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The Parliament of the Commonwealth of Australia

# Report 437

## **Review of Auditor-General's Reports Nos. 2 to 10 (2012–13)**

Joint Committee of Public Accounts and Audit

May 2013  
Canberra

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## Foreword

These are important days for Australia as we try to reconcile many issues for Aboriginal and Torres Strait Islanders, and how Australian public policy does, or does not, deliver. Want for better is strong and effort is commendable. And despite more success stories in recent times in service delivery and community empowerment, the frustrations of failure remain unacceptably high.

It is this want for reconciliation and want for better service delivery that have driven both the Auditor-General and the Joint Committee of Public Accounts and Audit to focus on a range of programs to test progress.

This is also done in full expectation of the upcoming referendum for Aboriginal and Torres Strait Islander recognition in the Australian Constitution within the next two years. This exciting moment of celebration must not be missed for any reason, including any perception of wasted taxpayers dollars or poor service delivery.

The timing of this audit review is therefore critical.

On reviewing the nine reports presented to the Parliament by the Auditor-General between August and November 2012, the Committee concentrated its detailed scrutiny on Audit Report No.8 (2012-13) *Australian Government Coordination Arrangements for Indigenous Programs*. Linking in with this report, the Committee decided to extend the scope of its inquiry to include two other audit reports recently tabled by the Auditor-General: Report No.43 (2011-12) on the *National Partnership Agreement on Remote Service Delivery* and Report No.26 (2011-12) on *Capacity Development for Indigenous Service Delivery*. The findings of the Committee's examination are detailed in this report.

The Committee chose to focus its inquiry on the topic of government service delivery for Aboriginal and Torres Strait Islander Australians for several reasons.

Firstly, as a committee responsible for oversight of public expenditure, it is our responsibility to verify that the Federal Government's approximately \$11 billion of

annual spending on Aboriginal and Torres Strait Islander people is as efficient and effective as possible.

Secondly, empowering Aboriginal and Torres Strait Islander communities is a major policy priority, and one that public policy is trying to find the best way to help deliver. Most would recognise this attempt to reach partnership has its successes and failures, and still needs more thinking and work.

Finally, reducing any social disadvantage is complex and cannot be solved overnight. One of the key challenges is ensuring that governments at all levels, as well as not-for-profit and private sector organisations, are working together towards common goals. The focus of the three audits on coordination between Federal Government agencies, cooperation with state and territory governments, and managing relationships with third sector organisations gets to the heart of what needs to be done to improve the availability and accessibility of services for Aboriginal and Torres Strait Islander people.

Due to the complexity and long-standing nature of the issues, the Committee decided to broaden the sources of evidence it received beyond its usual practice for reviews of audit reports. In addition to public hearings with the Auditor-General and the audited agencies, the Committee sought and received written submissions from the National Congress of Australia's First Peoples and the Social Justice Commissioner for Aboriginal and Torres Strait Islander Affairs. The Committee also held public hearings with the Coordinator General for Remote Indigenous Services and the COAG Reform Council.

A key message arising from the Committee's review of all three audit reports was the need for stronger, clearer and more effective leadership across government. This requires a lead agency with authority and a clear mandate to oversee expenditure, monitor outcomes, define priorities and drive actions at whole-of-government level.

FaHCSIA has made commendable progress recently in improving coordination between government agencies. However, the Committee was not convinced the current arrangements provide it with the authority needed to drive outcomes across government as effectively as possible. With this in mind, the Committee has recommended the Prime Minister commission a review of leadership and collaboration arrangements for Aboriginal and Torres Strait Islander affairs, with a goal of strengthening the authority of the lead agency to drive initiatives across departments.

The Committee has also recommended:

- the development of an explicit whole-of-government strategy for capacity development;
- improvements to the availability of location-based data on Aboriginal and Torres Strait Islander expenditure and outcomes;



- an update on efforts to measure outcomes in 'priority' remote service delivery communities; and
- options for improvements to Aboriginal and Torres Strait Islander representation in decision-making processes.

Of course, what matters most is results. As a nation, we are progressing on a long road of correcting open wounds of the past, and finding ways to walk together in the future. For all of us, an Australian culture celebrating 40 000 years has so much more strength than one confined to 200-odd years. Finding ways to achieve this under, within or around existing Crown law is our great challenge.


I am pleased to hear that there have been signs of real progress being made in some areas in recent years. Sustained efforts to improve leadership and coordination in Aboriginal and Torres Strait Islander service delivery will be central to this progress being built upon into the future.

I sincerely thank all those who participated in what was an informative and constructive inquiry. I also particularly thank the Auditor-General for his ongoing focus on this area.

Robert Oakeshott MP

Chair





## Membership of the Committee

Chair Mr Robert Oakeshott MP

Deputy Chair Ms Yvette D'Ath MP (until 06/02/13)  
Ms Gai Brodtmann MP (from 13/02/13)

Members	Hon Dick Adams MP	Senator Mark Bishop
	Mr Jamie Briggs MP	Senator Louise Pratt
	Ms Gai Brodtmann MP	Senator Anne Ruston
	Mr Darren Cheeseman MP	Senator Dean Smith
	Mr Josh Frydenberg MP	Senator Matt Thistlethwaite
	Mr Harry Jenkins MP (from 22/04/13)	
	Mr Shane Neumann MP (from 06/02/13 until 22/04/13)	
	Ms Deborah O'Neill MP	
	Ms Laura Smyth MP	
	Hon Alex Somlyay MP	

## Committee Secretariat

Secretary	Mr David Brunoro
Inquiry Secretaries	Mr James Nelson
	Ms Vikki Darrough
Administrative Officers	Ms Jazmine Rakic
	Ms Louise Goss (until 27/03/13)



## List of abbreviations

AGIE	Australian Government Indigenous Expenditure
ANAO	Australian National Audit Office
COAG	Council of Australian Governments
DoHA	Department of Health and Ageing
DEEWR	Department of Education, Employment and Workplace Relations
FaHCSIA	Department of Family, Housing, Community Services and Indigenous Affairs
JCPAA	Joint Committee of Public Accounts and Audit
NACCHO	National Aboriginal Community Controlled Health Organisation
NIRA	National Indigenous Reform Agreement
NPARSD	National Partnership Agreement on Remote Service Delivery
OATSIH	Office for Aboriginal and Torres Strait Islander Affairs





# List of recommendations

## 2 Australian Government coordination arrangements for Indigenous programs

### Recommendation 1

The Committee recommends that the Government examine options and take action to improve Indigenous representation and involvement in decision-making processes in relation to Indigenous service delivery, including the possibilities of a high-level agreement between the National Congress of Australia's First Peoples and Executive Government and for the Congress to be consulted during Council of Australian Government processes on Indigenous issues.

### Recommendation 2

The Committee recommends that the Prime Minister request the Department of the Prime Minister and Cabinet to undertake a review of leadership and collaboration arrangements in Indigenous affairs for Cabinet consideration; and that the review investigates options for strengthening the authority of the lead agency to better drive changes across departments.

### Recommendation 3

The Committee recommends that the Department of Families, Housing, Community Services and Indigenous Affairs examine methods and lead efforts to improve the availability of location-based data on Indigenous expenditure and outcomes, including through spatial mapping, in order to inform the public and the policy-making process.

### **3 National Partnership Agreement on Remote Service Delivery**

#### **Recommendation 4**

The Committee recommends that the Department of Families, Housing, Community Services and Indigenous Affairs provide an update within six months on its progress towards implementing the Auditor-General's recommendation that it further develop its performance measurement approach to assess whether services have improved in the priority communities, and the results of this assessment to date. The update should include any decisions or other progress that has been made in regard to the future of the remote service delivery model, including any proposals to expand the model into other communities or into urban or regional areas.

### **4 Capacity development for Indigenous service delivery**

#### **Recommendation 5**

The Committee recommends that FaHCSIA lead the development of an explicit whole-of-government strategy for capacity development in order to provide guidance across departments on the Government's role in supporting capacity development in Indigenous organisations. The strategy should take into account both internal and external influences on the capacity of organisations, and also provide guidance on building the capacity of government agencies working with Indigenous organisations.



## Introduction

### Background to the review

- 1.1 The Joint Committee of Public Accounts and Audit (JCPAA) has a statutory duty to examine all reports of the Auditor-General that are presented to the Australian Parliament, and report the results of its deliberations to both Houses of Parliament. In selecting audit reports for detailed review, the Committee considers factors such as:
  - the significance of the program or issues raised in audit reports;
  - the significance of the audit findings;
  - the arguments advanced by the audited agencies; and
  - the public interest value of the report.
- 1.2 The Committee reviewed the nine audit reports presented to Parliament by the Auditor-General between August and November 2012.
- 1.3 The Committee decided to focus on recent developments in Indigenous service delivery, and in doing so selected Audit Report No.8 2012-13 *Australian Government Coordination Arrangements for Indigenous Programs* for detailed review.
- 1.4 The Committee decided to expand the inquiry to obtain a fuller picture of the issues facing Indigenous service delivery at a range of levels by:
  - concurrently examining two earlier Indigenous audit reports, in addition to the selected report:
    - ⇒ Audit Report No.43 2011-12 *National Partnership Agreement on Remote Service Delivery*
    - ⇒ Audit Report No. 26 2011-12 *Capacity Development for Indigenous Service Delivery*;

- inviting the National Congress of Australia's First Peoples and the Aboriginal and Torres Strait Islander Social Justice Commissioner to submit comments on the audits under review; and
  - calling the COAG Reform Council to appear at a public hearing to discuss progress on the COAG's National Indigenous Reform Agenda.
- 1.5 Public hearings were held in Canberra on:
- Wednesday, 6 February 2013
  - Wednesday, 13 March 2013
  - Wednesday, 20 March 2013.

## **The Committee's report**

- 1.6 This report of the Committee's examination draws attention to the main issues raised at the respective public hearings, in submissions and in responses to questions on notice. Where appropriate, the Committee has commented on unresolved or contentious issues, and has made recommendations.
- 1.7 The Committee's report is structured as follows:
- Chapter 2 – Audit Report No.8 2012–13 *Australian Government coordination arrangements for Indigenous programs*
  - Chapter 3 – Audit Report No.43 2011–12 *National Partnership Agreement on Remote Service Delivery*
  - Chapter 4 – Audit Report No.26 2011–12 *Capacity development for Indigenous service delivery*
- 1.8 The following appendices provide additional information:
- Appendix A – List of submissions
  - Appendix B – List of public hearings and witnesses
- 1.9 A copy of this report, transcripts of hearings and submissions – including responses to the Committee's written questions – are available on the Committee's website: [www.aph.gov.au/jcpaa](http://www.aph.gov.au/jcpaa)

## Audit Report No.8 2012–13

# Australian Government coordination arrangements for Indigenous programs

## Introduction

- 2.1 Under the 2008 National Indigenous Reform Agreement (NIRA), the Commonwealth and the states and territories have committed to six ‘Closing the Gap’ targets:
- close the life expectancy gap within a generation;
  - halve the gap in mortality rates for Indigenous children under five within a decade;
  - ensure access to early childhood education for all Indigenous four-year-olds in remote communities within five years;
  - halve the gap in reading, writing and numeracy achievements for children within a decade;
  - halve the gap in Year 12 (or equivalent) attainment rates for Indigenous students by 2020; and
  - halve the gap in employment outcomes between Indigenous and non-Indigenous Australians within a decade.<sup>1</sup>
- 2.2 The Closing the Gap targets are underpinned by the seven ‘building blocks’ of early childhood; schooling; health; economic participation; healthy homes; safe communities; and governance and leadership.<sup>2</sup>

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1 Australian National Audit Office (ANAO) Audit Report No.8 2012–13, pp. 15–16.

