to meet the individual needs of service-users with learning difficulties as well as to cater for children with cerebral palsy and other physical disabilities with combined learning and cognitive difficulties. In 2014, the year under review, MEDE’s total allocation for this Contractual Agreement amounted to €882,000. A review of this Agreement raised the following concerns:

Programme delivery was not always clearly defined

2.2.2 Up to the beginning of November 2014, that is around 20 months in the running of this Contract, the main service outputs and deliverables referred to in the Agreement were not appropriately defined. Examples in this regard emanate from the clauses relating to the frequency, length and content of sessions with service-users. To this end, the Contract refers only to tutor input hours per week.²

² Student Services Department (SSD) contended that the Department was precluded from rectifying contractual clauses concerns for the reasons noted in paragraph 2.1.3. The Department, however, mitigated some of these issues through specifying the hours for the various programmes in the Addendum to this Agreement, which was formulated during 2014.

- 2.2.3 In view of the foregoing, the department within MEDE responsible for monitoring the implementation of this Contract - the Student Services Department (SSD), contended that the terms and conditions relating to *'tutor hour input'* were to be interpreted as being the same as those annexed in the preceding 2009 Contract. This situation raises two points: Firstly, the question arises as to why the practice of defining deliverables was not replicated in the current Agreement. Secondly, if the previous conditions were to be retained, the issue arises as to why the current Contract did not refer to the provisions within the previous Agreement wherein total tutor hours were classified in terms of direct contact time with service-users as well as the relative administrative and preparatory work.
- 2.2.4 As both MEDE and Inspire Foundation recognised the inadequacy of the situation, brought about by vague contractual clauses, an Addendum to the current Contract became effective in November 2014. Inspire Foundation maintains that the introduction of the Addendum was also intended to reflect the latest practices in the delivery of such programmes. To this effect, the programme format changed by a reduction in the direct contact time with service-users, which, in some programmes, was offset through the increasing activities relating to the empowering and up-skilling of both parents and Learning Support Assistants (LSAs) to ascertain on-going continuity of care.
- 2.2.5 Despite the Addendum providing more details relating to programme delivery, the following issues emerge:
- i. Up to the time of drafting this Report, a copy of the signed Addendum was not made available to the National Audit Office (NAO) by either party. Nevertheless, SSD and Inspire Foundation contend that there has been a verbal agreement to enhance the quality of service through the Addendum. Inspire Foundation further emphasised the validity of the document on the basis that SSD took administrative action (such as informing schools of changes to be brought about) to facilitate its implementation.
 - ii. Although the Addendum better defined the contractual deliverables, this document brought about a number of changes to the prevailing practices. The most notable being that the number of annual sessions was reduced from 43 to 40 weeks. This implies a reduction of around seven per cent in the total programme time, which implies an increase in cost of around 7.5 per cent.
 - iii. While MEDE, in general, agrees with the foregoing interpretation, it contended that despite the reduction in contact time, the measures introduced by the new Addendum enhanced the quality of service provided. To this end, the new arrangements are conducive to increase the value added of the programmes' service delivery. Through such changes, the programmes' content is now more directed towards addressing the needs of service-users. Moreover, these changes are seen as appropriately compensating for the variance in tutors' hours allocation brought about by the Addendum. The new deliverables included:
 - a. Parental training within the Step Early Years programme.
 - b. School and/or home intervention in the Step Middle Years programme.
 - c. One annual review conducted by Inspire Foundation through an interdisciplinary team.

Undefined timeframes for admission of service-users

2.2.6 The 2013 Contract between MEDE and Inspire Foundation does not include provisions stipulating the maximum timeframes that the latter should expend to admit service-users to programmes following the receipt of waitlisted persons from MEDE's Statementing Board. During the period November 2013 to May 2015, this situation resulted in an average of around three months between the time clients are referred to Inspire Foundation and actual commencement in the respective programme. This issue will be further expounded on in Chapter 4 of this Report.

The current Agreement does not refer to fees due to Inspire by service-users

2.2.7 According to Appendix D of the 2013 Contract, the Agreement stipulates that MEDE's funding responsibilities account for around 76 per cent of the costs involved in the provision of services. However, the Contract does not define how the remaining 24 per cent of costs should be apportioned between Inspire Foundation and parents' contributions. The omission of clauses within the Agreement, which defines the computation of parents' contributions, deviates from the principle of transparency since full information relating to programme funding is not available to service-users at the outset.

2.2.8 Furthermore, service-users are not being fully informed of their possible financial obligations by the Statementing Board at the time that they are waitlisted for programme admittance within the terms of MEDE's Contract with Inspire Foundation. This Office has been informed that in March 2013 the SSD commenced such a practice but opted to discontinue the procedure following correspondence exchanged between MEDE and the Foundation. Therein, Inspire Foundation contended that it was not within Government's remit to be involved on the extent to which the remaining 24 per cent of costs should be apportioned between Inspire Foundation and parents' contributions.

2.3 The Therapeutic Care Package Agreement (MFSS) does not clearly define service delivery, referral responsibilities, fees due by users and service provider's qualifications

2.3.1 The 'Therapeutic Care Package Agreement' between MFSS - formerly known as Ministry for Justice, Dialogue and the Family (MJDF) - and Inspire Foundation was signed in October 2012 and effective from 1 January 2012 to 31 December 2014. This entails the delivery of four therapeutic services by the Foundation up to a maximum of 250 service-users or a financial capping of €772,725 over the Contract validity period. The 'Therapeutic Care Package Agreement' caps annual costs and outlines the cost of sessions within specific programmes. In 2014, the year under review by this audit, the MFSS's total allocation for this Agreement was capped at €265,225. In December 2014, MFSS renewed this Agreement for a further year.

2.3.2 The services referred to in the 'Therapeutic Care Package Agreement' relate to physiotherapy, occupational therapy, speech and language pathology and psychology. Through this Agreement, the MFSS funds a number of therapeutic hours from the aforementioned services as per Table 3.

Table 3 : Schedule of outputs by Inspire Foundation through the Therapeutic Care Package Agreement

| Therapy Service | Inspire Foundation Performance | | Hours funded by MFSS |
|-------------------------------|--------------------------------|-------|----------------------|
| | Service-users | Hours | |
| Occupational Therapy | 250 | 7,000 | 5,900 |
| Physiotherapy | 250 | 4,920 | 3,000 |
| Speech and Language Pathology | 250 | 7,950 | 5,000 |
| Psychology | 250 | 3,000 | 2,770 |

2.3.3 Although limited documentation relating to the objectives of this Agreement was made available, it is understood that these programmes mainly absorbed service-users who were already undergoing programmes under the *'Education Services Agreement' (MEDE)* – discussed in the preceding Section. Inspire Foundation maintains that the therapeutic programmes are complementary and critical to maximise the benefits to clients undergoing educational programmes.

