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Auditor-General for Australia



11 January 2023

Senator Patrick Dodson
Committee Chair
Joint Standing Committee on Aboriginal and Torres Strait Islander Affairs
By email: JSCATSIA@aph.gov.au

Dear Senator Dodson

Inquiry Community Safety, Support Services and Job Opportunities in the Northern Territory

The Australian National Audit Office (ANAO) presented the following audit reports to the Parliament that you may find relevant to the above review.

- Auditor-General Report No. 29 of 2021–22 [Implementation and Performance of the Cashless Debit Card Trial — Follow-on](#)
- Auditor-General Report No. 18 of 2021–22 [Remote Housing in the Northern Territory](#)
- Auditor-General Report No. 36 of 2020–21 [Indigenous Business Australia’s Business Support and Investment Activities](#)
- Auditor-General Report No. 11 of 2020–21 [Indigenous Advancement Strategy — Children and Schooling Program and Safety and Wellbeing Program](#)
- Auditor-General Report No. 34 of 2019–20 [Aboriginal and Torres Strait Islander Participation Targets in Intergovernmental Agreements](#)
- Auditor-General Report No. 25 of 2019–20 [Aboriginal and Torres Strait Islander Participation Targets in Major Procurements](#)

Information about what the audits assessed, concluded, and recommended is attached on pages 2-16 of this letter. The audit reports are available online at anao.gov.au.

Should the Committee require further information in relation to this matter, the ANAO would be pleased to provide a briefing at a time convenient to you or appear as a witness at a hearing. To arrange a briefing, please contact our External Relations team at external.relations@anao.gov.au.

Yours sincerely



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Auditor-General Report No. 29 of 2021–22 *Implementation and Performance of the Cashless Debit Card Trial — Follow-on* assessed the effectiveness of the Department of Social Services' (DSS's) administration of the Cashless Debit Card (CDC) program, including implementation of the recommendations made in Auditor-General Report No.1 2018–19, *The Implementation and Performance of the Cashless Debit Card Trial*.

The objective of the CDC program was to assist people receiving income support to better manage their finances and encourage socially responsible behaviour.

DSS and Services Australia were responsible for the CDC program. Service delivery functions were originally delivered by DSS and transitioned to Services Australia from March 2020. There were two card providers: Indue Ltd (Indue) and the Traditional Credit Union. The CDC program had been implemented in Ceduna in South Australia; the East Kimberley region in Western Australia; the Goldfields region in Western Australia; the Bundaberg, Hervey Bay, and Cape York regions in Queensland; and the Northern Territory.

Auditor-General Report No.1 2018–19 had concluded that DSS largely established appropriate arrangements to implement the CDC Trial, however, its approach to monitoring and evaluation was inadequate. As a consequence, it was difficult to conclude whether there had been a reduction in social harm and whether the card was a lower cost welfare quarantining approach. The 2018–19 audit made six recommendations relating to risk management, contract management, assessment of tenders, conducting a cost–benefit analysis and post-implementation review, performance measurement and evaluation.

To form a conclusion against the 2021–22 audit objective, the ANAO adopted the following high level audit criteria:

- Do DSS and Services Australia have effective risk management, procurement and contract management processes in place for the CDC program?
- Has DSS implemented effective performance measurement and monitoring processes for the CDC program?
- Was the expansion of the CDC program informed by findings and lessons learned from an effective evaluation, cost–benefit analysis and post-implementation review of the CDC Trial?

The audit concluded that:

- DSS's administrative oversight of the CDC program was largely effective, however, DSS had not demonstrated that the CDC program was meeting its intended objectives. DSS implemented the recommendations from Auditor-General Report No.1 2018–19 relating to risk management, procurement and contract management, partly implemented the recommendations relating to performance monitoring, and did not effectively implement the recommendations relating to cost–benefit analysis, post-implementation review and evaluation.
- DSS and Services Australia had effective risk management processes in place for the CDC program, although DSS had not yet developed a risk-based compliance framework. DSS's limited tender procurement processes were undertaken in accordance with Commonwealth Procurement Rules, however DSS's due diligence over its procurement of the Traditional Credit Union could have been more thorough. Contract management arrangements with the card providers were effective. A service level agreement between DSS and Services Australia was finalised in April 2022. Recommendations from Auditor-General Report No.1 2018–19 relating to risk management, procurement and contract management were implemented.