2 ANAO Audit Report No.8 2012–13, p. 16.

- 2.3 The 2012 Council of Australian Governments (COAG) *Indigenous Expenditure Report* estimated that in 2010–11 the total Indigenous expenditure by Australian governments was \$25.4 billion. Of this, \$11.5 billion was delivered by Federal Government agencies through both mainstream and Indigenous-specific programs and services.<sup>3</sup>
- 2.4 In 2011 there were 210 Indigenous-specific programs and sub-programs identified as making a contribution to Closing the Gap. These programs were administered by more than 40 different agencies across 17 portfolios.<sup>4</sup>
- 2.5 With this in mind, the NIRA calls for ‘unprecedented levels of cooperation and coordination’. The ‘integration principle’, a key service delivery principle under NIRA, emphasises the need for increased collaboration between and within governments and service providers.<sup>5</sup>
- 2.6 The Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) has been the Australian Government’s lead agency for Indigenous Affairs since 2006. As such, FaHCSIA is responsible for coordinating the Government’s contribution to the Closing the Gap strategy.<sup>6</sup>

## Audit objective and scope

- 2.7 The objective of the audit was to assess the effectiveness of FaHCSIA’s performance of its lead agency role in coordinating whole-of-government commitments to closing the gap in Indigenous disadvantage. The ANAO considered:
- the degree to which FaHCSIA’s lead agency role is clearly articulated and supported by structured arrangements;
  - the effectiveness of the coordination arrangements in facilitating better integration in the delivery of services on the ground; and
  - FaHCSIA’s role in monitoring and reporting overall performance and commitments.<sup>7</sup>

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3 ANAO Audit Report No.8 2012–13, p. 17.

4 ANAO Audit Report No.8 2012–13, p. 15.

5 ANAO Audit Report No.8 2012–13, p. 16.

6 ANAO Audit Report No.8 2012–13, p. 15.

7 ANAO Audit Report No.8 2012–13, p. 18.

## Audit conclusion

- 2.8 The audit report concluded that while FaHCSIA has established structured arrangements for coordination, it has not been strongly proactive in its lead agency role.<sup>8</sup>
- 2.9 Highlighting that there is scope to improve coordination and make inroads on longstanding Indigenous issues, the report findings were grouped into three areas:
- coordination arrangements;
  - service delivery; and
  - oversight of expenditure and performance.
- 2.10 FaHCSIA has established a central structure of governance committees, extending across jurisdictions. Overarching Bilateral Indigenous Plans have been established with state and territory governments, and 25 Indigenous Coordination Centres (ICCs) are maintained in urban, rural and remote areas.<sup>9</sup>
- 2.11 Acknowledging the comprehensive arrangements FaHCSIA has in place to service the multiple cross-agency and cross-jurisdictional committees, the audit found that FaHCSIA focused its coordination efforts mostly on information sharing and networking. The ANAO suggested that FaHCSIA is well placed to take a more active role influencing the work of the committees to better drive whole-of-government, innovative policy development and service delivery, with a focus on key Indigenous issues.<sup>10</sup>
- 2.12 Achieving the Closing the Gap targets is dependent on improving the quality of, and accessibility of, mainstream services for the 75 per cent of Indigenous people living in urban and regional areas, but progress in this area has been slow. The ANAO acknowledged that the large number of Indigenous-specific service delivery programs makes coordination difficult, and places a large compliance burden on service provider organisations, but suggested better integration on the ground is needed.<sup>11</sup>
- 2.13 The ANAO suggested that there is considerable scope for FaHCSIA to improve financial reporting and apply a more strategic approach to the oversight of expenditure.<sup>12</sup>

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8 ANAO Audit Report No.8 2012-13, p. 19.

9 ANAO Audit Report No.8 2012-13, p. 19.

10 ANAO Audit Report No.8 2012-13, p. 60.

11 ANAO Audit Report No.8 2012-13, p. 24.

12 ANAO Audit Report No.8 2012-13, pp. 25-26.

- 2.14 The audit also concluded that FaHCSIA's reporting to government 'does not provide an accessible summary of progress and report preparation is a time consuming, resource intensive process'; and that more strategic reporting on 'a more limited set of priority initiatives likely to have the biggest impact in achieving the Closing the Gap targets' is needed.<sup>13</sup>

## Audit recommendations

- 2.15 The audit report made three recommendations aimed at strengthening FaHCSIA's lead agency role.

Table 2.1 ANAO recommendations, Audit Report No.8 2012-13

1.	In order to achieve the collaboration needed for implementing the National Indigenous Reform Agreement (NIRA), the ANAO recommends that FaHCSIA review its current coordination role in the light of the priorities of the Closing the Gap agenda and advise the Government of options for an updated lead agency role that reflects the NIRA arrangements and includes priority results to be achieved through the coordination arrangements. <b>FaHCSIA's response:</b> <i>Agreed</i>
2.	In order to better integrate the delivery of Indigenous programs and services between and across government agencies and non-government service providers in remote and very remote areas, the ANAO recommends that FaHCSIA, in consultation with relevant agencies and in the context of broader delivery reforms, actively promote relevant changes in agencies' practices and, where necessary, seek agreement from the Government for delivery reforms. <b>FaHCSIA's response:</b> <i>Agreed</i>
3.	In order to better inform the Australian Government of its contributions to outcomes helping to close the gap in Indigenous disadvantage and to inform strategic decisions in relation to expenditure, the ANAO recommends that FaHCSIA include a greater focus on outcomes in its overall reporting and enhance its financial oversight of mainstream and Indigenous specific Australian Government Indigenous expenditure. <b>FaHCSIA's response:</b> <i>Agreed</i>

## The Committee's review

- 2.16 The Committee's first public hearing on 6 February 2013 primarily focused on leadership and coordination issues related to Audit Report No.8. Representatives of the following organisations appeared before the Committee:
- Australian National Audit Office
  - Department of Families, Housing, Community Services and Indigenous Affairs
  - Coordinator-General for Remote Indigenous Services.

<sup>13</sup> ANAO Audit Report No.8 2012-13, p. 26.

2.17 The Committee also received evidence relating to its review of Report No.8 in responses to questions on notice, in written submissions, and at its third public hearing on 20 March 2013 with the COAG Reform Council.

2.18 The Committee's evidence covered the following issues:

- The need for effective leadership
- Collaboration, more than coordination
  - ⇒ Indigenous participation in decision-making
- FaHCSIA's lead agency approach
  - ⇒ The Executive Coordination Forum on Indigenous Affairs
- Mainstream service delivery
- Spatial distribution of Indigenous expenditure.

### The need for effective leadership

2.19 The ANAO outlined in its report the reasons why clear leadership and coordination are needed in the planning and delivery of Indigenous programs. It noted that Indigenous disadvantage occurs across a range of different policy areas, requiring actions from a range of different government agencies, and in the context of the actions of state and territory governments. This presents a challenging issue for public administration:

... Indigenous service provision occurs through multiple layers of government, with services being delivered by a complex network of implementation partners that include Australian Government agencies, state and territory government agencies, local governments and non-government service provider organisations. Working effectively across organisational and jurisdictional boundaries is currently one of the most significant issues in public administration, and is recognised in the overarching reform agenda of the Australian public service and also by the Commonwealth's Financial Accountability Review.<sup>14</sup>

2.20 The ANAO argued that this necessitates a well-defined federal lead agency role to share information across agencies, coordinate service delivery, provide consolidated advice to the Government, and to address systemic performance issues in a timely manner. The lead agency was expected to maintain broad oversight of implementation progress and results, a strategic focus and line of sight between individual programs and expected outcomes. A key challenge for the lead agency role was

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14 ANAO Audit Report No.8 2012-13, pp. 13-14.

'creating structured, workable arrangements, with sufficient authority and clarity of purpose for the lead agency to undertake its role without diluting the accountabilities of other agencies involved ...'<sup>15</sup>

- 2.21 The Auditor-General summarised some of the main audit findings at the Committee's public hearing on 6 February 2013, noting that common across the reports under review was the:

... central issue of coordination of the many entities involved in order to fully support the whole-of-government approach to Indigenous affairs, particularly ensuring the contribution of mainstream services at both federal and state levels.<sup>16</sup>

- 2.22 Participants in the Committee's inquiry agreed with the ANAO's observation that effective coordination was key challenge for Indigenous programs and policies. For example, in a written submission, the National Congress of Australia's First Peoples highlighted challenges that had been faced in progressing action in relation to Indigenous language policy, with administrative arrangements spread across multiple agencies. The Congress noted that this was not an isolated example, and that 'many policies relevant to Aboriginal and Torres Strait Islander Peoples would benefit from greater bureaucratic coordination, streamlining and integration.'<sup>17</sup>

- 2.23 At the public hearing on 20 March 2013, the COAG Reform Council provided the Committee with an overview of its most recent performance report on the National Indigenous Reform Agreement 'Closing the Gap' targets. The Council had found that while good progress was being made in some areas, such as reducing child death rates, progress was slow and patchy in other areas, such as reducing adult death rates and increasing school attendance.<sup>18</sup>

## Collaboration, more than coordination

- 2.24 The ANAO report concluded that, in the context of the National Indigenous Reform Agreement and other changes to financial relations between the federal and state and territory governments in recent years, there was a need for the lead agency for Indigenous affairs to move along the 'spectrum of engagement' beyond a *coordination* role towards a more

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15 ANAO Audit Report No.8 2012-13, pp. 14.

16 Mr Ian McPhee, Auditor-General, *Committee Hansard*, Canberra, 6 February 2013, p. 1.

17 National Congress of Australia's First Peoples, *Submission 3*, pp. 8-9.

18 Ms Mary-Ann O'Loughlin, Executive Councillor, COAG Reform Council, *Committee Hansard*, Canberra, 20 March 2013, p. 2.