2.3.4 However, since the funding of therapeutic programmes fell outside MEDE's remit, in October 2012, Inspire Foundation entered into an Agreement with the former MJDF (currently known as MFSS) to finance such programmes. This review established that there was a lack of communication during the negotiation and drafting stages of the *'Therapeutic Care Package Agreement'*, between MEDE and MJDF. Such circumstances materialised even though both Ministries were to provide complementary services to the same service-users through two separate contracts. Furthermore, the following issues arose:

- i. In view of the complementarity of the programmes financed by both Ministries, it is not understood why neither Ministry was informed that most MEDE service-users were to benefit from the *'Therapeutic Care Package Agreement'* financed by MFSS (formerly known as MJDF).
- ii. The absence of communication between MEDE and MJDF clearly highlights the absence of mechanisms to ensure the effective coordination and monitoring of different programmes financed by Government. It is to be noted that various Ministries involved in the provision of programmes concerning NGOs have acknowledged such a situation and commissioned an Inter-Ministerial Committee to study the situation and propose the way forward.

2.3.5 Further analysis of the *'Therapeutic Care Package Agreement'* revealed a significant number of shortcomings that are considered to deviate from generally accepted practices. Such circumstances potentially do not ascertain that the parties' and service-users' interests are adequately safeguarded. This Section proceeds to discuss the concerns relating to this Contract in the same chronological order outlined in Table 2.

Programme delivery was not always clearly defined

2.3.6 Shortcomings in contract provisions, leading to a lack of clarity of the deliverables can, in part, be attributed to an absence of studies and financial appraisals defining the objectives and financial feasibility of the *'Therapeutic Care Package Agreement'*. To this end, the context wherein this Agreement materialised further rendered circumstances more complex since, historically, therapeutic services pertained to the Ministry responsible for the health portfolio rather than MFSS (or MJDF as formerly known). Furthermore, there was a lack of documentation to support the decision as to why such services were being contracted out to the Foundation, rather than

delivered through existing services within the Ministry responsible for health. This remark is only intended to stress the administrative importance that the decision-making process is to be supported by the appropriate documentation and not to differentiate between the quality of services provided directly by Governmental entities and the NGO.

2.3.7 The *'Therapeutic Care Package Agreement'* clauses relating to service delivery do not appropriately define programme content. Ambiguity exists as to whether the duration of sessions within the specific therapeutic services relate to direct contact hours with service-users or otherwise. It transpired that 30 minutes out of each 90-minute session is used by the Foundation's professional staff for the relative preparatory work.

Undefined service-user referral responsibilities

2.3.8 The *'Therapeutic Care Package Agreement'* omits references to referral and admission responsibilities. Furthermore, in view of the complementarity of the respective services, this Agreement automatically absorbed service-users who were benefitting from the MEDE Contract. The foregoing implies that neither MJDF (currently known as MFSS) nor MEDE were involved in the referral and admission process of 250 service-users benefitting from the *'Therapeutic Care Package Agreement'*.

2.3.9 The foregoing raises another issue concerning contractual and administrative shortcomings relating to referrals and admissions. This Contract caps the number of service-users benefitting from the *'Therapeutic Care Package Agreement'* at 250. However, there are no contractual provisions or internal policies at MFSS defining the referral and admission criteria as well as the administrative process to be adopted in instances where there are clients awaiting to receive such services.

The current Agreement does not refer to fees due to Inspire by service-users

2.3.10 The financial arrangements included in the *'Therapeutic Care Package Agreement'* stipulate that 73 per cent of the total costs of the provision of the four therapeutic services is to be funded by Government. Inspire Foundation is currently financing the remaining 27 per cent of costs through its fundraising and commercial activities. However, the Agreement does not preclude service-users from being asked by the Foundation to contribute personally towards the latter's share of programme funding.

The Agreement does not stipulate service provider's qualifications

2.3.11 Clauses in the *'Therapeutic Care Package Agreement'* lack detail relating to the qualifications of staff delivering such services. No reference is made to the professional accreditation or qualifications levels of personnel providing these services.

2.4 No significant contractual deficiencies were noted in the STAR-25 Agreement (MFSS)

2.4.1 The *'STAR-25 Agreement'*, signed in June 2013 and effective from that date up to 31 December 2015, entails the provision of services for ten young adults with profound multiple disabilities. Through this Agreement, MFSS agrees to provide financial assistance for an output based approach of a Profound Multiple Disability Programme of a duration of 25 hours per week, scattered over 45 weeks throughout a year. In this Agreement, MFSS appointed Agencija Sapport within the Foundation for Social Welfare Services (FSWS) as the overseeing body. In 2014, the year under review, the MFSS's total allocation for this Contractual Agreement amounted to €168,000. This

review did not reveal any contentious issues with regards to contractual clauses noted in Table 2.

2.5 Referral responsibilities, fees due by users and service provider's qualifications are not clearly defined in the Inspire Adult Training Programme (MSDC)

2.5.1 In 2014, MSDC sustained its practice of making an annual financial contribution through the NGOs Fund to co-finance the *'Inspire Adult Training Programme'*. This project seeks to provide specialised services to adults with disabilities. Its overall aim is to attain service-users' self-realisation through the fulfilment of each individual's aspirations and capabilities. The services provided through this Agreement include the Community and Inclusion Programme (CIP), which also includes the supervision of relative travel arrangements, Independent Living Skills Training (ILST), Sleepovers, Outings, Activities and Follow On support. In 2014, MSDC's total allocation for this Agreement amounted to €120,000. Similarly, to previous discussions concerning other Agreements, this Section proceeds to highlight the concerns emanating from the review of the *'Inspire Adult Training Programme'* in accordance with the chronological order outlined in Table 2.

Undefined service-user referral responsibilities

2.5.2 The *'Inspire Adult Training Programme'* does not indicate how service-users are to be referred to access these services or Agreement signatories' responsibilities in this regard. Both MSDC and Inspire Foundation indicated that currently clients can make use of such services after contacting the NGO directly. As outlined earlier in this Report, the omission of such clauses from this Agreement encroaches on the principle of transparency and diminishes the Contracting Authority's control over the referrals and admissions process.

The current Agreement does not refer to fees due to Inspire by service-users

2.5.3 In 2014, MSDC, through this Agreement, was responsible for financing around 59 per cent of the total costs associated with the *'Inspire Adult Training Programme'*. However, this Contract does not clearly delineate the extent to which funding responsibilities are to be borne by Inspire Foundation and/or financed through service-users' contributions.

The Agreement does not stipulate service provider's qualifications

2.5.4 The *'Inspire Adult Training Programme'* also does not appropriately define clauses with respect to the qualifications of personnel responsible for the provision of services pertaining to this Agreement. The absence of such clauses are seen as deviating from best practices relating to the services' specifications.

2.6 Current Service Agreements do not fully embrace best practices in relation to parties' operational risks responsibilities

2.6.1 On review, to varying degrees, the four Service Agreements between Governmental entities and Inspire Foundation revealed that best practices were not fully adhered to in the drawing up of the respective contractual clauses. Within this context, in cases, clauses that assigned operational risks responsibilities between the contracting parties were either omitted or did not include the appropriate level of detail. Table 4 presents the extent to which the four Service Agreements reflect best practices criteria.³

³ Best practice contractual clauses were derived from Australian National Audit Office 2012, *Developing and Managing Contracts - Getting the right outcome, achieving value for money*.