- Internal performance measurement and monitoring processes for the CDC program were not effective. Monitoring data existed, but it was not used to provide a clear view of program performance due to limited performance measures and no targets. DSS established external performance measures for the CDC program. These were found to be related to DSS's purpose and key activities, but one performance indicator was not fully measurable. External public performance reporting was accurate. Recommendations from Auditor-General Report No.1 2018–19 relating to performance measurement and monitoring were partly implemented.
- The CDC program extension and expansion was not informed by an effective second impact evaluation, cost–benefit analysis or post-implementation review. Although DSS evaluated the CDC Trial, a second impact evaluation was delivered late in the implementation of the CDC program, had similar methodological limitations to a first impact evaluation and was not independently reviewed. A cost–benefit analysis and post-implementation review on the CDC program were undertaken but not used. The recommendations from Auditor-General Report No.1 2018–19 relating to evaluation, cost–benefit analysis and post-implementation review were not effectively implemented.

The report included the following recommendations:

Recommendation No.1

Department of Social Services develops internal performance measures and targets to better monitor CDC program implementation and impact.

Department of Social Services' response: *Agreed.*

Recommendation No.2

Department of Social Services undertakes an external review of the second impact evaluation of the CDC.

Department of Social Services' response: *Disagreed.*

Auditor-General Report No.18 of 2021–22 *Remote Housing in the Northern Territory* assessed the effectiveness of the National Indigenous Australians Agency’s administration of funding for remote housing in the Northern Territory (NT).

According to research undertaken by the Department of the Prime Minister and Cabinet and the NT Government, overcrowding and poor quality housing are associated with poor health, educational and employment outcomes, and increased family violence. In Australia, the highest levels of overcrowding occur in remote areas of the NT.¹

On 30 March 2019 the Australian and NT governments entered into the *National Partnership for Remote Housing Northern Territory* (the National Partnership). The objective of the National Partnership was to improve housing conditions and reduce overcrowding in 73 NT remote communities and 17 Alice Springs town camps.

National Indigenous Australians Agency administers the National Partnership on behalf of the Australian Government. Operation of the National Partnership is governed by a Joint Steering Committee with representatives from National Indigenous Australians Agency, the NT Government and the four NT Land Councils.

Under the National Partnership the Australian Government committed to provide \$550 million in funding to the NT Government over five years (from 2018–19 to 2022–23) for capital works, property and tenancy maintenance services and the achievement of Aboriginal employment targets. The NT Government committed to match the Australian Government’s investment through its existing ‘Our Community. Our Future. Our Homes’ program. The NT Government reported to National Indigenous Australians Agency that, as at September 2021, 19 per cent of the capital works target had been met.

To form a conclusion against this objective, the following high-level criteria were applied:

- Was the development of the National Partnership effective?
- Has National Indigenous Australians Agency effectively assessed the delivery of the program of works?
- Has National Indigenous Australians Agency ensured the outcomes of the National Partnership will be achieved?

The audit concluded that:

- National Indigenous Australians Agency’s administration of funding for remote housing in the NT had been partly effective.
- The development of the National Partnership was partly effective. The National Partnership largely aligns with the Closing the Gap policy objectives, and does not duplicate other sources of Australian Government funding for remote housing in the NT. However, the National Partnership Implementation Plan² had significant weaknesses, and advice to the minister did not include analysis of some of the National Partnership’s key parameters.

¹ Research is cited in the performance audit report.

² The Implementation Plan forms part of the National Partnership Agreement and sets out the strategy for delivering outputs, including performance benchmarks, milestones and associated payments.

- National Indigenous Australians Agency had been partly effective in assessing the delivery of the program of works under the National Partnership. National Indigenous Australians Agency had not fully developed or implemented a risk-based approach to determining what assurance is necessary to verify the NT Government's achievement against National Partnership targets.
- National Indigenous Australians Agency had been partly effective in ensuring that the National Partnership's outcomes will be achieved. National Indigenous Australians Agency had ensured a role for the NT Land Councils in the National Partnership's governance. However, National Indigenous Australians Agency had not been effective in managing the risks associated with the potentially conflicting priorities of the National Partnership: completing a large program of work in just over four years, while ensuring that housing quality is improved, Aboriginal communities are effectively involved in decision-making, and local Aboriginal people and businesses deliver the work. In addition, National Indigenous Australians Agency had not gained assurance that the NT Government was meeting its commitment to contribute \$550 million to remote housing over the life of the National Partnership.