*collaborative* role across Commonwealth agencies.<sup>19</sup> This would require strengthened leadership and shifting:

... from an approach focused mainly on sharing information to an approach that seeks to better drive whole-of-government, innovative policy development and service delivery.<sup>20</sup>

- 2.25 Such an approach would enable the lead agency to lead discussions around the prioritising and sequencing of programs across sectors and:
- ... help agencies identify areas where linkages and integration of services within and across building blocks would be beneficial and seek agreements for agencies to make the corresponding changes in practice in the way services are delivered on the ground.<sup>21</sup>
- 2.26 Extending on the audit report's focus on collaboration across Commonwealth agencies, participants in the inquiry also talked about the importance of collaboration at other levels.
- 2.27 In his opening remarks to the Committee, the Coordinator General for Remote Indigenous Services emphasised that coordination alone was not sufficient, and that 'top-down coordination will never beat bottom-up collaboration', particularly in remote areas.<sup>22</sup> Further discussion of the Coordinator General's comments on how local level collaboration was being achieved through the National Partnership Agreement on Remote Service Delivery can be found in Chapter 3.
- 2.28 In addition to his comments on the value of local collaboration, the Coordinator General pointed out that sustaining a 'real whole-of-government approach' would require more collaboration between the Commonwealth and the states and territories, which he described as a 'very complex' but 'critical' issue.<sup>23</sup>
- 2.29 Other inquiry participants also provided evidence on the need for greater collaboration between the Commonwealth and states and territory governments. The National Congress of Australia's First Peoples noted that difficulties associated with progressing action in relation to Indigenous languages (noted above) had been 'compounded by a lack of coordination between the Commonwealth and state and territory governments'.<sup>24</sup>

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19 ANAO Audit Report No.8 2012-13, pp. 59-60.

20 ANAO Audit Report No.8 2012-13, p. 60.

21 ANAO Audit Report No.8 2012-13, p. 60.

22 Mr Brian Gleeson, Coordinator General for Remote Indigenous Services, *Committee Hansard*, Canberra, 6 February 2013, p. 3.

23 Mr Gleeson, *Committee Hansard*, Canberra, 6 February 2013, p. 3.

24 National Congress of Australia's First Peoples, *Submission 3*, p. 8.

- 2.30 In response to a question on notice about the impacts of changes to alcohol regulation at a state and territory level, FaHCSIA advised that the dismantling of the Northern Territory's Alcohol and Other Drugs Tribunal would have a 'direct impact' on the implementation of the Federal government's income management policy, meaning it would not be able to operate as planned. The abolition of the Banned Drinkers Register and Substance Misuse Assessment and Referral for Treatment Court would also 'have an impact on the department's ability to deliver and effectively evaluate the alcohol measures' of the Stronger Futures for the Northern Territory package. Similarly, FaHCSIA advised that the Queensland Government's review of Alcohol Management Plans in discrete Indigenous communities could affect FaHCSIA's ability to deliver its Breaking the Cycle of Alcohol and Drug Abuse in Indigenous Communities initiative.<sup>25</sup>
- 2.31 Drawing on his own experience working with state and territory counterparts, at a public hearing the Auditor-General discussed the complexities of effective collaboration between the Commonwealth and state and territory governments, and the key importance of oversight:
- ... it is about having a common vision, a clear understanding of strategies, and how to work collectively together, particularly to manage the risks across the borders and make sure that someone has got oversight. This is the thing that I think is most important: someone is looking at the programs from end to end, has clear oversight of the program from the terms of the policy objectives right through to what is being delivered on the ground. Is it meeting its objectives? What needs to be done to improve the performance?<sup>26</sup>
- 2.32 The COAG Reform Council told the Committee about the concept of 'leadership federalism', which requires understanding that while state constitutional responsibilities need to be respected, it has been in the national interest for the Commonwealth to take on a greater role in various areas over the time since the federation was established. This was the way in which 'cooperation, collaboration and reform' could be achieved despite the federation consisting of nine governments with overlapping roles and responsibilities. Indigenous affairs was one important area in which this more centralised approach had developed.<sup>27</sup>

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25 FaHCSIA, *Submission 2*, p. 3.

26 Mr McPhee, *Committee Hansard*, Canberra, 6 February 2013, p. 10.

27 Ms O'Loughlin, *Committee Hansard*, Canberra, 20 March 2013, p. 3; referring to work by the Council's Deputy Chairman, Professor Greg Craven.

## Indigenous participation in decision-making

- 2.33 In addition to collaboration at the local level and between government agencies, the written submissions received from the National Congress of Australia's First Peoples and the Aboriginal and Torres Strait Islander Social Justice Commissioner both called for greater involvement of Indigenous people in government decision-making.
- 2.34 The National Congress of Australia's First Peoples is an independent, member-owned and controlled national representative body for Aboriginal and Torres Strait Islander Australians, first established in 2010.<sup>28</sup> In its submission to the Committee, the Congress summarised its position as follows:
- While we endorse the Auditor-General's recommendations in these reports, we argue that a new and broader approach is required, which embraces genuine engagement with, and active participation of, Aboriginal and Torres Strait Islander Peoples in decision-making processes on issues that affect them, particularly in determining the provision of services and infrastructure in our communities.<sup>29</sup>
- 2.35 Whilst remaining independent, the Congress was established with support and funding from the Government, and has engaged at senior levels of bureaucratic decision-making.<sup>30</sup> A *Framework for Engagement between Australian Government Agencies and the National Congress of Australia's First Peoples* was signed by the Congress and ten departmental secretaries in September 2012, outlining the overarching principles for engagement and protocols for how the Congress would like to engage with the Government. The protocols include factors such as early notice, sharing and providing information, agreed timeframes and common understanding around public announcements.<sup>31</sup>
- 2.36 In its submission, the Congress argued that the principles outlined in the existing framework were equally applicable to its relationship with Ministers and other Parliamentarians as to government agencies, and called for the development of a 'true bilateral relationship' between the Congress and government as 'equal partners'. The submission identified three key elements of such a relationship:

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28 National Congress of Australia's First Peoples, *Submission 3*, p. 3.

29 National Congress of Australia's First Peoples, *Submission 3*, p. 9.

30 Mr Michael Dillon, Deputy Secretary, FaHCSIA, *Committee Hansard*, Canberra, 6 February 2013, p. 6.

31 National Congress of Australia's First Peoples, *Submission 3*, pp. 9-10.

- A separate high level agreement between the Congress and Executive Government, enabling it to be 'engaged at the highest levels of government on a broad range of decisions and developments affecting First Peoples', beyond the existing framework for engaging with the public service. As such an agreement would require negotiations with both the Federal Government and the states and territories, it 'may need to progressed through COAG'.
  - A 'seat at the COAG table on issues affecting First Peoples', as a way of overcoming a 'continuing barrier to genuine engagement and effective progress on these issues' caused by a lack of Aboriginal and Torres Strait Islander representation within COAG.
  - Further bipartisan commitment to the Congress as a national representative body and the 'independent national voice for First Peoples', in order to ensure its sustainability.<sup>32</sup>
- 2.37 The submission from the Aboriginal and Torres Strait Islander Social Justice Commissioner centred around the 'Governance' theme of the Commissioner's 2012 Social Justice Report. The report outlined a framework for 'effective, legitimate and culturally relevant' governance, and focused on giving full effect to the *United Nations Declaration on the Rights of Indigenous Peoples*. The key components identified for effective governance in Indigenous communities were 'a foundation of community governance and self-determination; strong organisational governance; and an enabling role to be played by government and other external parties'.<sup>33</sup>
- 2.38 The Commissioner referred the Committee to his report's recommendations: for the Government to acknowledge the centrality of effective Indigenous governance to the sustainable development of communities; for the Government to build its own capacity to enable and support effective Indigenous Governance; and for governments to 'properly resource' Indigenous communities to strengthen their contemporary governance structures as part of a 'new relationship between Aboriginal and Torres Strait Islander peoples and governments based on genuine power-sharing and partnership'.<sup>34</sup>
- 2.39 Matters relating to the internal governance of Indigenous organisations and capacity building within government are further discussed in Chapter 4 on Capacity Development for Indigenous Service Delivery.

32 National Congress of Australia's First Peoples, *Submission 3*, pp. 10–11.

33 Mr Mick Gooda, Aboriginal and Torres Strait Islander Social Justice Commissioner, *Submission 4*, p. [1].

34 *Social Justice Report 2012: Aboriginal and Torres Strait Islander Social Justice Commissioner*, Australian Human Rights Commission, 2012, p 121.

2.40 The Commissioner also highlighted the recommendation from his 2011 Social Justice Report that ‘all governments ensure their engagement, policies and programs are implemented in accordance with the *United Nations Declaration on the Rights of Indigenous Peoples*’ – in particular the principles of self-determination; the right to participate in decision-making underpinned by good faith and free, prior and informed consent; non-discrimination; and respect for and protection of culture. He argued that these principles provided guidance as to how the declaration could be applied and ‘benchmarks against which the effectiveness of the implementation of government programs and policies can be measured’. The submission noted that:

Giving full effect to the Declaration will provide an opportunity to move beyond the stalemate that is currently frustrating positive development for Aboriginal and Torres Strait Islander peoples and communities.<sup>35</sup>

2.41 At the public hearing, FaHCSIA described the range of ‘formal and informal engagement’ activities that took place between government agencies and Indigenous bodies such as the Congress, the National Aboriginal Community Controlled Health Organisation (NACCHO) and various land councils. To illustrate efforts that had been made in recent years to improve communication, FAHCSIA briefly described the panel that was established to advise the government on the issue of constitutional recognition for Indigenous Australians. The panel was ‘dominated by key Indigenous leaders’, in addition to others, and throughout the process there had been ‘a huge reliance on the views of key Indigenous organisations right across the board’.<sup>36</sup>

2.42 The Coordinator General for Remote Indigenous Services also provided some examples of where progress had been made in increasing Indigenous involvement in accountability and decision-making. He noted that under the National Partnership Agreement on Remote Service Delivery (discussed in detail in Chapter 3) each jurisdiction had a board of management consisting of federal, state and local governments, and there had recently been moves to include Indigenous representation on those boards. The Coordinator General also mentioned a forum he had recently chaired in Melbourne on the role of Non-Government Organisations in remote communities, which had included Indigenous representation, including from the Congress.<sup>37</sup>

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35 Mr Gooda, *Submission 4*, p. [2].