Table 4 : The extent of reflection of best practices contractual clauses

| Best practice contractual clauses | Education Services Agreement (MEDE) | Therapeutic Care Package Agreement (MFSS) | STAR-25 Agreement (MFSS) | Inspire Adult Training Programme (MSDC) |
|-----------------------------------|-------------------------------------|-------------------------------------------|--------------------------|-----------------------------------------|
| Conflict of interest | Omitted | Omitted | Omitted | Omitted |
| Insurance | Omitted | Omitted | Omitted | Omitted |
| Key personnel | ✓ | Not appropriately defined | ✓ | Not appropriately defined |
| Penalties and incentives | Omitted | Omitted | Omitted | Omitted |
| Subcontracting | Omitted | Omitted | Omitted | Omitted |

2.6.2 The ensuing paragraphs aim to discuss the situation portrayed by Table 4. Following a brief explanation of each of the criterion listed in Table 4, the discussion proceeds to outline the extent to which the Service Agreements deviated from best practices clauses.

2.6.3 **Conflict of interest:** A ‘*conflict of interest*’ could potentially arise in any contractual situation. However, such a clause, constituting best practice, has not been included in any of the four Agreements with Inspire Foundation.

2.6.4 Such provisions would demand that any potential conflict of interest from any individuals pertaining to either signatory is to be immediately disclosed. Moreover, such a clause could also encompass potential remedial action, including the termination of the agreement if a conflict of interest from either end impinges on the obligations emanating from these Agreements. In the absence of such provisos, neither party nor its employees is obliged to declare situations where their personal interests would conflict with the terms and conditions of these Agreements.

2.6.5 **Insurance:** These four Agreements do not refer to insurance policies, both in relation to personnel and service-users receiving the different services provided by Inspire Foundation. Insurance related provisions should take into account the types and levels of cover relevant to the nature, value and risks associated with the respective Agreements. However, the Contracts under review do not consider clauses to, at least, cover claims relating to bodily injury, including accidental death and any property damage arising from the services provided by Inspire Foundation.

2.6.6 **Key personnel:** The inference of such clauses relate to outlining the skills, qualifications or experience of key employees who are deemed as critical to the provision of the agreed services. However, two of the four Services Agreements, namely the ‘*Therapeutic Care Package Agreement*’ and the ‘*Inspire Adult Training Programme*’, do not appropriately define such clauses.

2.6.7 **Penalties and incentives:** None of the four Contracts under review make reference to ‘*penalties and incentives*’ clauses. Consequently, the Agreements omit any mechanisms that link payments with performance. Payments due to Inspire Foundation for the services provided to Government are not in any way associated with the quality of the services delivered. Similarly, the Contracts do not make any reference to incentives to further encourage Inspire Foundation to achieve higher standards and to improve their services.

2.6.8 **Subcontracting:** The four Service Agreements do not refer to the possibility of subcontracting. The exclusion of such clauses is seen as increasing operational risks in the eventuality that the service provider resorts to subcontracting. In these

circumstances, operational risk is particularly increased since these Contracts lack provisions ensuring that the main contractor informs the service purchaser of all the pertinent details relating to subcontracting.

2.7 Conclusions

- 2.7.1** This Chapter has highlighted various contractual deficiencies in the four Agreements under review. In instances, this situation is attributable to the omission of or unclear contract provisions, which are considered to deviate from good practices since they either omit or do not fully define parties' responsibilities and contractual obligations.
- 2.7.2** Such a situation raises a number of issues. Firstly, it is not conducive to safeguard the parties' interests since their respective obligations are, on many occasions, only generically defined in the four Agreements. Secondly, the shortcomings identified with respect to the drafting of these Contracts also render it more problematic for the contracting parties to monitor and ascertain that the services delivered by Inspire Foundation adhere to the terms and conditions negotiated. Thirdly, these circumstances, in cases, rendered payments by Government as contentious, where overpayments materialised. Ultimately, contentious and contractual shortcomings may have an effect on the service-users' needs.
- 2.7.3** This review also illustrated communication gaps between Governmental Ministries, as signatories to Service Agreements. In this regard, discussions with MEDE and MJDF (currently known as MFSS) regarding their respective Service Agreements, through which the same service-users benefitted, were minimal during the negotiation stage of these Agreements. Such a state of affairs potentially influenced the coordination and quality of the service provided through these Agreements. This audit acknowledges that over the past year, the Ministries involved in the provision of services through these Service Agreements set up an Inter-Ministerial Committee to address the situations referred to in this Report. The working group was set up because these Ministries, motivated by the need for good governance, realised that more coordination was necessary in this area especially to avoid possible overlaps between the services provided or contracted by the respective Ministries.
- 2.7.4** The next Chapter discusses the various sources of funds that were allocated to Inspire Foundation during 2014. These financial resources primarily emanated through public funds. To this effect, a review of the audited financial statements pertaining to 2014 provides further details on this matter.

Chapter 3

Inspire Foundation's main sources of income and expenditure

Chapter 3 – Inspire Foundation’s main sources of income and expenditure

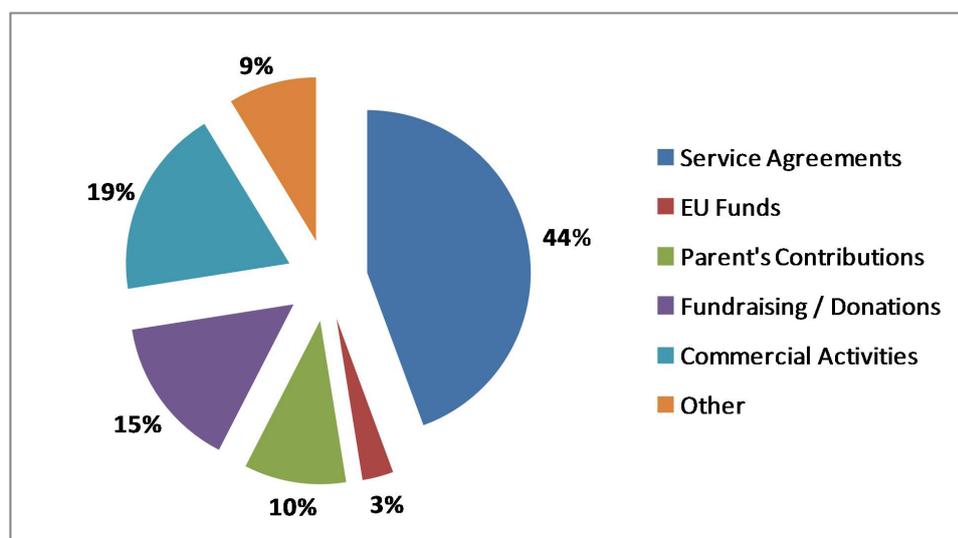
3.1 Introduction

- 3.1.1 This Chapter discusses Inspire Foundation’s main sources of income and expenditure during 2014 with respect to the four Service Agreements with three Governmental Ministries. Issues and conclusions presented within this Chapter consider the audited financial statements as prepared by Inspire Foundation and relative supporting documentation provided by the parties to these Agreements.
- 3.1.2 Within this context, this Chapter provides a general overview of Inspire Foundation’s main sources of income and expenditure. This is followed by a discussion of the financing arrangements concerning each of the four Service Agreements. The discussion concludes by presenting an overview of the audit opinion as outlined in the Foundation’s audited financial statements for 2014.