The report included the following recommendations:

Recommendation No.1

National Indigenous Australians Agency revise the Implementation Plan to support public accountability by providing accurate information on how each party to the National Partnership for Remote Housing Northern Territory will achieve the outcomes and outputs.

National Indigenous Australians Agency response: Agreed.

Recommendation No.2

National Indigenous Australians Agency implement risk-based assurance processes to verify the delivery of capital works.

National Indigenous Australians Agency response: Agreed.

Recommendation No.3

National Indigenous Australians Agency develop and implement a risk-based framework for gaining assurance over the Northern Territory Government's verification procedures for reporting against National Partnership targets.

National Indigenous Australians Agency response: Agreed.

Recommendation No.4

National Indigenous Australians Agency establish appropriate risk-based assurance arrangements to ensure that the local decision-making process has been effectively implemented and is an effective strategy to achieve 'a genuine and mutually respectful formal partnership between governments and Aboriginal people from the Northern Territory'.

National Indigenous Australians Agency response: Agreed.

Recommendation No.5

National Indigenous Australians Agency:

- a. develop and implement an internal risk management plan for management of the National Partnership for Remote Housing Northern Territory; and
- b. work with the Joint Steering Committee to finalise and implement its risk management plan.

National Indigenous Australians Agency response: Agreed.

Auditor-General Report No.36 of 2020–21 *Indigenous Business Australia’s Business Support and Investment Activities* assessed the effectiveness and efficiency of Indigenous Business Australia’s (IBA’s) management of its business support and investment activities.

IBA has been responsible for activities that are intended to support Indigenous-led businesses since 2005, and Indigenous investment and capital growth since 1990. IBA has a single government outcome of improved wealth acquisition to support economic independence of Aboriginal and Torres Strait Islander peoples through commercial enterprise, asset acquisition, construction and access to concessional home and business loans.

To form a conclusion against the audit objective, the ANAO adopted the following high level audit criteria:

- Are IBA’s governance arrangements effective?
- Is IBA’s management of business support activities effective and does IBA measure its efficiency?
- Is IBA’s management of investment activities effective and does IBA measure its efficiency?
- Does IBA effectively measure and monitor performance?

The audit concluded that:

- IBA’s management of its business support and investment activities was partially effective, and it measured investment activity efficiency but not business support activity efficiency.
- IBA governance arrangements were effective except for its identification and management of conflicts of interest. Clear governance roles, responsibilities and coordinating structures were established for IBA and IBA Asset Management Pty Ltd, a wholly-owned subsidiary of IBA that was responsible for managing investment funds where IBA has primary holdings. Members of oversight bodies were appropriately experienced. Procedures to identify and manage probity matters and identify and assess key risks had been established. In two cases there were weaknesses in the identification and management of IBA Board-level conflicts of interest.
- IBA’s management of business support activities were partially effective. In a number of cases IBA’s administration of business support activities were inconsistent with procedural guidance and record keeping was not sound. IBA’s methodologies for 11 of 16 grant agreement key performance indicators (KPIs) were appropriate, but IBA could not provide verifiable reporting against eight of 16 grant agreement KPIs due to data quality issues. IBA did not measure the efficiency of its business support activities.
- IBA’s management of investment activities was effective, and it had established an appropriate measure of investment efficiency that showed it improving over time. Investment activities and decisions were aligned with parliamentary and government expectations and IBA had implemented effective arrangements to administer those activities. Investment activities improved opportunities for employment and wealth growth and included effective co-investor engagement arrangements.
- IBA’s performance measurement and monitoring of business support and investment activities was partially effective. IBA had established an appropriate performance framework, however its 2019–20 performance measures were partially appropriate as they were relevant and mostly reliable but were not fully adequate. IBA’s performance reporting was timely, and accurate for investment

activities. However, performance reporting for some business support activity was not accurate due to inaccurate or incomplete supporting data. IBA had established processes to inform continuous improvement, although not all processes had been implemented.