36 Mr Dillon, *Committee Hansard*, Canberra, 6 February 2013, p. 6.

37 Mr Gleeson, *Committee Hansard*, Canberra, 6 February 2013, p. 6.

## FaHCSIA's lead agency approach

2.43 The ANAO audit report concluded that FaHCSIA's current leadership approach had been overall 'quite measured'. Its formal role had been focused on sharing information and expertise between agencies, and it had 'not been strongly proactive in exercising its lead agency role'. The ANAO called for FaHCSIA to take a 'more active approach' in order to:

... tangibly address some of the critical strategic issues in Indigenous affairs, such as making agencies' mainstream programs more accessible and effective for Indigenous people; strategic oversight of new and existing expenditure; prioritising and sequencing programs across sectors; and better integrating service delivery on the ground.<sup>38</sup>

2.44 The ANAO called for the lead agency role to be 'refreshed', with options to be put forward to the Government for a 'more strategic lead agency role that has a stronger performance orientation'. While acknowledging the importance of recent efforts by FaHCSIA to increase the strategic focus of its coordination efforts, the ANAO noted that these efforts 'would need to be sustained and supported over time'.<sup>39</sup> The audit's first two recommendations were aimed at FaHCSIA reviewing and updating its lead agency role; and better integrating remote service delivery by actively promoting changes in agency practices and seeking agreement from Government for delivery reforms.<sup>40</sup>

2.45 The Auditor-General expanded on the audit's overall conclusions at the public hearing on 6 February 2013. He expressed:

... confidence in this department [FaHCSIA] that it has got the ability to develop an approach which is even better than the one that we have today and not be inhibited unduly, particularly in the Commonwealth space, to suggest revised approaches to ministers ... and not be too concerned about their colleagues in other agencies at this stage.

and noted that:

Implicit in this is whether the department itself needs greater authority to be able to crack the whip to get particular outcomes ...<sup>41</sup>

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38 ANAO Audit Report No.8 2012-13, pp. 19-20.

39 ANAO Audit Report No.8 2012-13, p. 20.

40 ANAO Audit Report No.8 2012-13, p. 28.

41 Mr McPhee, *Committee Hansard*, Canberra, 6 February 2013, p. 11.

2.46 At the Committee's 13 March 2013 hearing, the Auditor-General added that, in relation to the Government's success in achieving outcomes for Aboriginal and Torres Strait Islander people:

I think we would all agree there is room for improvement. Our report says that. We are saying performance is a bit patchy across the board. We encourage FaHCSIA to take the leadership role because they have got the expertise and to spread the expertise – what works well, what does not work so well – so that we can improve the delivery performance to reach these objectives we all agree are very admirable and desirable.<sup>42</sup>

2.47 In evidence before the Committee, FaHCSIA provided a progress update on its adoption of the ANAO's recommendations. In relation to the recommendation for a review and update of the lead agency role, FaHCSIA said it had been 'working closely with agencies and ministers' through the Executive Coordination Forum on Indigenous Affairs and had been implementing strategies for on-the-ground service delivery, stakeholder engagement and research and evaluation efforts.<sup>43</sup>

2.48 In relation to the ANAO's second recommendation on better integrating remote service delivery, the department pointed to its work, in collaborating with other departments and jurisdictions, rolling out the Remote Jobs and Communities Program, the Stronger Futures in the Northern Territory national partnership, and improvements to remote housing in the Northern Territory.<sup>44</sup>

2.49 The Committee asked FaHCSIA for further information on how it was moving from a coordinating role to a lead role, and how the department would be able to 'win those fights' and keep reforms to Indigenous affairs 'urgent' within the structures of government. Using a military analogy, FaHCSIA explained that its notion of leadership in a complex environment was about 'taking the high ground, having the tactical advantage, forcing the direction of the battle' rather than just driving forward in a 'phalanx' formation, stating:

I would argue that we are leading but in a slightly different way than maybe is being suggested.<sup>45</sup>

2.50 Adding to these remarks, another FaHCSIA representative commented that:

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42 Mr McPhee, *Committee Hansard*, Canberra, 13 March 2013, p. 7.

43 Mr Dillon, *Committee Hansard*, Canberra, 6 February 2013, p. 4.

44 Mr Dillon, *Committee Hansard*, Canberra, 6 February 2013, p. 4.

45 Mr Dillon, *Committee Hansard*, Canberra, 6 February 2013, p. 7.

... leadership is not about bullying ... leadership is the art of shaping and convincing people to do what they otherwise might not want to do. Very much in this space, FaHCSIA's role is to engage closely with our peers in other departments – those big departments that have their own significant programs and lead in specific areas of government work – and to convince them to shape their programs in a way that best fits the whole strategy of Closing the Gap.

... it is around collaboration and convincing, and going to the strongest weapon in our armoury, which is our ability to talk to each other rather than getting out a big stick.<sup>46</sup>

- 2.51 FaHCSIA also pointed out that although it would be making progress in the short term to acquit the ANAO's recommendation, including determining the changes to be made and establishing how to measure and exercise leadership, its leadership role would keep evolving over time:

As the landscape changes and as the maturity of the collaborative leadership model that we want to put in place evolves, obviously the models and the processes need to evolve too. I am not sure we can say there is an end point, but there will be a point at which we can monitor, measure and manage the model that we are putting in place.<sup>47</sup>

### The Executive Coordination Forum on Indigenous Affairs

- 2.52 As noted above, FaHCSIA informed the Committee that it was responding to the ANAO's recommendation to update the lead agency role through its work on the Executive Forum on Indigenous Affairs (ECFIA), which is chaired by FaHCSIA's Secretary.<sup>48</sup>
- 2.53 The audit report identified ECFIA as one of the key committees for collaboration between government agencies, but found that until recently agendas for meetings of ECFIA had tended to be 'full and wide-ranging and focused on information items rather than on addressing strategic level issues'. In addition, deputy secretaries from the 13 agencies represented

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46 Major General Dave Chalmers, Group Manager, Indigenous Coordination, FaHCSIA, *Committee Hansard*, Canberra, 6 February 2013, p. 7.

47 Ms Michelle Kinnane, Branch Manager, Indigenous Commonwealth State Relations Support, FaHCSIA, *Committee Hansard*, Canberra, 6 February 2013, pp. 7–8.

48 Mr Dillon, *Committee Hansard*, Canberra, 6 February 2013, p. 4; Major Gen. Chalmers, *Committee Hansard*, Canberra, 6 February 2013, p. 7; Ms Kinnane, *Committee Hansard*, Canberra, 6 February 2013, p. 7.



on the forum were ‘frequently substituted by less senior staff’, constraining ECFIA’s ability to make strategic decisions.<sup>49</sup>

2.54 At the public hearing on 6 February 2013, the Auditor-General noted that committee arrangements such as ECFIA were important to facilitate talk, but that:

... we would like to see a bit more leadership here. It is just not a traditional interdepartmental committee, as we would call it in the public service, where people come together and share information; I think it is a case of FaHCSIA providing the leadership.<sup>50</sup>

2.55 As recorded in the audit report, FaHCSIA had taken steps in 2012 to make ECFIA more strategically focused by confining its membership to a smaller number of departments to be represented only at senior levels, and by proposing a work program that focused on priority policy issues. The ANAO expected that these new arrangements would enable the forum (and potentially other committees) to operate at an appropriately strategic level and to be more focused on achieving specific results.<sup>51</sup>

2.56 At the hearing, FaHCSIA took the opportunity to summarise the changes that had been recently made to ECFIA’s format:

We have basically restructured that agency to make it tighter, to make sure the involvement of membership is kept at a senior level and that it is much more strategic. That is the main mechanism we use to drive a whole-of-government approach ...<sup>52</sup>

2.57 In a written question on notice, the Committee asked FaHCSIA to provide some concrete examples of critical issues that had been considered by ECFIA since it had been streamlined, what actions had arisen and what outcomes had been achieved. FaHCSIA noted that it had met three times since the new arrangements had been introduced, and provided the following examples of outcomes:

- Enhanced reporting on Indigenous expenditure, with ECFIA agreeing to strengthen the links between investment and outcomes and Treasury working with the Productivity Commission to take this work forward.
- Priorities and parameters agreed for the 2013–14 Indigenous Budget and the Prime Minister’s 2013 Closing the Gap Report, including an increased focus on the importance of mainstream programs and services in Closing the Gap on Indigenous disadvantage.

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49 ANAO Audit Report No.8 2012–13, p. 61.

50 Mr McPhee, *Committee Hansard*, Canberra, 6 February 2013, p. 11.

51 ANAO Audit Report No.8 2012–13, pp. 52, 62.

52 Mr Dillon, *Committee Hansard*, Canberra, 6 February 2013, pp. 3–4.

- Strengthening the governance and coordination of Federal Government activities under Stronger Futures in the Northern Territory, with agreement to establish the Stronger Futures Project Board as a subcommittee of ECFIA.
- Driving the implementation of the Closing the Gap priorities and collaboration between State and Territory governments.
- Agreement to strengthen FaHCSIA's lead agency role and support better integration in the delivery of programs and services in remote and very remote areas, in response to the ANAO audit.<sup>53</sup>

2.58 The Committee also asked for a progress update on the specific issue of securing staff housing in remote areas, which the ANAO report noted had previously been on the ECFIA agenda for several years without resolution. FaHCSIA outlined that the Stronger Futures in the Northern Territory package had included a 'significant boost' to remote staff housing, with up to 140 houses being identified under the Stronger Communities for Children Program and capital works funding allocated for staff housing under the Health Implementation Plan. Further, land tenure reforms were 'progressively being implemented across the states and territories' which would facilitate investment and support a longer term easing of housing pressures.<sup>54</sup>

## Mainstream service delivery

- 2.59 As noted above, making mainstream programs more accessible and effective for Indigenous people was identified by the ANAO as one of the 'critical strategic issues' of Indigenous affairs.<sup>55</sup> Although Indigenous-specific programs and services tend to be targeted towards people living in remote areas, around 75 per cent of Indigenous Australians live in cities and regional centres, where there is a greater reliance on mainstream services. The ANAO noted that achieving the Closing the Gap targets was therefore 'dependent on improvements in the quality of the mainstream services in urban and regional areas delivered to Indigenous Australians'.<sup>56</sup>
- 2.60 In response to a question on notice, FaHCSIA informed the Committee that 78 per cent of government spending on Indigenous Australians was

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53 FaHCSIA, *Submission 2*, pp. 1-2.