3.2 Service Agreements with Government Ministries accounted for 44 per cent of Inspire Foundation’s income

- 3.2.1 Inspire Foundation generates its income to finance the different programmes and services offered through various sources. During the period under review, the Foundation derived around 44 per cent of its income through the four Service Agreements. This amounted to €1,442,357 out of a total income of €3,250,227.
- 3.2.2 In 2014, service-users' contributions totalled €327,934. This is equivalent to ten per cent of the Foundation’s total revenue.
- 3.2.3 To sustain its financing, throughout the years, Inspire Foundation’s revenue became significantly dependant on commercial activities. These activities, which include a fitness centre and a number of charity shops, generated a further €610,054 or around 19 per cent of the Foundation’s total income. Other fundraising activities and donations contributed €486,741 (15 per cent of the Foundation’s total income). The Foundation derived additional income through European Union (EU) funds and other sources. Figure 1 illustrates Inspire Foundation’s main sources of income.

Figure 1 : Inspire Foundation's sources of income (2014)



Source: Inspire Foundation's management accounts (2014).

3.2.4 Figure 1 shows that during 2014, Inspire Foundation generated revenue totalling €3,250,227. This revenue was used to finance the Foundation's operations. Table 5 classifies this revenue among the major programmes delivered by Inspire Foundation.

Table 5 : Classification of Inspire Foundation's main sources of income (2014)

| Sources of income | Contract Agreements / Programmes (2014) | | | | | | Fundraising | Commercial | Other | Total |
|----------------------------------|-----------------------------------------|------------------------------------|-------------------|----------------------------------|-------------------------------|--------------------------------|----------------|----------------|---------------|------------------|
| | Education Services Agreement | Therapeutic Care Package Agreement | STAR-25 Agreement | Inspire Adult Training Programme | Total - Government Agreements | Other Inspire based programmes | | | | |
| | € | € | € | € | € | € | | | | |
| Government's contribution | 887,200 | 265,225 | 169,932 | 120,000 | 1,442,357 | | | | | 1,442,357 |
| Service-users' contribution | 229,728 | | | 54,908 | 284,636 | 43,298 | | | | 327,934 |
| EU Funds | | | | | | 99,947 | | | | 99,947 |
| Fundraising | | | | | | | 324,602 | | | 324,602 |
| Donations | | | | | | | 162,139 | | | 162,139 |
| Commercial Entities / activities | | | | | | | | 610,054 | | 610,054 |
| Others | | | | | | 239,260 | | | 43,934 | 283,194 |
| Total | 1,116,928 | 265,225 | 169,932 | 174,908 | 1,726,993 | 382,505 | 486,741 | 610,054 | 43,934 | 3,250,227 |

Source: Inspire Foundation's management accounts (2014).

3.2.5 Table 5 shows that during 2014 Inspire Foundation generated €3,250,227. The financial statements show that this amount fell short by nearly €5,000 of the total expenditure incurred by the Non-Governmental Organisation (NGO) to fund its entire programmes. The next Section analyses the Foundation's expenditure for the year under review, particularly with respect to the four Service Agreements with Government.

3.3 Service Agreements with Government resulted in 64 per cent of the Foundation's total expenditure

3.3.1 During 2014, the revenue generated by Inspire Foundation was directed to finance its operational programmes, which included the four Service Agreements with Government Ministries. Financial records maintained by the Foundation show that during the year under review, expenditure related to these Agreements totalled €2,068,006 out of the NGO's total outflows of €3,255,213. Table 6 refers.

Table 6 : Classification of Inspire Foundation’s main sources of expenditure (2014)

| Source of expenditure | Service Agreements with Government | | | | | Other programmes | Total Foundation Expenditure | |
|----------------------------------------------|------------------------------------|------------------------------------|-------------------|----------------------------------|-------------------------------|------------------|------------------------------|------------|
| | Education Services Agreement | Therapeutic Care Package Agreement | STAR-25 Agreement | Inspire Adult Training Programme | Total - Government Agreements | | € | % |
| | € | € | € | € | € | | € | % |
| Costs of services to persons with disability | 1,051,279 | 260,120 | 140,264 | 211,447 | 1,663,110 | 399,570 | 2,062,680 | 63 |
| Administration costs | 111,549 | 46,614 | 12,000 | - | 170,163 | 355,751 | 525,914 | 16 |
| Other overheads | 103,045 | 61,347 | 28,052 | 42,289 | 234,733 | 32,993 | 267,726 | 8 |
| Cost of generating funds | - | - | - | - | - | 398,893 | 398,893 | 12 |
| Total | 1,265,873 | 368,081 | 180,316 | 253,736 | 2,068,006 | 1,187,207 | 3,255,213 | 100 |

Source: Inspire Foundation’s audited financial statements and management accounts for 2014.

3.3.2 Table 6 shows that the Foundation’s main source of expenditure related to the line item entitled ‘*Costs of services to persons with disability*’. This line item outlines that the costs incurred to provide all services within Inspire Foundation amounted to €2,062,680 or 63 per cent of the Foundation’s total expenditure during 2014. Most of these expenses comprised the salaries of 106 professionals working directly within programmes, which also included those delivered through the four Service Agreements.

3.3.3 In 2014, ‘*Administration costs*’ amounted to €525,914, which constituted 16 per cent of the Foundation’s total expenditure. The non-subsidised programmes absorbed €355,751 (68 per cent) of these costs. The remaining expenditure of €170,163 (32 per cent) was utilised to administer the four Service Agreements with Government Ministries.

3.3.4 In 2014, ‘*Other overheads*’ resulted in an expenditure of €267,726 or eight per cent of the Foundation’s total expenditure of €3,255,213. These costs mainly comprised operational and maintenance related expenditure. The four Service Agreements absorbed €234,733 (88 per cent). The remaining €32,993 (12 per cent) of overheads expenditure related to other programmes that are fully provided under the auspices of Inspire Foundation.

3.3.5 The last expenditure line item depicted in Table 6 relates to ‘*Cost of generating funds*’. This related to costs incurred to support the NGO’s fund raising activities and initiatives. During 2014, these costs amounted to €398,893 (12 per cent) of the Foundation’s total outflows.

3.3.6 The foregoing provides an outline of the financial context within which Inspire Foundation operates. However, NAO’s analysis of the Foundation’s expenditure in 2014 is subject to the reservations and qualifications, which are presented in the forthcoming Section.

3.4 Management accounting inaccuracies prohibit conclusive financial analysis of publicly funded Service Agreements

3.4.1 This review aimed to determine the extent to which accounting records drawn up by Inspire Foundation and referred to Government in terms of contractual obligations appropriately reflected the financial situation concerning the four Service Agreements. The analysis focused mainly on the more material expenditure line items, which included personal emoluments and, to a lesser degree the expenditure incurred by the Foundation to generate its own funds. This analysis verified whether expenditure

items were appropriately charged to the relative programme delivered by Inspire Foundation.

- 3.4.2 Inspire Foundation maintained all the records that it was obliged to in terms of the Service Agreements. However, the format within which such records are to be maintained did not always fully embrace general accepted accounting practices.
- 3.4.3 Consequently, this audit was subject to significant limitations due to the fragmentation of operational records maintained by the Foundation. Such circumstances limited in-depth financial and operational evaluations. The next sub-sections discuss the concerns on the management accounts drawn up by the Foundation and referred to respective Ministries in accordance with contractual obligations.