The report included the following recommendations:

Recommendation No.1

Indigenous Business Australia apply and comply with its updated policies and processes to identify and manage potential and actual conflicts at all levels and document actions taken.

Indigenous Business Australia response: *Agreed.*

Recommendation No.2

Indigenous Business Australia ensure that it has complete and accurate customer data and an appropriate methodology for calculating the extent to which future business support activities focusses on pre-bank and early-stage customers to enable reliable reporting to Parliament and the National Indigenous Australians Agency.

Indigenous Business Australia response: *Agreed.*

Recommendation No.3

Indigenous Business Australia ensure that its documentation of business loans, leases and external business services transactions is complete and complies with record-keeping requirements, as set out in legislation, funding agreements and internal procedures.

Indigenous Business Australia response: *Agreed.*

Recommendation No.4

To improve business support and investment activity performance reporting, Indigenous Business Australia:

- ensure that performance measures in its corporate plan are appropriate, including that they are reliable and adequate;
- publicly report performance result trends and the reason for any changes over time; and
- improve the quality of methods and data used for performance reporting to ensure that results are accurate and can be independently replicated.

Indigenous Business Australia response: *Agreed.*

Auditor-General Report No. 11 of 2020–21 *Indigenous Advancement Strategy — Children and Schooling Program and Safety and Wellbeing Program* examined the effectiveness of the Department of the Prime Minister and Cabinet’s and the National Indigenous Australians Agency’s administration of the Indigenous Advancement Strategy (IAS) Children and Schooling and the Safety and Wellbeing programs.

The Children and Schooling and the Safety and Wellbeing programs are two of the six IAS grant programs, with administered budgets of \$305.04 million and \$279.88 million respectively in 2019–20. The objectives of the Children and Schooling program were to ‘get children to school, particularly in remote Indigenous communities, improving education outcomes and supporting families to give children a good start in life. This program includes measures to improve access to further education.’³ The program’s focus is on increased school attendance and improved educational outcomes that lead to employment. The objectives of the Safety and Wellbeing program were to ‘ensure that the ordinary law of the land applies in Indigenous communities, and ensure that Indigenous people enjoy similar levels of physical, emotional and social wellbeing enjoyed by other Australians’.⁴

To form a conclusion against the objective of the audits, the ANAO adopted the following high-level criteria:

- Have the programs been designed and implemented to support the Government’s objectives?
- Are grant assessments consistent with the Commonwealth Grants Rules and Guidelines (CGRGs) and program guidelines?
- Is the management of grants consistent with the CGRGs and program guidelines?
- Does the performance framework support the effective administration of grants and enable ongoing assessment of progress towards outcomes?

The audit concluded that:

- National Indigenous Australians Agency’s administration of the IAS Children and Schooling and the Safety and Wellbeing programs had been largely effective.
- The Children and Schooling program was designed and implemented to support the Australian Government’s objectives for improved education. The Safety and Wellbeing program was largely designed and implemented to support the Australian Government’s objectives for healthier and safer homes and communities. For both programs, the IAS Grant Guidelines were compliant with the Commonwealth Grants Rules and Guidelines, but were not consistent with Department of Finance’s guidance relating to communication about program funding availability.
- Assessments were compliant with the Commonwealth Grants Rules and Guidelines and the IAS Grant Guidelines for both programs, but were not consistent with the principles underlying the Commonwealth Grants Rules and Guidelines to achieve value with relevant money — between July 2016 and June 2019 a large majority of Children and Schooling and Safety and Wellbeing grant funding was allocated using a non-competitive approach and grants were reallocated to the same providers. National Indigenous Australians Agency has arrangements in place to ensure that regional priorities and potential gaps and duplications in service delivery are considered. Since 2018–19 National Indigenous Australians Agency has improved its timeliness in assessing applications.

³ Department of the Prime Minister and Cabinet, *Portfolio Budget Statements 2019–20*, Canberra, 2019, p. 38.