54 FaHCSIA, *Submission 2*, p. 2.

55 ANAO Audit Report No.8 2012-13, pp. 19-20.

56 ANAO Audit Report No.8 2012-13, pp. 68-69.

provided through mainstream services and programs, rather than Indigenous-specific programs.<sup>57</sup>

- 2.61 At the 6 February 2013 public hearing, the ANAO further discussed the issue of improving mainstream services with the Committee, and described it as ‘actually one of the key aspects of achieving the Closing the Gap targets’. Dr Andrew Pope, Group Executive Director at the ANAO noted that a complicating factor around mainstream service delivery was that many of the services were delivered by state and territory governments, meaning effective coordination was needed at all levels, and that progress in this area had been a major challenge:

Our view was that, over the ten or so years that people have talked about it as a core priority, progress could have been a little quicker and a bit more solid in terms of what other agencies are doing. Part of that goes to the lead agency role ... there is a lot of experience within the department which can be brought to bear on how other agencies engage with their sectoral knowledge and understand how best to improve that for Indigenous access.<sup>58</sup>

- 2.62 Similarly, FaHCSIA said that maximising access to mainstream programs was ‘the main game’,<sup>59</sup> and acknowledged that gains would need to be made in urban and regional areas, where the majority of Indigenous people live, in order to ‘close the gap’. However, the department said that, given that the ‘disadvantage is so stark in remote areas’, there was a need to ‘work on both fronts simultaneously’. It also pointed out that there were difficulties obtaining data on many mainstream services:

The problem is that it is much harder to measure, identify and record the take-up of services in urban and regional through mainstream programs because quite often they do not have the metrics available to do that. One of our challenges is to start to pressure mainstream programs to put those metrics in place.<sup>60</sup>

## Spatial distribution of Indigenous expenditure

- 2.63 The Committee was interested in learning more about the distribution of funding allocated to the majority of Indigenous Australians who were living in urban and regional areas, particularly coastal centres, as opposed to remote areas. The Committee was also interested in whether any spatial mapping had been or could be done in this respect.

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57 FaHCSIA, *Submission 2*, p. 4.

58 Dr Pope, ANAO, *Committee Hansard*, Canberra, 6 February 2013, p. 9.

59 Mr Dillon, *Committee Hansard*, Canberra, 6 February 2013, p. 3.

60 Mr Dillon, *Committee Hansard*, Canberra, 6 February 2013, p. 9.

- 2.64 At the public hearing, FaHCSIA responded by drawing a link between the government's majority spending on mainstream programs to the question of spatial distribution. As an example, it pointed out that while the government was spending \$5.5 billion over ten years specifically on remote Indigenous housing, it was also spending around \$20 billion on mainstream social housing, for which 14 per cent of tenants were Indigenous:

There are billions of dollars that have gone into urban and regional social housing for Indigenous Australians. We do not really track that in perhaps the way we should. I think that is the challenge in front of us ...<sup>61</sup>

- 2.65 In a written response to the Committee's question, FaHCSIA indicated that, based on data from the Commonwealth Grants Commission, around 38 per cent of government spending went to people in remote and very remote areas, compared to 62 per cent to those in regional areas and major cities. It noted that:

It is true that Indigenous Australians in remote areas receive more government funding per capita than other Indigenous Australians. However, this reflects the higher cost of providing services to people in remote areas and evidence of significant and greater need.<sup>62</sup>

- 2.66 While FaHCSIA's response did not provide any spatial mapping, or a more detailed breakdown of expenditure, it made reference to the *Indigenous Expenditure Report*. The *Indigenous Expenditure Report* is produced by the Steering Committee for the Review of Government Service Provision on behalf of COAG in order to present 'nationally comparable information on government expenditure on services to Indigenous Australians'. While not comparing levels of expenditure by remoteness or location beyond the state and territory level, the 2012 report noted significant variability spending between jurisdictions in combined Commonwealth and state and territory expenditure,<sup>63</sup> and further explained the reasons for higher per capita spending in remote areas:

The cost of providing services is often higher in remote areas where the challenges of being physically isolated can mean smaller populations, less developed market economies and lack of infrastructure. Also the multiple dimensions of disadvantage

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61 Mr Dillon, *Committee Hansard*, Canberra, 6 February 2013, p. 8.

62 FaHCSIA, *Submission 2*, p. 4.

63 Steering Committee for the Review of Government Service Provision, *2012 Indigenous Expenditure Report*, Productivity Commission, Canberra, 2012, p. 17.

increase with remoteness, therefore higher costs of providing services to these geographical areas contribute to overall expenditure data reported in this report.<sup>64</sup>

2.67 The ANAO audit report noted that FaHCSIA has played an ‘important role’ in the production of the *Indigenous Expenditure Report* and had recently presented some analysis of its data at an ECFIA meeting. However, there remained:

... considerable scope for the department to enhance its financial reporting and take a more strategic oversight role in monitoring expenditure, for example in making more use of analysis of the *Indigenous Expenditure Report* to inform decisions on funding priorities.<sup>65</sup>

2.68 As noted earlier, ANAO Recommendation No. 3 was for FaHCSIA to increase its focus on outcomes in its overall reporting and ‘enhance its financial oversight of mainstream and Indigenous-specific Australian Government Indigenous expenditure’.<sup>66</sup>

2.69 In providing an update to the Committee on its implementation of this recommendation, FaHCSIA noted that the government had relatively recently set up the COAG Reform Council, and that the *Indigenous Expenditure Report* was also relatively new, being in only its second iteration. FaHCSIA also indicated that it was ‘very focused on tangible improvements on the ground’, for example through national partnerships on remote service delivery, school attendance and housing.<sup>67</sup>

2.70 At the public hearing on 20 March 2013, the Committee asked the COAG Reform Council whether it was able to provide a breakdown of data beyond the state and territory level. The Council’s representative, Executive Councillor Ms Mary-Ann O’Loughin, indicated the Council had been trying to recommend improvements to data to include information by ‘geolocation’ – that is;

... within states and nationally by metropolitan, major regional, remote and very remote locations. We like to get that level of disaggregation because you are right: the differences are very interesting across geolocation as well as across jurisdiction.<sup>68</sup>

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64 Steering Committee for the Review of Government Service Provision, *2012 Indigenous Expenditure Report*, Productivity Commission, Canberra, 2012, p. 74.

65 ANAO Audit Report No.8 2012–13, p. 97.

66 ANAO Audit Report No.8 2012–13, p. 99.

67 Mr Dillon, *Committee Hansard*, Canberra, 6 February 2013, p. 4.

68 Ms O’Loughlin, COAG Reform Council, *Committee Hansard*, Canberra, 20 March 2013, p. 3.

- 2.71 Ms O'Loughlin also noted that its 2013 national agreement reports would be introducing supplements, where possible, which would include data on attributes such as geolocation, socioeconomic status and gender. The first reports with supplements were scheduled to be provided to COAG in April 2013, and publicly released around four weeks later.<sup>69</sup>

## Committee Comment

- 2.72 Reducing Indigenous disadvantage is one of the most important but complex issues facing Australian governments. While many billions of dollars are being spent annually on both Indigenous-specific and mainstream government programs for Indigenous people, the long term success of these efforts will depend on the design and delivery of programs and services being effectively coordinated. This coordination must occur between federal government agencies, state and territory governments, and the non-government sector. Better coordination will require strong leadership that is capable of prioritising and driving action across a range of policy areas.
- 2.73 The Committee welcomes the Auditor-General's report and endorses its conclusions and recommendations. The Committee therefore encourages FaHCSIA and the Federal Government to work towards the full implementation of the audit's recommendations as a matter of priority.

## A collaborative approach

- 2.74 The Committee received a range of evidence on the need for a more collaborative approach across Indigenous programs and services at all levels, consistent with the National Indigenous Reform Agreement's 'integration' principle. At the federal level, this requires a more strategic leadership approach with better prioritising and sequencing of programs across portfolios (see the discussion below on the lead agency role). It may also require changes to more effectively support 'joined up' activities across departments – something which could be facilitated through the Commonwealth Financial Accountability Review that is currently underway.
- 2.75 In terms of the relationship between the federal and state and territory governments, more collaboration implies increasing efforts to clarify responsibilities and reduce duplication in programs and services. Given the national interest in improving outcomes for Indigenous people, this

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<sup>69</sup> Ms O'Loughlin, COAG Reform Council, *Committee Hansard*, Canberra, 20 March 2013, p. 3.

may also require states and territories to accept a stronger leadership and oversight role for the Commonwealth government under a ‘leadership federalism’ style arrangement. The impact on Commonwealth programs of recent and proposed changes to alcohol regulations at the state and territory level provide a strong example of why a collaborative approach is needed if mutually beneficial outcomes are to be obtained.

2.76 At a local level, collaboration means developing programs and policies in consultation with local communities and designing them to be sufficiently flexible to allow different approaches depending on the needs and priorities of individual communities and their unique circumstances. Chapter 3 on the National Partnership Agreement on Remote Service Delivery contains further discussion on the value of ‘place based’ approaches, and their potential applicability to other communities.

2.77 Any collaborative approach in Indigenous affairs clearly requires close engagement with the non-government organisations that work for and represent Indigenous Australians. The Committee was pleased to have the involvement of two such organisations in this inquiry – the National Congress for Australia’s First Peoples and the Aboriginal and Torres Strait Islanders Social Justice Commissioner. Both of these participants raised in their submissions the importance of Indigenous participation in policy decision-making and public sector governance. Further examination is warranted as to how the issues and suggestions raised in these submissions might be addressed, including the Congress’s proposals for a high level agreement with executive government – beyond the current agreement with the public service – and a seat at the COAG table on issues affecting Indigenous Australians.

The Committee notes that the Congress was established with the help of the Government to provide a representative voice for Indigenous Australians. As the Congress matures over time as an organisation the Government will need to take its relationship forward if it is serious about more fully engaging Indigenous people in the policies that affect them.

### **Recommendation 1**

**The Committee recommends that the Government examine options and take action to improve Indigenous representation and involvement in decision-making processes in relation to Indigenous service delivery, including the possibilities of a high-level agreement between the National Congress of Australia’s First Peoples and Executive Government and for the Congress to be consulted during Council of Australian Government processes on Indigenous issues.**

## The lead agency role

- 2.78 The need for effective leadership in Indigenous affairs is clear, but it is not clear whether FaHCSIA is being fully effective in its lead agency role, despite its best efforts. While the 'soft leadership' approach employed by FaHCSIA has merits, it may not be enough to drive and sustain the changes needed across the Federal Government.
- 2.79 The Executive Coordination Forum on Indigenous Affairs (ECFIA) is the key body used by FaHCSIA to coordinate action at the whole-of-government level. The ANAO's audit found that until recently, ECFIA had been used mostly as a forum to share information. The Committee hopes that recent reforms to ECFIA will enable it to refocus on the nation's critical Indigenous policy issues, providing an opportunity for it to come up with and develop innovative solutions to the challenges facing Indigenous service delivery across government. While the initial signs are promising and should be commended, it is yet to be seen whether the reformed ECFIA will be effective in taking on the more strategic and outcomes focused approach that is needed over a sustained period.
- 2.80 The evidence presented to the Committee has demonstrated that FaHCSIA is committed to Indigenous reforms, has the necessary skills, and is capable of effectively communicating and establishing partnerships with other departments. It is also clear that a great deal of work has been undertaken in the time since the Joint Committee of Public Accounts and Audit's last review of an audit report on government Indigenous service delivery arrangements, tabled in 2009.<sup>70</sup>
- 2.81 Nonetheless, the success or failure of the current arrangements will depend on outcomes. Unfortunately, as shown by the COAG Reform Council's evidence, it is not certain whether the required outcomes are being achieved to make large and sustained impacts on closing the gap in Indigenous disadvantage that were envisaged under the National Indigenous Reform Agenda.
- 2.82 For the necessary outcomes to be achieved in such a complex environment it is essential that there is strong leadership. Such leadership needs to go beyond facilitating good communication and providing convincing arguments, to be capable of driving through real changes on priority issues. In the public sector, this requires a clear leadership mandate and authority to be given to a responsible lead agency and lead minister –

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70 JCPAA, 'Audit Report No. 10 2007-08 Whole of Government Indigenous Service Delivery Arrangements', *Report 414: Review of Auditor-General's Reports tabled between August 2007 and August 2008*, June 2009.



including that they be given adequate cross-portfolio leverage. For national priority issues, such as Indigenous affairs, this needs to be backed-up by active support from the Prime Minister and Cabinet.