Management accounts pertaining to MEDE Agreement erroneously included payroll emoluments utilised on non-government subsidised programmes

- 3.4.4 The most material direct costs relate to personal emoluments. For the purpose of this review, the National Audit Office (NAO) sought to determine the extent to which the management accounts presented to the Ministry for Education and Employment (MEDE) reflected the tutor input declared therein. However, due to issues related to documentation fragmentation, this review extended only to the PACES programme pertaining to the 'Education Services Agreement'. Further exercise limitations materialised since full records pertaining to only six out of the 22 tutors who delivered this programme during May 2014 were available. This month was randomly selected, and despite its various limitations, this exercise is considered to provide a suitable indicator on the extent of reliability of the management accounts presented to MEDE.
- 3.4.5 This analysis showed that, based on documentation provided, the six tutors provided 1,040 hours for the delivery of the PACES programme during May 2014. However, 116 hours (11 per cent) of the aforementioned hours, were utilised in the provision of exclusively driven Inspire Foundation programmes (that is, non-government subsidised programmes). These namely related to the Literacy and Numeracy Enhancement Services (LANES) and Learning Made Easy (LME) programmes.
- 3.4.6 To this effect, the management accounts pertaining to the 'Education Services Agreement' are questioned on the basis that such records erroneously include payroll costs, which are clearly attributable to non-government subsidised programmes. Consequently, as an absolute minimum, these accounts erroneously include the costs of 116 hours, which are equivalent to €1,107 when assuming an average hourly rate of €9.54. If this expenditure is projected to reflect this situation over a 12-month period, than the management accounts for 2014 overstate the direct salary expenditure item by €13,280. However, it must be reiterated that these projections assume a very prudent scenario since the exercise comprised only six of the 22 tutors involved in the delivery of the PACES programme.

Inspire Foundation does not apportion overheads to respective programmes in accordance with a corporate broad policy

- 3.4.7 The Foundation's overheads apportionment of respective programmes deviate from generally accepted accounting practices, which demand that such exercises are carried out in accordance with a corporate broad policy. Such a policy would recognise and declare the percentage with which each overhead line item would be charged to respective programmes. The unavailability of such a policy is conducive to inconsistent and potentially erroneous overheads apportionment.

3.4.8 Inspire Foundation maintained that their primary objective with regards to total overheads allocation within the Service Agreements is to limit such amounts to around 20 per cent of total costs. During 2014, this apportionment ratio was, on average, generally respected. However, this practice is not documented. Furthermore, the Foundation does not have a documented policy with regards to the apportionment of various other overheads line items. This mainly relates to administration, utilities, support services and costs of generating funds.

3.4.9 The latter line item of expenditure (that is, costs of generating funds) raises another point of contention. During 2014, the Foundation incurred an expenditure of €398,893 to finance its fundraising and commercial activities. None of this amount was charged to the four Government Service Agreements even though the Foundation contend that a proportion of this expenditure item was utilised to finance its contribution towards the delivery of the Government subsidised programmes.

Non-government subsidised clients were erroneously accounted for in management accounts pertaining to the Service Agreement with MEDE

3.4.10 The management accounts for 2014 concerning the MEDE Service Agreement erroneously included direct and indirect charges pertaining to 19 non-subsidised service-users who enrolled directly on this programme through Inspire Foundation. It is estimated that the management accounts referred to in this paragraph overstate expenditure with respect to the services provided to Government referred clients by around €75,952.⁴

3.4.11 Similarly, on adjustment, it is estimated that the inclusion of these 19 non-subsidised service-users erroneously inflated the Foundation's contribution to this programme. Such a situation materialises since the management accounts also erroneously include the personal contribution amounting to €26,355 made by these clients to access this programme as full-paying clients.

3.4.12 Inspire Foundation explained that such a situation occurred since their management accounts are structured on a per programme basis. Consequently, in such a set-up it is not always practically feasible to distinguish between Government subsidised and other full-paying service-users.

3.5 Audited financial statements for 2014 outlined a qualified audit opinion

3.5.1 As part of this study, NAO was also entrusted to review the audited financial statements as prepared by Inspire Foundation in 2014. The external auditor's reports gave a qualified opinion with respect to these financial statements since 2011. The basis for this qualification revolves around the valuation of property, plant and equipment (PPE) arising through the amalgamation of Eden Foundation and Razzett tal-Ħbiberija which was taken over by Inspire Foundation for no consideration. Since this issue remained outstanding, the external auditor was unable to verify the depreciation expense recorded for the year in respect of these assets and whether the carrying amounts of PPE as at 31 December 2014 have been appropriately stated.

3.5.2 Except for the matter described above relating to the basis of this qualified opinion, the financial statements gave a true and fair view of the financial position, financial performance and its cash flows for the year ended 31 December 2014.

⁴ The sum of €75,952 was derived when apportioning the total cost of €1,265,873 as shown in the management accounts presented to MEDE for 2014, between the 282 (94 per cent) government subsidised service-users and the remaining 19 (six per cent) full-paying service-users.

3.6 Conclusions

- 3.6.1 The review of Inspire Foundation's audited financial statements as well as the management accounts presented to the relevant Government Ministries showed that public funds derived through the four Service Agreements constituted 44 per cent of the total income generated by this NGO. This state of affairs illustrate that public funds have played a crucial role in enabling Inspire Foundation to extend its services to a wider range of service-users.
- 3.6.2 However, this review also noted deficiencies in the management accounts presented to the respective Ministries, as signatories of the four Agreements. These shortcomings raise some concerns on the extent to which signatories could accurately determine the costs involved in the provision of these services. Consequently, this state of affairs impinges on the effectiveness of the Ministries' monitoring and decision-making functions with respect to these Agreements.
- 3.6.3 The inaccuracies noted in the management accounts could not be conclusively quantified since operational documentation maintained by Inspire Foundation was fragmented. It is to be noted that this NGO maintained all the records as required by the Service Agreements. However, such documentation provided only basic operational and financial information, which prohibited a deeper analysis of the Foundation's management accounts. This situation raises concerns related to the Foundation's corporate governance.
- 3.6.4 The management accounts inaccuracies also raise the point as to the extent to which revenue derived through the Service Agreements could indirectly be funding Inspire Foundation's full-paying service-users. This review noted two circumstances that could contribute to the foregoing. Firstly, management accounts pertaining to the MEDE Agreement erroneously included payroll emoluments utilised on non-government subsidised programmes. Secondly, it was observed that some non-government subsidised service-users, who were privately accessing the same programmes covered by the MEDE Service Agreement, were accounted for in the management accounts pertaining to this Contract.
- 3.6.5 The next Chapter discusses the extent to which deliverables were in accordance with the four Service Agreements. Furthermore, indicators relating to the value for money of these services will be evaluated.

Chapter 4

Service Delivery

Chapter 4 – Service Delivery

4.1 Introduction

4.1.1 The four Service Agreements under review do not always clearly define the expected deliverables from Inspire Foundation. Consequently, evaluating the extent to which deliverables complied to contractual provisions was, at times, not possible to determine. Similarly, since the Agreements do not comprehensively relate to Key Performance Indicators (KPIs) with respect to various elements of the service offered, evaluating value for money was also a problematic endeavour. Nevertheless, this Chapter discusses a number of issues, which provide strong indications with regards to service delivery and the ensuing value for money consideration.