⁴ Department of the Prime Minister and Cabinet, *Portfolio Budget Statements 2019–20*, Canberra, 2019, p. 49

- The management of Children and Schooling and Safety and Wellbeing grants was largely consistent with the Commonwealth Grants Rules and Guidelines and the IAS Grant Guidelines. Changes introduced since 2019, including a new grant risk management framework, had the potential to improve the effectiveness of National Indigenous Australians Agency's management of grants. The redesigned key performance indicators (KPIs) had also improved National Indigenous Australians Agency's ability to measure progress against outcomes for both programs, but National Indigenous Australians Agency did not sufficiently validate self-reported provider data. Prior to this, grant agreements were not always appropriate and risk-based. Record-keeping practices in some areas remained poor.
- The performance framework partially supported program administration and ongoing assessment of progress towards outcomes. There was alignment between the Children and Schooling program objectives in the portfolio budget statements (PBS) and National Indigenous Australians Agency's corporate plan. The Safety and Wellbeing program was described more broadly in the PBS than in National Indigenous Australians Agency's corporate plan. Performance information for the two programs was not fully appropriate and comprehensive information generated from processes to collect lessons learnt was not yet sufficiently integrated to effectively inform administration of the two programs.

The report included the following recommendations:

Recommendation No.1

The National Indigenous Australians Agency ensures that up-to-date information about grant funding available for the Children and Schooling and Safety and Wellbeing programs is publicly available.

National Indigenous Australians Agency response: *Agreed.*

Recommendation No.2

The National Indigenous Australians Agency ensures that its approaches to grants assessment:

- a. achieves value with relevant money; and
- b. is consistent with its policy and guidance and with the principles underlying the Commonwealth Grants Rules and Guidelines.

National Indigenous Australians Agency response: *Agreed.*

Recommendation No.3

The National Indigenous Australians Agency implements mechanisms to validate the data reported by providers, including self-reported data.

National Indigenous Australians Agency response: *Agreed.*

Recommendation No.4

The National Indigenous Australians Agency ensures that:

- a. its methodology for calculating Children and Schooling and Safety and Wellbeing programs' performance information includes only KPIs relevant to the programs' objectives; and
- b. the annual performance statement discloses all limitations associated with the reported results.

National Indigenous Australians Agency response: *Agreed.*

Recommendation No.5

The National Indigenous Australians Agency ensures that performance measures in its corporate plan are appropriate, including that the measures allow an assessment of outcomes.

National Indigenous Australians Agency response: *Agreed.*

Auditor-General Report No.34 of 2019–20 *Aboriginal and Torres Strait Islander Participation Targets in Intergovernmental Agreements* assessed the effectiveness of the administration of Aboriginal and Torres Strait Islander participation targets in intergovernmental funding agreements in achieving policy objectives.

Since 2009 the Australian Government had sought to generate economic opportunities for Aboriginal and Torres Strait Islander people through intergovernmental agreements with state and territory governments. Primarily this occurred through national partnership agreements and project agreements negotiated under the 2009 *Intergovernmental Agreement on Federal Financial Relations*, or through initiatives delivered under such agreements. A common approach was to incorporate minimum targets for Aboriginal and Torres Strait Islander participation. Such targets usually involved direct employment targets, targets for the use of Aboriginal and Torres Strait Islander businesses as suppliers, or a combination of both.

In 2017 the Senate Finance and Public Administration References Committee recommended that the ANAO conduct an audit of the use of, and compliance with, Aboriginal and Torres Strait Islander employment targets in state and territory contracts in remote locations where the Australian Government has made a funding contribution for a particular purpose. The performance audit focused on the use of, and compliance with, employment targets in remote contracts.

To form a conclusion against the audit objective, the ANAO adopted the following high level audit criteria:

- Are participation target requirements for intergovernmental agreements being coordinated effectively?
- Are participation targets being effectively implemented in intergovernmental agreements?

The audit concluded that:

- The administration of Aboriginal and Torres Strait Islander participation targets in intergovernmental funding agreements was partially effective in achieving policy objectives. Entities were increasingly using Aboriginal and Torres Strait Islander participation targets in intergovernmental funding agreements. While administration of participation targets was improving, entities needed to improve reporting and assurance arrangements to be effective.
- The Department of Infrastructure, Transport, Regional Development and Communications' and National Indigenous Australians Agency's coordination of participation target requirements for intergovernmental agreements had become largely effective. The Department of Infrastructure, Transport, Regional Development and Communications, in consultation with National Indigenous Australians Agency and the Department of Education, Skills and Employment, established an appropriate Indigenous Employment and Supplier-Use Infrastructure Framework for the 2019 Land Transport Infrastructure Projects National Partnership Agreement.⁵ This could be used as a model for other agreements that did not have appropriate frameworks, such as City and Regional Deals.⁶

⁵ The 2019 Land Transport Infrastructure Projects National Partnership Agreement, which was managed by the Department of Infrastructure, Transport, Regional Development and Communications, included a requirement for participation targets that were to reflect the local Aboriginal and Torres Strait Islander working-age population. The agreement governed land transport infrastructure projects to which the Australian Government made a contribution under the Infrastructure Investment Program.