- 2.83 Given the ANAO findings and the COAG Reform Council’s evidence, the Committee believes that leadership on Indigenous affairs should be strengthened. The Committee remains to be convinced that modifications to ECFIA are sufficient to get the results needed and strongly supports the Auditor-General’s recommendation that a refreshed leadership approach be considered by Government. However, when informing the Committee on its progress on the ANAO’s recommendations, FaHCSIA did not indicate that it would be providing options to the Government for an updated lead agency role as was recommended.
- 2.84 The Committee suggests that, given FaHCSIA does not seem to be acting on the ANAO recommendation, the most obvious other department to provide options for Government consideration is the Department of the Prime Minister and Cabinet (PM&C). PM&C would be well placed to drive whole-of-government consideration and provide objective options for improvement. As stated above, such a review should consider not only the powers of the lead agency and minister, but also what ongoing support is needed from the Prime Minister and Cabinet.

## **Recommendation 2**

**The Committee recommends that the Prime Minister request the Department of the Prime Minister and Cabinet to undertake a review of leadership and collaboration arrangements in Indigenous affairs for Cabinet consideration; and that the review investigates options for strengthening the authority of the lead agency to better drive changes across departments.**

### **Spatial data on Indigenous expenditure and outcomes**

- 2.85 The Committee was concerned that no data was provided on the spatial breakdown of Indigenous expenditure to anywhere below the state and territory level.
- 2.86 Given the large amount of annual expenditure on Indigenous programs and services, there would be considerable public and parliamentary interest in more information being made available on where this money is being spent and on what it is being spent on, to a local or regional level. Complementing this, information should be made available on local or regional level outcomes (such as life expectancy, educational attainment,

employment outcomes et cetera) and other contextual information (age profiles, average incomes et cetera).

- 2.87 Spatial mapping of Indigenous expenditure and outcomes would be an effective way of making this information transparent and would provide a useful addition to the policy making process.

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### **Recommendation 3**

**The Committee recommends that the Department of Families, Housing, Community Services and Indigenous Affairs examine methods and lead efforts to improve the availability of location-based data on Indigenous expenditure and outcomes, including through spatial mapping, in order to inform the public and the policy-making process.**

## Audit Report No.43 2011–12

# National Partnership Agreement on Remote Service Delivery

## Introduction

- 3.1 The National Partnership Agreement on Remote Service Delivery (NPARSD) was signed in January 2009 by the Commonwealth Government and the governments of New South Wales, Queensland, Western Australia, South Australia and the Northern Territory. The objectives of the partnership were to:
- improve the access of Indigenous families to a full range of suitable and culturally inclusive services;
  - raise the standard and range of services delivered to Indigenous families to be broadly consistent with those provided to other Australians in similar sized and located communities;
  - improve the level of governance and leadership within Indigenous communities and Indigenous community organisations;
  - provide simpler access and better coordinated government services for Indigenous people in identified communities; and
  - increase economic and social participation wherever possible, and promote personal responsibility, engagements and behaviours consistent with positive social norms.<sup>1</sup>
- 3.2 The NPARSD commits \$291.2 million over six financial years, of which \$187.7 million is funded by the Commonwealth. The Department of

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1 Australian National Audit Office (ANAO) Audit Report No.43 2011–12, p. 14.

Families, Housing, Community Services and Indigenous Affairs (FaHCSIA), as the lead agency for Indigenous affairs, receives the full Commonwealth contribution.<sup>2</sup>

- 3.3 The 29 priority communities identified for the initial implementation of the NPARSD (Figure 3.1 below) are home to approximately 25 000 Indigenous people, representing around 19 per cent of the remote Indigenous population and five per cent of the total Indigenous population. While not designed as a trial, the current NPARSD implementation was intended to inform a roll out to an 'additional tranche of priority communities' in the future.<sup>3</sup>

Figure 3.1 The NPARSD priority communities



Source Coordinator General for Remote Indigenous Services

<sup>2</sup> ANAO Audit Report No.43 2011-12, p. 17.

<sup>3</sup> ANAO Audit Report No.43 2011-12, pp. 14-15.

- 3.4 The four main elements of NPARSD model are:
- bilateral plans between the Australian Government and each relevant state or territory, which identify priority communities, milestones, performance benchmarks and indicators for services;
  - baseline mapping of social and economic indicators, government investments, services and service gaps in each community;
  - the development of Local Implementation Plans to identify the service delivery priorities agreed to by each community and governments; and
  - the establishment of a Single Government Interface to coordinate services and simplify community engagement with government representatives.<sup>4</sup>
- 3.5 The Single Government Interface consists of six Regional Operations Centres that support Government Business Managers and Indigenous Engagement Officers in each of the 29 priority communities. These staff are responsible for coordinating the delivery of services committed to in Local Implementation Plans. At a jurisdictional level, the delivery of NPARSD activities is managed by Boards of Management, comprising senior representatives from both Commonwealth and state and territory government agencies.<sup>5</sup>
- 3.6 The NPARSD also includes a range of community support measures including the provision of cultural awareness training; programs to improve governance and leadership within communities; the supply and use of interpreter and translator services; and changes to land tenure to enable economic development.<sup>6</sup>
- 3.7 In 2009, Mr Brian Gleeson was appointed by the Government as the Coordinator General for Remote Indigenous Services (the Coordinator General). The Coordinator General is a statutory officer whose role is to 'monitor, assess, advise in relation to, and drive' reforms and improvements to government service delivery and progress towards achieving the Closing the Gap targets in the 29 NPARSD remote communities. The Coordinator General reports to the Government on a six-monthly basis.<sup>7</sup> In cooperation with state and territory equivalents, the position was intended to:

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4 ANAO Audit Report No.43 2011-12, p. 16.

5 ANAO Audit Report No.43 2011-12, pp. 16-17.

6 ANAO Audit Report No.43 2011-12, p. 17.

7 See *Coordinator-General for Remote Indigenous Services Act 2009*; and Office of the Coordinator General for Remote Indigenous Services, 'Role of the Coordinator General' <<http://cgris.gov.au/site/role.asp>> viewed 11 April 2013.

... remove bureaucratic blockages and ensure commitments by government agencies are delivered on time by monitoring requirements under the National Partnership Agreement on Remote Service Delivery and other COAG reforms, assessing progress and advising government where there are gaps, slow progress, or where improvements need to be made'.<sup>8</sup>

## Audit objective and scope

3.8 The objective of the audit was to assess the effectiveness of FaHCSIA's management of the Australian Government's responsibilities under the NPARSD. In this respect the Australian National Audit Officer (ANAO) considered whether:

- planning processes enabled effective establishment of the remote service delivery model;
- implementation of the key elements of the remote service delivery model effectively addressed the quality and timing requirements of the NPARSD; and
- performance measurement systems were developed to enable the parties to the agreement to assess whether the NPARSD objectives are being met.<sup>9</sup>

## Audit conclusion

3.9 The ANAO's audit found that, overall, FaHCSIA was effective in establishing a government presence in the designated communities, but other elements of the partnership had not yet been implemented as planned and the overall impact on services was not being assessed in a structured way.<sup>10</sup>

3.10 The audit's key findings were in the following areas:

- governance and coordination arrangements for cross-jurisdictional implementation
- cross-jurisdictional and local level implementation planning and priority setting
- developing service delivery in communities
- performance assessment and reporting.

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8 The Hon Jenny Macklin MP, Minister for Families , Community Services and Indigenous Affairs, *Hansard*, 27 May 2009, p. 44-45.

9 ANAO Audit Report No.43 2011-12, pp. 18-19.

10 ANAO Audit Report No.43 2011-12, p. 20.

- 3.11 Noting the complex cross-jurisdictional nature of the NPARSD, the ANAO found that FaHCSIA gave early attention to the establishment of a government presence in communities. Through the Single Government Interface, a sizeable presence was established in each of the 29 communities. Arrangements to coordinate and set priorities at the jurisdictional level were also put in place.<sup>11</sup>
- 3.12 However, attention to the development of internal management arrangements got off to a slow start. The ANAO found that FaHCSIA did not finalise program management documentation until almost halfway through the initiative's lifespan.<sup>12</sup>
- 3.13 At the time of the audit report, cultural awareness training, community governance and leadership development and the national interpreter framework had yet to be implemented as envisaged.<sup>13</sup>
- 3.14 Performance information was not well developed and baseline mapping had not been implemented in the intended timeframes. Instead, Local Implementation Plans were negotiated using draft baseline information. The ANAO noted that the robustness of the plans had been dependent on completion of baseline mapping.<sup>14</sup>
- 3.15 On top of the late finalisation, more than half of the action items in Local Implementation Plans were 'process' related, whereas only a third were 'concrete deliverables'. FaHCSIA had not developed structured arrangements to assess whether NPARSD activities had caused government services to increase in number, standard, coordination or accessibility.<sup>15</sup>
- 3.16 Overall, the ANAO considered that the current NPARSD objectives and outcomes 'will be challenging to meet' and suggested any future expansion 'would benefit from greater consideration of how these more aspirational objectives could be more directly addressed, or alternatively, whether there is a case for some revision to the program objectives'.<sup>16</sup>

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11 ANAO Audit Report No.43 2011-12, p. 20.

12 ANAO Audit Report No.43 2011-12, pp. 22-23.

13 ANAO Audit Report No.43 2011-12, pp. 23-24.

14 ANAO Audit Report No.43 2011-12, p. 24.

15 ANAO Audit Report No.43 2011-12, p. 20.

16 ANAO Audit Report No.43 2011-12, p. 20.

## ANAO recommendations

The audit report made one recommendation aimed at FaHCSIA improving its performance monitoring.