4.1.2 It is to be noted that, in view of the deficiencies in contractual provisions and the absence of KPIs relating to services provision, the monitoring function within the Ministries signatories to these Agreements encountered similar difficulties. Nevertheless, the Ministry for Education and Employment (MEDE), through its Student Services Department (SSD), regularly monitored the service provided by the Foundation. This mainly entailed:

- i. The checking of monthly attendance sheets.
- ii. Conducting random phone calls to service-users (parents and guardians of children receiving such service).
- iii. The supplying of new references to the STEP Programmes.
- iv. Tackling complaints raised by parents/guardians.
- v. The carrying out of spot checks to ensure that the service provided is of an appropriate quality to service-users and parents/guardians.

4.1.3 Where possible, this audit utilised the Service Agreements' monitoring related analysis undertaken by this department.

4.1.4 Against this backdrop, this Chapter discusses the extent of adherence with each of the four Service Agreements with respect to service delivery. The Chapter proceeds to discuss value for money issues emanating from the implementation of these Service Agreements.

4.2 During 2014, overpayments of €69,152 resulted since the Education Services Agreement (MEDE) was not operating at its full capacity

4.2.1 Inspire Foundation, generally delivered services in terms of direct contact hours to its enrolled service-users in accordance with the 'Education Services Agreement'. However, the programmes within this Agreement were generally not operating to their respective capacities. Since the relative adjustments to reflect the number of clients in the respective programmes were not made, payments forwarded by MEDE in 2014 resulted in an overpayment of €69,152. Within this context, this Section discusses the issues leading to such a situation, namely that programme admissions did not reach the stipulated capacity and that, at times, lengthy delays materialised to enroll service-users referred by MEDE.

The enrolled service-users generally received the stipulated direct contact time

4.2.2 The 'Education Services Agreement' stipulates that a number of programmes are to be provided to service-users who have a diagnosis of a disorder within the autism spectrum as well as other physical and learning disabilities. The Agreement outlines the tutor input hours to be provided per week for the respective programme as can be summarised in Table 7.

Table 7 : Tutor input per week for the respective programme (2014)

| Programme | Step Early Years | Step Middle Years | Step Outreach | Style | PACES | STAR-12 | STAR-6 | STAR-3 |
|----------------------|------------------|-------------------|---------------|-------|-------|---------|--------|--------|
| Tutor input per week | 8 hrs | 4 hrs | 2 hrs | 4 hrs | 4 hrs | 12 hrs | 6 hrs | 3 hrs |

4.2.3 As already noted in paragraph 2.2.3, the Agreement only refers to the total amount of tutor input to be provided in each programme. However, the Contract does not differentiate the tutor input in terms of hours between the direct contact time with service-users, group sessions, as well as preparation, administration, travel, feedback and other programme time components.

4.2.4 Prior to the implementation of the new Addendum in November 2014, a portion of the total tutor input per week was being used for administrative and preparatory work. Although the classification of such time was not directly specified in the 2013 Agreement, both MEDE and Inspire Foundation contended that they were operating in accordance with the previous practices adopted during the course of the preceding Agreement. As from November 2014, such a situation was clarified through the Addendum, which stipulated a breakdown of the total tutor input per week.

4.2.5 Determining the extent to which deliverables in 2014 complied to contractual provisions entailed reconciling a sample of service-users' direct contact time with tutors' timesheets, which were signed and verified by clients' parents. However, due to a lack of documentation available, this exercise excluded administrative, preparation and other hours expended that were not directly attributable to the service-users.

Table 8 : Variance between actual and agreed direct contact time to be received by enrolled service-users (2014)

| MEDE Programmes | Jan to Oct 2014 Totals | | | Nov to Dec 2014 Totals | | | Jan to Dec 2014 Totals | | |
|-------------------------|----------------------------------------|----------------------------------------------|--------------------------------------|----------------------------------------|----------------------------------------------|--------------------------------------|----------------------------------------|----------------------------------------------|--------------------------------------|
| | ACTUAL hours received by service-users | AGREED hours to be received by service-users | Difference between ACTUAL and AGREED | ACTUAL hours received by service-users | AGREED hours to be received by service-users | Difference between ACTUAL and AGREED | ACTUAL hours received by service-users | AGREED hours to be received by service-users | Difference between ACTUAL and AGREED |
| PACES | 1,047.25 | 1,098.90 | (51.65) | 192.50 | 198.00 | (5.50) | 1,239.75 | 1,296.90 | (57.15) |
| | | | -4.7% | | | -2.8% | | | -4.4% |
| Style | 678.25 | 986.40 | (308.15) | 182.00 | 198.00 | (16.00) | 860.25 | 1,184.40 | (324.15) |
| | | | -31.2% | | | -8.1% | | | -27.4% |
| Step Outreach | 603.00 | 453.60 | 149.40 | 127.75 | 90.00 | 37.75 | 730.75 | 543.60 | 187.15 |
| | | | 32.9% | | | 41.9% | | | 34.4% |
| Step Middle Years | 708.00 | 702.00 | 6.00 | 181.00 | 180.00 | 1.00 | 889.00 | 882.00 | 7.00 |
| | | | 0.9% | | | 0.6% | | | 0.8% |
| Step Early Years | 2142.00 | 1940.40 | 201.60 | 96.00 | 136.00 | (40.00) | 2,238.00 | 2,076.40 | 161.60 |
| | | | 10.4% | | | -29.4% | | | 7.8% |
| STAR | 2044.00 | 1989.70 | 54.30 | 390.50 | 341.00 | 49.50 | 2,434.50 | 2,330.70 | 103.80 |
| | | | 2.7% | | | 14.5% | | | 4.5% |
| OVERALL SUMMARY RESULTS | 7,222.50 | 7,171.00 | 51.50 | 1,169.75 | 1,143.00 | 26.75 | 8,392.25 | 8,314.00 | 78.25 |
| | | | 0.7% | | | 2.3% | | | 0.9% |

4.2.6 Table 8 demonstrates that, in 2014, overall, the actual direct contact time with the enrolled service-users exceeded the time agreed between MEDE and Inspire Foundation by 78 hours. Four of the programmes contributed to a positive variance while PACES and Style programmes were short of the agreed direct contact time by 57 and 324 hours respectively.⁵

The MEDE Service Agreement was not operating at its full capacity during 2014

4.2.7 During the year under review, the overall service-user capping implied by the Service Agreement with MEDE was not attained. Consequently, this Service Agreement was not operating at its full capacity.

4.2.8 This Service Agreement only refers to an overall financial capping of €882,000 during 2014 but does not indicate the maximum service-user capacity per programme. Consequently, the extent to which the services in terms of service-users was delivered had to be estimated on the basis of the cost per client within each specific programme. To this effect, and in view of the different fees chargeable per programme, such an evaluation could only estimate a range between the minimum and maximum number of service-users that could potentially be admitted into one of the programmes pertaining to the 'Education Services Agreement' during the year under review. Such an assessment was undertaken with reference to the Step Early Years and the Step Middle Years programmes. The minimum number of clients was based on the Step Early Years programme, which has the highest monthly cost (€395.33), whereas the maximum number of clients was based on the Step Middle Years programme, which has the lowest monthly cost (€237.17). Table 9 refers.