⁶ As a component of the 2016 *Smart Cities Plan*, the Australian Government committed to negotiating City Deals with state, territory and local governments to deliver better outcomes through coordinated investment in cities of all sizes. In 2018 the government expanded the model to include Regional Deals for locations in regional and remote Australia. At the time of the performance audit, nine City and Regional Deals had been signed, all including Aboriginal and Torres Strait Islander participation targets.

National Indigenous Australians Agency had not implemented the Council of Australian Governments' commitment to report annually on the outcomes of jurisdictional procurement policies.

- The Department of Infrastructure, Transport, Regional Development and Communications' and National Indigenous Australians Agency's implementation of participation targets in intergovernmental agreements was partially effective. Appropriate participation targets were being negotiated for agreements and there were early indications that entities were collaborating on supply-side strategies to support the achievement of targets. The 2019 Land Transport Infrastructure Projects National Partnership Agreement and the Northern Territory Remote Housing National Partnership Agreement⁷ required more transparent reporting of outcomes. Further work was needed to establish public reporting mechanisms and appropriate risk-based assurance arrangements for agreements.

The report included the following recommendations:

Recommendation No.1

Department of Infrastructure, Transport, Regional Development and Communications finalise a framework, in consultation with the National Indigenous Australians Agency and other relevant entities, to support the implementation of Aboriginal and Torres Strait Islander participation targets in City and Regional Deals.

Department of Infrastructure, Transport, Regional Development and Communications response: *Agreed.*

National Indigenous Australians Agency response: *Agreed.*

Recommendation No.2

National Indigenous Australians Agency implement the Council of Australian Governments' commitment to publish jurisdiction-specific procurement policies and Aboriginal and Torres Strait Islander employment and business outcomes annually.

National Indigenous Australians Agency response: *Agreed.*

Recommendation No.3

Department of Infrastructure, Transport, Regional Development and Communications and National Indigenous Australians Agency ensure appropriate risk-based assurance arrangements are in place for intergovernmental agreements with Aboriginal and Torres Strait Islander participation target requirements.

Department of Infrastructure, Transport, Regional Development and Communications response: *Agreed.*

National Indigenous Australians Agency response: *Agreed.*

⁷ The 2019 Northern Territory Remote Housing National Partnership Agreement was entered into by the Australian and Northern Territory governments to improve housing outcomes for Aboriginal people living in remote communities. The National Partnership Agreement provided \$1.1 billion in funding over five years from 2018–19 and works carried out under the agreement were 'to the maximum extent possible', expected to be delivered by 'local Aboriginal Territorians and their businesses', with an initial minimum employment target of 40 per cent in 2019–20, rising to 46 per cent by 2022–23. The National Partnership Agreement was the subject of Auditor-General Report No.18 2021–22 *Remote Housing in the Northern Territory*, which is discussed earlier in this submission.

Auditor-General Report No.25 of 2019–20 *Aboriginal and Torres Strait Islander Participation Targets in Major Procurements* assessed the effectiveness of the administration of the mandatory minimum requirements for Aboriginal and Torres Strait Islander participation in major government procurements in achieving policy objectives.

Over the past three decades the Australian Government has sought to use its position as a major procurer of goods and services in the Australian economy to generate economic opportunities for Aboriginal and Torres Strait Islander people. In May 2015 the government introduced the Indigenous Procurement Policy, which included a requirement for Australian Government entities to apply mandatory minimum requirements (MMRs) for Aboriginal and Torres Strait Islander participation to high value contracts in certain industry categories. The objective of the Indigenous Procurement Policy was to stimulate Indigenous entrepreneurship and business development, providing Indigenous Australians with more opportunities to participate in the economy.