Table 3.1 ANAO recommendation, Audit Report No.43 2011–12

1.	In order to assess whether the range, standard and accessibility of services has improved, and to obtain greater benefit from the investment made to date in baseline mapping, the ANAO recommends that FaHCSIA further develop its performance measurement approach to examine changes in the provision of services at agreed intervals. <b>FaHCSIA's response:</b> <i>Agreed</i>
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## The Committee's review

- 3.17 The Committee's public hearing on 6 February 2013 included discussion on the NPARSD by the Coordinator General for Remote Indigenous Services and by FaHCSIA.
- 3.18 The Coordinator General gave the Committee an overview of his role and responsibilities. He informed the Committee that, since being appointed in June 2009, he had made over 100 visits to the 29 communities and that the overall objective and focus of his work was to 'facilitate a positive change' for Indigenous Australians living in those communities by 'changing the way governments work with them'. He explained that the *Coordinator-General for Remote Indigenous Services Act 2009* gave him a clear mandate to comment on government policies, programs and progress in the 29 remote service delivery priority communities, but that he did not have a mandate to make comments about broader government policies and activities.<sup>17</sup>
- 3.19 The Coordinator General provided the Committee with comments in relation to the importance of FaHCSIA's leadership role; and on the issue of organisational capacity and its impact on service delivery.<sup>18</sup> These issues are discussed in Chapters 2 and 4 respectively.
- 3.20 Other evidence received by the Committee primarily focused on:
- local engagement in service delivery and planning; and
  - the measurement of outcomes.

17 Mr Brian Gleeson, Coordinator General for Remote Indigenous Services, *Committee Hansard*, Canberra, 6 February 2013, p. 2.

18 Mr Brian Gleeson, Coordinator General for Remote Indigenous Services, *Committee Hansard*, 6 February 2013, Canberra, pp. 2, 3.



## Local engagement in service delivery and planning

- 3.21 In his evidence before the Committee, the Coordinator General advised that the issues highlighted in the Auditor-General's reports were not new and that changes may be required to the way services are delivered where outcomes are not being achieved. Particularly for remote communities, he emphasised that:
- ... top-down coordination will never beat bottom-up collaboration with those people who will have to live with the consequences of the decisions made.<sup>19</sup>
- 3.22 In response to a question, the Coordinator General elaborated on this by pointing to the 'place-based' approach used by the NPARSD, which was emerging as a useful model for government interactions with Indigenous communities.
- 3.23 Firstly, he noted that each of the 29 priority communities had a community-owned local reference group. These representative groups were mandated specifically to coordinate the priority needs of their communities and to 'engage with them about what they want'.<sup>20</sup>
- 3.24 Additionally, each of the NPARSD priority communities had a local implementation plan that had been 'worked up' within the community, with the support of government. The plans outlined each community's priorities and needs over a three to five year period.<sup>21</sup>
- 3.25 Finally, each of the priority communities had a local government person residing in the community and an Indigenous engagement officer appointed from within the community. This arrangement promoted interaction and engagement by providing 'a locally based government resource to interact with, living in the community and working with the community', and also provided a public accountability mechanism.<sup>22</sup>
- 3.26 Responding to a suggestion from the Committee regarding services in less remote communities, FaHCSIA advised that place-based approaches like those being delivered in remote areas under the NPARSD could also have a role to play in service delivery in urban and regional areas.<sup>23</sup>

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19 Mr Gleeson, *Committee Hansard*, Canberra, 6 February 2013, p. 3.

20 Mr Gleeson, *Committee Hansard*, Canberra, 6 February 2013, p. 5.

21 Mr Gleeson, *Committee Hansard*, Canberra, 6 February 2013, p. 5.

22 Mr Gleeson, *Committee Hansard*, Canberra, 6 February 2013, p. 5.

23 Mr Michael Dillon, Deputy Secretary, FaHCSIA, *Committee Hansard*, Canberra, 6 February 2013, pp. 9–10.

## Measurement of outcomes

- 3.27 The ANAO's findings largely centred on the need for better measurement and monitoring of the outcomes of the NPARSD: in particular, whether the number, standard, coordination or accessibility of services were improving. The report suggested that the objectives and outcomes of the NPARSD would be 'challenging to meet', and recommended that FaHCSIA 'further develop its performance measurement approach to examine changes in the provision of services at agreed intervals'.<sup>24</sup>
- 3.28 In its written submission, the National Congress of Australia's First Peoples supported the ANAO's recommendation and informed the Committee that 'accountability to ensure that Government expenditure and policies lead to improved outcomes in Aboriginal and Torres Strait Islander communities' was part of its Policy Platform. There was a need for:
- ... stronger governance structures, including mechanisms for accountability and evaluation, performance monitoring and reporting, attached to Government programs and service delivery.<sup>25</sup>
- 3.29 At the public hearing, the Coordinator General for Remote Indigenous Services also agreed with the ANAO's finding that 'insufficient attention has been given to ensuring we can assess whether services are improving as envisaged in the National Partnership Agreement on Remote Service Delivery'. He suggested that this shortcoming was:
- ... a symptom of the focus on ticking the boxes rather than remembering we are trying to achieve all this through collective activity. I think there is of course a common failing across governments and all organisations, if we are to be honest, and that working together is a very important asset in achieving these results and is something I have addressed in my first report.<sup>26</sup>
- 3.30 The Coordinator General noted, however, that progress was being made on this issue.<sup>27</sup>
- 3.31 At the public hearing, FaHCSIA provided the Committee with an update on the implementation of the ANAO's recommendation:
- We have basically accepted the recommendation and we have a whole range of work in place. At the moment we have mid-term

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24 ANAO Audit Report No.43 2011-12, pp. 20-21, 26.

25 National Congress of Australia's First Peoples, *Submission 3*, p. 8.

26 Mr Gleeson, *Committee Hansard*, Canberra, 6 February 2013, pp. 2-3.

27 Mr Gleeson, *Committee Hansard*, Canberra, 6 February 2013, p. 3.

progress reports for each remote service delivery community and they are virtually completed. They will be published in early 2013. We have a mid-term implementation review. It has been drafted and we are negotiating with the states for its release this year, and there is a final evaluation due at the end of this year.<sup>28</sup>

3.32 The Coordinator General also noted that the baseline mapping of each community that took place under the NPARSD had been useful for identifying gaps in service delivery outcomes, which had been included in plans for addressing local priority issues. This had been leading to noticeable improvements being made in each of the communities.<sup>29</sup>

3.33 More broadly, at the hearing on 13 March 2013, the Auditor-General spoke about the ANAO's ongoing calls for a stronger focus on outcomes – that is, focusing on the *impacts* of government programs, not just their outputs or deliverables. The Auditor-General explained that the issues concerned:

... the way government can drive its dollar, its scarce resources, further is by better targeting of programs and more efficient delivery of programs. So we all need to be a bit more focused on the performance indicators which help us to manage these programs to get the impact we are trying to achieve.

I think we would all agree there is room for improvement.<sup>30</sup>

3.34 In relation to Indigenous service delivery, the Auditor-General called for FaHCSIA to take the leadership role,

... because they have got the expertise and to spread the expertise – what works well, what does not work so well – so that we can improve the delivery performance to reach these objectives we all agree are very admirable and desirable.<sup>31</sup>

## Committee comment

3.35 The Committee welcomes the Auditor-General's report and endorses his findings in relation to the implementation of the National Partnership Agreement on Remote Service Delivery.

3.36 While the Committee is interested in seeing progress being made towards reducing disadvantage for all Indigenous Australians, not just those in remote areas (as noted in Chapter 2), the Committee recognises the special

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28 Mr Dillon, *Committee Hansard*, Canberra, 6 February 2013, p. 4.

29 Mr Gleeson, *Committee Hansard*, Canberra, 6 February 2013, p. 5.

30 Mr Ian McPhee, Auditor-General, Canberra, 13 March 2013, p. 7.

31 Mr Ian McPhee, Auditor-General, Canberra, 13 March 2013, p. 7.

circumstances and challenges facing remote Indigenous communities and the need for a specific focus on these communities to continue, in addition to enhanced 'mainstream' initiatives.

- 3.37 Although it is clear from the ANAO report and reports of the Coordinator General that there have been some initial problems and ongoing challenges in implementing the NPARSD, it is also clear that the partnership is making a large positive difference to the 29 'priority' communities that are included.
- 3.38 Critical to the partnership's success appears to have been the high level of local engagement in identifying priorities, developing plans and implementing action items. This finding validates the effectiveness of 'place-based' models for Indigenous service delivery, and also supports the calls by the National Congress of Australia's First Peoples and the Social Justice Commissioner for Aboriginal and Torres Strait Islander Affairs for increased participation by Indigenous people in decisions about the issues that affect them, as was discussed in Chapter 2.
- 3.39 The Committee notes, however, that regardless of its success, the partnership's broader impact on Closing the Gap will be very limited due to its focus on only 29 communities in remote areas, representing just five per cent of the total Indigenous population.<sup>32</sup> There is a need for governments to provide clarity and certainty in regards to how the remote service delivery model will be implemented beyond the current six year partnership, including any plans for expansion into other remote communities, or indeed, into urban and regional Indigenous communities.
- 3.40 Effective measurement of outcomes is essential for evaluating whether programs are achieving their desired results, and therefore whether value for money is being achieved. The Committee recognises that work currently underway through FaHCSIA, as the ANAO recommended, to assess the extent to which the range, standard and accessibility of services has improved in the priority communities will have a clear impact on any decisions to expand the current model into more communities.
- 3.41 The Committee is interested to see the results of these efforts, and therefore makes the following recommendation:

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32 ANAO Audit Report No.43 2011-12, p. 15.

**Recommendation 4**

The Committee recommends that the Department of Families, Housing, Community Services and Indigenous Affairs provide an update within six months on its progress towards implementing the Auditor-General's recommendation that it further develop its performance measurement approach to assess whether services have improved in the priority communities, and the results of this assessment to date. The update should include any decisions or other progress that has been made in regard to the future of the remote service delivery model, including any proposals to expand the model into other communities or into urban or regional areas.



## Audit Report No.26 2011–12

# Capacity development for Indigenous service delivery

## Introduction

- 4.1 The capacity of an organisation refers to its ability to deliver the programs or services for which it is funded, and to the required standards. Capacity will have a strong influence on an organisation's effectiveness in meeting the outcomes sought by government.<sup>1</sup>
- 4.2 The Australian National Audit Office (ANAO) explained in its audit report that capacity constraints to service delivery present risks to the achievement of outcomes and require an appropriate response from those government departments tasked with administering the funding. The ANAO audit was framed around this premise and examined how the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA), the Department of Education, Employment and Workplace Relations (DEEWR) and the Department of Health and Ageing (DoHA) sought to address potential capacity constraints in Indigenous organisations.<sup>2</sup>
- 4.3 The three audited departments administer the bulk of the Australian Government Indigenous Expenditure (AGIE), with programs and services being delivered through a range of mechanisms including National Partnership Agreements with state and territory governments, funding

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1 Australian National Audit Office (ANAO) Audit Report No.26 2011–12, p. 18.