⁵ The actual hours received, as illustrated in Table 8, refers to the hours of service provided by Inspire Foundation, which service-users were scheduled to attend. Within this context, attendance was noted even in the event of service-users absenteeism. On the other hand, public holidays and Inspire Foundation shut downs were not taken into consideration since the Contract stipulates the number of hours to be delivered annually per client within the respective programmes.

Table 9 : Minimum and maximum number of service-users that could potentially be admitted into one of the programmes pertaining to the Education Services Agreement (2014)

| Month | Potential number of service-users that could be admitted into one of the MEDE programmes | |
|-----------|------------------------------------------------------------------------------------------|---------|
| | Minimum | Maximum |
| January | 3 | 5 |
| February | 3 | 5 |
| March | 3 | 5 |
| April | 9 | 14 |
| May | 11 | 19 |
| June | 12 | 20 |
| July | 14 | 24 |
| August | 17 | 28 |
| September | 18 | 29 |
| October | 20 | 34 |
| November | 34 | 56 |
| December | 32 | 59 |

4.2.9 Table 9 shows a range between the minimum and maximum number of service-users that could potentially be admitted into the relative programmes pertaining to the 'Education Services Agreement' during 2014. The information presented in this Table highlights that this Agreement was not operating at its full capacity.

4.2.10 NAO's analysis depicted that, for example, in November 2014, Inspire Foundation could have potentially admitted at least 34 additional service-users. Matters would have been further aggravated if the maximum capacity calculation was based on the lowest chargeable fee, that is the Step Middle Years programme. On the basis of the latter chargeable rate the opportunity existed to enroll 56 additional service-users to the Step Middle Years programme.

The admission process took an average of three months between the referral of service-users and the actual commencement date by Inspire

4.2.11 Service-users making use of the 'Education Services Agreement' took an average of around three months from the date when the SSD, through the Statementing Board, referred its service-users to Inspire Foundation and the date of commencement within their respective programme.

4.2.12 The Statementing Board makes referrals to Inspire Foundation following an interview with potential service-users and their parents. The interview establishes the nature and level of educational support needed by the student being statemented. This is done in order to ensure a quality education to which they are entitled according to the National Minimum Curriculum. If required, the Board also requests additional information from assessment bodies and practitioners.

4.2.13 For the scope of this review, the National Audit Office (NAO) analysed the eight referral sheets, which were sent to the Foundation by the SSD during the period from November 2013 to May 2015. The number of referred service-users in these eight referral sheets totalled 141 clients. Table 10 refers.

Table 10 : Average number of days between referral of service-users by SSD and their actual commencement date at Inspire Foundation

| Date of waiting list referral by SSD to Inspire Foundation | Total number of service-users referred | Number of service-users accepting to commence a programme under MEDE Agreement | Total number of days between referral by SSD and commencement date | Average number of days between referral by SSD and commencement date |
|------------------------------------------------------------|----------------------------------------|--------------------------------------------------------------------------------|--------------------------------------------------------------------|----------------------------------------------------------------------|
| 28 November 2013 | 12 | 8 | 435 | 54 |
| 4 December 2013 | 15 | 12 | 611 | 51 |
| 11 February 2014 | 16 | 6 | 1,485 | 248 |
| 29 October 2014 | 20 | 10 | 275 | 28 |
| 18 November 2014 | 19 | 10 | 1,417 | 142 |
| 19 January 2015 | 20 | 5 | 644 | 129 |
| 5 February 2015 | 19 | 10 | 884 | 88 |
| 21 May 2015 | 20 | 6 | 258 | 43 |
| Total | 141 | 67 | 6,009 | 90 |

4.2.14 The analysis carried out by NAO outlined that the 67 service-users who accepted to be enrolled into one of the programmes offered under the ‘*Education Services Agreement*’ took an average of 90 days from the time they were referred to their actual commencement on an Inspire Foundation programme. Moreover, six service-users from the referral sheet pertaining to 11 February 2014 took an average of 248 days each to be admitted. Inspire Foundation contended that such circumstances materialised due to staffing difficulties, as discussed in the next sub-section.

Staff recruitment issues hindered Inspire Foundation from accepting service-users into different programmes within an acceptable time

4.2.15 Inspire Foundation maintain that the admission related problems referred to above mainly emanated through employee recruitment issues, namely related to staff turnover. The Non-Governmental Organisation (NGO) contended that such circumstances materialise as employees seek recruitment to Public Service posts due to better employment conditions and opportunities.

4.2.16 Particularly during 2014, staff retention and recruitment issues hindered Inspire Foundation from attaining the appropriate tutor complement to enable it to operate the MEDE programmes at full capacity. The staff shortages experienced by the NGO during the year under review compounded itself into logistical problems. To this effect, Inspire Foundation experienced difficulties in circumstances where service-users from the Early Years programme moved to the Middle Years programme. In turn, such a situation led to a bottleneck, which prevented the Foundation from admitting more clients to its programmes.

4.2.17 This situation was, to a certain extent rectified as from November 2014, on the implementation of the Addendum. In part, this increased the Foundation’s human resource availability since this Document reduced the number of programme sessions from 43 to 40 per annum. Moreover, the Addendum increased the Foundation’s operational flexibility through the new work and service delivery practices agreed. After discussions with the SSD, Inspire Foundation implemented a recruitment drive in 2015, which supplemented the measures implemented through the Agreement. To this effect, the average admissions period of referrals made by the SSD during May 2015 amounted to around 43 days, which is 65 per cent less than the average admission period during 2014.

4.2.18 During 2014, MEDE paid an extra €69,152 with respect to six programmes provided under the *'Education Services Agreement'*. This Agreement caps the cost of the services to be provided by Inspire Foundation at €882,000. Moreover, this Contract further stipulates that this sum should be disbursed in accordance with the number of service-users attending each programme as indicated in Appendix D of the same Agreement.

4.2.19 However, Inspire Foundation raised invoices on the monthly portion of the capped financial allocation rather than on the number of service-users attending each programme. Since, for the majority of 2014, these programmes were not operating at full capacity, the overpayment of €69,152 resulted.

4.2.20 To this effect, NAO was presented with documentation regarding two attempts by the SSD to effect payments in accordance with the number of service-users attending the relative programmes rather than the invoiced amount raised by the Foundation. The latter invoice incorrectly showed that all programmes were operating at full capacity. However, in both instances, it seems that the SSD was not authorised at reducing the monthly payments to reflect the number of service-users attending programmes. Consequently, the SSD persisted in making payments against the Inspire Foundation raised invoices in the knowledge that the former was cognisant that the programmes were not operating at their full capacity. Nevertheless, at the time of drafting this Report, the NAO was informed that discussions between the two parties aimed at resolving this matter are at an advanced stage. To this end, discussions focused on Inspire Foundation providing services to MEDE in kind to compensate for the accumulated overpayments.

4.3 Uncertainty exists with respect to service delivery clauses in the Therapeutic Care Package Agreement (MFSS)

4.3.1 The *'Therapeutic Care Package Agreement'* stipulates that a minimum of 22,870 service hours should be provided throughout four therapeutic services, namely Occupational Therapy, Physiotherapy, Speech and Language Pathology and Psychology. These hours are to be provided in a number of sessions of an average duration of 90 minutes each.