In 2017 the Senate Finance and Public Administration References Committee recommended that the Australian National Audit Office conduct an audit of Australian Government contracts that relate to service delivery in remote locations with a specific focus on the use of, and compliance with, Aboriginal and Torres Strait Islander employment targets. The performance audit focused on the application of the MMRs in remote areas.

The audit presented an opportunity for National Indigenous Australians Agency (the policy owner from July 2019)⁸ to address any identified areas for improvement prior to expanding the MMRs to cover eleven additional industry categories from 1 July 2020. To form a conclusion against the audit objective, the ANAO adopted the following high level audit criteria:

- Are the MMRs designed to achieve the government’s policy objectives?
- Are the MMRs being implemented and monitored effectively?
- Are entities complying with the MMRs in major procurements?

Six entities were selected for examination in the entity compliance component of the audit, based on the number and nature of MMR contracts they held: Department of Defence; Department of Education; Department of Employment, Skills, Small and Family Business; Department of Home Affairs; Department of Infrastructure, Transport, Cities and Regional Development; and National Indigenous Australians Agency.

The audit concluded that:

- While the MMRs for Aboriginal and Torres Strait Islander participation were effectively designed, their administration was undermined by ineffective implementation and monitoring by the policy owner and insufficient compliance by entities.
- The design of the MMRs supported the achievement of the government’s policy objectives. The MMR policy settings were reasonable and supported by evidence.
- The MMRs had not been implemented and monitored effectively due to inadequate implementation planning and delays in establishing a centralised monitoring system. While the policy owner publicised the MMRs, it had not provided entities and contractors sufficient guidance on complying

⁸ The Department of the Prime Minister and Cabinet was the policy owner until June 2019.

with the MMRs. The regime for enforcing compliance with MMR reporting requirements was not operating effectively and, as a result, the policy outcomes had not been evaluated.

- Selected entities' compliance with the MMRs fell short of the standard required for managing major procurements. In the procurement phase, while selected entities mostly recognised when the MMRs applied, they failed to comply with all required steps. In the contract management phase, entities had not established appropriate performance reporting arrangements. Where reporting was occurring, entities had not gained appropriate assurance over reported performance.

The report included the following recommendations:

Recommendation No.1

National Indigenous Australians Agency develops tailored guidance on managing the MMRs throughout the contract lifecycle in consultation with entities and contractors.

National Indigenous Australians Agency response: *Agreed.*

Recommendation No.2

National Indigenous Australians Agency implements a strategy to increase entity and contractor compliance with MMR reporting requirements to ensure information in the Indigenous Procurement Policy Reporting Solution⁹ is complete.

National Indigenous Australians Agency response: *Agreed.*

Recommendation No.3

National Indigenous Australians Agency implements an evaluation strategy for the MMRs that outlines an approach to measuring the impact of the policy on Aboriginal and Torres Strait Islander employment and business outcomes.

National Indigenous Australians Agency response: *Agreed.*

Recommendation No.4

All audited entities review and update their procurement protocols to ensure procuring officers undertaking major procurements that trigger the MMRs comply with required steps in the procurement process.

Department of Defence response: *Agreed.*

Department of Education, Skills and Employment response: *Agreed.*

Department of Home Affairs response: *Agreed.*

Department of Infrastructure, Transport, Regional Development and Communications response: *Agreed.*

National Indigenous Australians Agency response: *Agreed.*

⁹ The Indigenous Procurement Policy (IPP) Reporting Solution was a central database and online monitoring system for the IPP launched in 2018.

Recommendation No.5

All audited entities establish processes, or update existing processes, to ensure contract managers and contractors regularly use the Indigenous Procurement Policy Reporting Solution for MMR reporting.

Department of Defence response: *Agreed.*

Department of Education, Skills and Employment response: *Agreed.*

Department of Home Affairs response: *Agreed.*

Department of Infrastructure, Transport, Regional Development and Communications response: *Agreed.*

National Indigenous Australians Agency response: *Agreed.*

Recommendation No.6

After guidance has been provided by the policy owner, all audited entities establish appropriate controls and risk-based assurance activities for active MMR contracts.

Department of Defence response: *Agreed.*

Department of Education, Skills and Employment response: *Agreed.*

Department of Home Affairs response: *Agreed.*

Department of Infrastructure, Transport, Regional Development and Communications response: *Agreed.*

National Indigenous Australians Agency response: *Agreed.*