4.3.2 However, as already outlined in this Report, the contractual clauses relating to service delivery do not appropriately define programme content. Uncertainty exists as to whether the duration of each session, within the specific therapeutic service, relate to direct contact hours with service-users or otherwise. During discussions with Inspire Foundation officials, it transpired that 30 minutes, out of each 90-minute session, is used by the NGO's professional staff for the relative preparatory work.

4.3.3 On the other hand, the Ministry for Family and Social Solidarity (MFSS), as the current administrator of this Agreement, did not provide clear direction in this regard. Such a situation materialised as the management structures within this Ministry have changed since the Agreement was signed in October 2012. In view of this state of affairs, an evaluation of service delivery in terms of tutor hours results in two different outcomes depending on the interpretation given to the Agreement.

4.3.4 In the first scenario, each session is deemed to consist of one-hour contact time and 30 minutes for preparatory work. Consequently, as contended by Inspire Foundation, the 27,255 therapeutic hours delivered result in a positive variance of 4,385 hours when assessed against the 22,870 hours envisaged by the Agreement.

4.3.5 On the other hand, if the time allocated for each session is deemed to consist of 90 minutes of direct contact time, than the 27,255 hours delivered in accordance with Inspire Foundation records imply that only 18,170 hours would have been provided. This materialises since the latter figure is adjusted to exclude the 30 minutes of preparatory work per session. In this scenario, a negative variance of 4,700 hours will result when the delivered sessions are evaluated against the hours envisaged by the Agreement.

4.4 Generally, the STAR-25 programme (MFSS) was delivered in accordance with the relative Service Agreement

4.4.1 During 2014, ten young adults benefitted through the ‘STAR-25 Agreement’. This programme consists of 25 hours per week of contact time for 45 weeks annually. On review, only a negligible discrepancy materialised between the services delivered and the sessions stipulated in the Agreement.

4.5 The Inspire Adult Training Programme (MSDC) generally adhered to contractual clauses as stipulated in the Agreement

4.5.1 The ‘Inspire Adult Training Programme’, managed by the Ministry for Social Dialogue, Consumer Affairs and Civil Liberties (MSDC), aims to increase self care skills by promoting the physical and emotional well being of adult persons with disabilities. The programme aspires to deliver six service outputs, which are partly financed through the NGO Fund managed by the same Ministry. The remaining portion is supported by additional funds generated through service-users’ contributions as well as Inspire Foundation. During 2014, this programme generally adhered to contractual obligations as stipulated in the Agreement.

4.6 Contractual lacunae and limited availability of data limit conclusive analysis of Value for Money

4.6.1 Contentious contractual definitions hindered comprehensive Value for Money (VfM) evaluations relating to the services provided by Inspire Foundation through the four Service Agreements under review. Furthermore, the limited availability of data, which would enable cost comparisons of the Foundations’ deliverables with similar services provided by other entities, also precluded in-depth evaluations.

4.6.2 Within this context, VfM evaluations focused on the quality of service provided by the NGO. Moreover, where possible, comparisons of some services delivered in terms of these four Contracts were benchmarked against the costs incurred by Public Service entities in conjunction with the delivery of similar services. However, due to constraints related to limited availability of information, the results of such assessments are to be interpreted as indicative rather than conclusive.

4.6.3 This review observed a number of indicators which, when analysed collectively, imply that the services offered by the Foundation satisfy effectiveness and economy criteria within a VfM assessment. For the purpose of this review, effectiveness criteria related to the quality of the services provided. To this end, three main criteria were adopted, namely the quality accreditation of services, the level of client complaints and the value added for service-users through receiving complementary services within the same organisational framework. The economy related criteria adopted related to major cost elements comprised within the services’ fees. Such criteria mainly related to staff costs. Within this context, the following indicators arise:

- i. The National Autistic Society of the UK accredits various programmes provided by Inspire Foundation, namely those related to autism and the therapeutic services. Accreditation is awarded on the basis that the NGO provides specialised services and has the appropriate knowledge as well as the understanding of autism spectrum disorders. Accreditation also implies that this knowledge is reflected in the organisation's resources and in the provision of its services.
- ii. This audit did not find evidence of any major service-users complaints implying that users, generally, perceive the services offered as being of the appropriate quality.
- iii. Governmental entities involved in the four Service Agreements under review contend that the provision of services through Inspire Foundation is logistically more practical since service-users can benefit from a range of services through the same organisation. Moreover, the arrangements in place arising through the Agreements in force are considered to minimise service fragmentation.
- iv. The most material cost component influencing the costs of services provided by the Foundation through the four Service Agreements relates to staff. To this end, on average, staff costs constitute 85 per cent of programmes costs. However, if such services were to be provided directly through public service employees, than, generally, this would inflate staff costs by 19 per cent due to the higher remuneration paid by the Public Service with respect to Learning Support Assistants (LSAs) and therapists.⁶

4.7 Conclusions

- 4.7.1 This Chapter sought to evaluate the extent to which service delivery by Inspire Foundation complied with the four Agreements under review as well as the extent to which such services constituted value for money. In both cases, the review was hampered due to the inadequacy of contract provisions as well as the sparse availability of comparative information.
- 4.7.2 This Office reiterates the impact of contractual deficiencies with regards to service delivery. This review highlighted a number of concerns mainly related to the interpretation of service hours highlighted in Agreements. Such a situation gives rise to avoidable disputes and litigation between the parties involved. Moreover, contractual deficiencies diminish the service purchasers' control over service delivery, potentially impacting on service-users' interests. Such a situation also implies that these Contracts do not, in all circumstances, fulfill their function as the primary point of reference in contentious issues between parties.
- 4.7.3 Service delivery by Inspire Foundation during 2014 was to varying degrees also influenced by staff retention and recruitment issues. While acknowledging the practical difficulties encountered and the flexibility with which the NGO endeavoured to optimise the use of its staff complement, Inspire Foundation was implementing the Service Agreements below the agreed programme capacity levels. Furthermore, due to its staffing levels, the Foundation was constrained to delay service-users admissions.

⁶ The foregoing is based on the total number of hours pertaining to tutors and therapists, utilised by Inspire Foundation in conjunction with the 'Education Services Agreement' and the 'Therapeutic Care Package Agreement' as well as the difference in the respective remuneration packages paid by the Foundation and the Public Service.

- 4.7.4 The SSD within MEDE twice attempted to effect payment in accordance with the number of service-users attending the relative programmes rather than the invoiced amount raised by the Foundation, which erroneously quoted that all programmes were operating at full capacity. However, in both instances, it seems that the SSD was not authorised at reducing the monthly payments. To this effect, it is to be noted that during the course of this audit, the parties involved are in active discussions to resolve these issues.
- 4.7.5 This Chapter also discussed value for money considerations. For the reasons outlined in the first paragraph of this Conclusion, this audit could only provide indications as to the extent to which the services provided through the four Service Agreements are to be considered favourable from a service purchaser point of view. The indications emanating from this review show that services provided through the four Agreements were deemed of an appropriate quality. Moreover, the provision of holistic services through a single service provider are seem as adding value to users benefitting from Inspire Foundation delivered programmes.

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