2 ANAO Audit Report No.26 2011–12, p. 18.

agreements with local government bodies, contracts with private sector entities and agreements with other third party organisations.<sup>3</sup>

4.4 In terms of third party service delivery, Indigenous organisations play an important role by delivering programs and services to Aboriginal and Torres Strait Islander people, especially in remote communities. Out of the total AGIE of \$3.5 Billion in 2010–11, an estimated \$1.34 billion was directed to grants for Indigenous organisations to provide services.<sup>4</sup>

4.5 Indigenous organisations are broadly defined as Indigenous controlled organisations that are based in, or primarily serving, Indigenous communities; initiated by an Indigenous community or group; and governed by an Indigenous body. There are an estimated 9000 Indigenous organisations across Australia.<sup>5</sup>

4.6 These organisations deliver a range of programs and services, particularly in remote areas, including aged care; child care; youth and family services; employment preparation; primary health care; legal aid; community development; family violence prevention; municipal services; sport and recreation; community safety; arts and cultural heritage services; and native title representations. While in some cases, particularly in remote communities, Indigenous organisations may be the only provider of services, in other places they may be the service provider of choice due to their ability to provide a more culturally appropriate service.<sup>6</sup>

4.7 The capacity of organisations may be influenced by:

- Factors internal to an organisation, such as the strength of governance structures; the sophistication of financial management systems and processes; infrastructure; resources; and staff skills.
- External factors from the organisation's operating environment, such as location; overall funding patterns and approaches; red tape; the presence of other services; community circumstances; and the ability to attract and retain suitable staff.<sup>7</sup>

4.8 The topic of Indigenous service delivery has been an important facet of the government's Indigenous policy agenda for quite some time, with capacity development for Indigenous organisations a focus of government reviews and reports since the late 1980s. More recently, governments have signed agreements and developed compacts in support of Indigenous service delivery.

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3 ANAO Audit Report No.26 2011–12, pp. 31–32.

4 ANAO Audit Report No.26 2011–12, p. 32.

5 ANAO Audit Report No.26 2011–12, pp. 32–33.

6 ANAO Audit Report No.26 2011–12, pp. 32–33.

7 ANAO Audit Report No.26 2011–12, p. 35.



- 4.9 In 2008, the Council of Australian Governments (COAG) agreed to the National Indigenous Reform Agreement, which included six Service Delivery Principles to 'guide the design and delivery' of government programs and services. Of most relevance, the 'Sustainability' principle gives particular attention to 'building the capacity of both Indigenous people and of services to meet the needs of Indigenous people'.<sup>8</sup>
- 4.10 In a 2010 report, the Productivity Commission found that the not-for-profit sector's efficiency and effectiveness in delivering services was being hampered by inadequate contracting processes, including overly prescriptive requirements, micro-management, the need to return surplus funds, and inappropriately short-term contracts.<sup>9</sup>
- 4.11 Additionally, in 2010 the Government released a National Compact to guide relations with the not-for-profit sector. Priority action areas identified in the compact include strengthening the capacity of the sector, information sharing, reducing red tape, streamlining reporting, simpler financial arrangements and improving funding processes.<sup>10</sup>

## Audit objective and scope

- 4.12 The objective of the audit was to assess the extent to which FaHCSIA, DEEWR and DoHA seek to reduce service delivery risks posed by capacity constraints in Indigenous organisations. The ANAO assessed:
- approaches taken by the three departments to identify and mitigate risks to outcomes posed by the capacity of an organisation to deliver services; and
  - whether, in line with the COAG Service Delivery Principles for Programs and Services for Indigenous Australians, these three departments invested in the service delivery capacity of Indigenous organisations.<sup>11</sup>

## Audit conclusion

- 4.13 The ANAO's audit report indicated that, overall, more attention is required to better support service delivery capacity in Indigenous organisations. While the report noted some efforts had been made to improve support for capacity in Indigenous organisations, it also

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8 ANAO Audit Report No.26 2011-12, p. 42.

9 ANAO Audit Report No.26 2011-12, p. 38.

10 ANAO Audit Report No.26 2011-12, pp. 43-44.

11 ANAO Audit Report No.26 2011-12, pp. 45-46.

suggested that the reforms have not been uniform across departments and progress has been uneven.<sup>12</sup>

4.14 The ANAO's findings fell into three main categories:

- influences on service delivery capacity;
- risk management for program and service delivery outcomes; and
- investment to support capacity for Indigenous service delivery.

4.15 Influences on capacity identified by the ANAO included the administrative burden placed on service providers as a result of government administrative frameworks. The ANAO highlighted that a large number of Indigenous-specific programs have been spread across multiple departments, and although the programs are generally low-value and often short-term, they each come with annual administrative arrangements which require a significant number of reports to be produced by the provider. The ANAO noted that these issues are not new, having been raised since the 1980s and more recently in the 2010 *Strategic Review of Indigenous Expenditure*.<sup>13</sup>

4.16 The ANAO found that further contributions were being made to the administrative burdens of service providers as departments sought to mitigate risks relating to the internal capacity of organisations by requiring more comprehensive reporting from them. The ANAO suggested that more strategic risk management approaches are needed that take into account the external factors influencing an organisation's ability to deliver outcomes. In particular, the level of reporting required from organisations needs to be commensurate with the actual level of risk.<sup>14</sup>

4.17 When looking at the investment being made to support Indigenous service delivery, the ANAO noted slow progress by departments in addressing administrative burdens, with reforms not always sustained or achieving anticipated results. Further, the ANAO found that service providers approaching departments for capacity building assistance found it difficult to access support. The ANAO noted that there were mixed views within departments on whether it was a government responsibility to assist organisations with capacity building, and that this was reflected in the limited guidance, and subsequent activities, to implement capacity development efforts.<sup>15</sup>

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12 ANAO Audit Report No.26 2011-12, p. 20.

13 ANAO Audit Report No.26 2011-12, p. 22.

14 ANAO Audit Report No.26 2011-12, pp. 22-23.

15 ANAO Audit Report No.26 2011-12, p. 24.

- 4.18 Overall, the ANAO suggested that more formal and coordinated efforts are required, in particular a whole-of-government strategy on capacity development to provide a long term, integrated and consistent approach.<sup>16</sup>

## ANAO recommendations

The audit report made three recommendations aimed at better positioning the three departments to invest in Indigenous organisations by: reviewing current funding arrangements; taking a more strategic approach to risk management; and developing a whole-of-government strategy for capacity development.<sup>17</sup>

Table 4.1 ANAO recommendations, Audit Report No.26 2011–12

1.	<p>To ensure funding arrangements adequately support the achievement of desired policy outcomes, the ANAO recommends that the departments review their current funding approaches and supporting arrangements, and where appropriate, consider other options to achieve program deliverables such as longer-term partnerships or core support.</p> <p><b>FaHCSIA's response:</b> <i>Agreed.</i>  <b>DEEWR's response:</b> <i>Agreed.</i>  <b>DoHA's response:</b> <i>Agreed.</i></p>
2.	<p>To support service delivery arrangements and the achievement of desired policy outcomes in the longer-term, the ANAO recommends that the departments take a more strategic approach to risk management that gives greater consideration to the broader operating environment, and balances compliance requirements with the actual level of risk and the achievement of outcomes.</p> <p><b>FaHCSIA's response:</b> <i>Agreed.</i>  <b>DEEWR's response:</b> <i>Agreed.</i>  <b>DoHA's response:</b> <i>Agreed.</i></p>
3.	<p>To implement the capacity development elements of the National Indigenous Reform Agreement the ANAO recommends that FaHCSIA, through the Executive Coordination Forum on Indigenous Affairs, facilitates the development of a whole-of-government strategy and an implementation approach to provide a long-term, integrated and consistent approach to capacity development across Australian Government departments.</p> <p><b>FaHCSIA's response:</b> <i>Agreed.</i></p>

16 ANAO Audit Report No.26 2011–12, p. 24.

17 ANAO Audit Report No.26 2011–12, pp. 26–27.

## The Committee's review

- 4.19 On 13 March 2013, the Committee held the second public hearing of its examination of Indigenous-related audit reports. Representatives from the following organisations appeared before the Committee to discuss Audit Report No.26:
- Australian National Audit Office
  - Department of Families, Housing, Community Services and Indigenous Affairs
  - Department of Education, Employment and Workplace Relations
  - Department of Health and Ageing.
- 4.20 The Committee also received some evidence relating to capacity development for Indigenous service delivery in response to questions on notice, in other written submissions and at its first public hearing on 6 February 2013.
- 4.21 The Committee's evidence covered the following issues:
- The importance of capacity building in Indigenous organisations
  - The role of government supporting capacity in Indigenous organisations
  - Capacity building within government
  - High number of separate Indigenous programs
  - Approaches to funding
  - Reporting and compliance burdens
  - Current capacity development initiatives
  - A whole-of-government capacity development strategy.

## The importance of capacity building in Indigenous organisations

- 4.22 The capacity of Indigenous organisations – and governments – to deliver outcomes was a key item of focus during the Committee's review.
- 4.23 As noted above, the National Indigenous Reform Agreement, agreed to by COAG, gave prominence to capacity building in its Sustainability principle. Through its audit report, the ANAO concluded that, given the overall level of funding to Indigenous organisations:

... the service delivery capacity of Indigenous organisations is an important element in delivering government programs effectively and a relevant area for attention by these departments.<sup>18</sup>

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18 ANAO Audit Report No.26 2011-12, p. 20.

- 4.24 During the Committee's first public hearing, the Coordinator General for Remote Indigenous Services said that capacity development was a 'critical issue' for remote service delivery, and an area of focus in his reports. Overall, 13 of the 38 recommendations made in his six reports to date related to capacity development issues.<sup>19</sup>
- 4.25 At another hearing, FaHCSIA similarly discussed how difficult it could be for organisations to build their capability and capacity to deliver on their funding agreements and program guidelines, and the role of the department in providing assistance on a case by case basis.<sup>20</sup>

### The role of government supporting capacity in Indigenous organisations

- 4.26 The ANAO's report noted that there were 'mixed views' within the departments under audit on the responsibility of government to assist in developing capacity in third party organisations. An ANAO survey in the three departments found that 63 per cent of Senior Executive Staff considered it was the service provider's responsibility to ensure sufficient capacity to deliver services, with a smaller proportion considering that government departments had a role.<sup>21</sup>
- 4.27 In its response to the audit report, DoHA indicated that it considered capacity building to be a shared responsibility of the sector and the Commonwealth. It noted that while the audit report had advocated more assistance from the Commonwealth, the Aboriginal and Torres Strait Islanders community controlled health sector's claim was that 'responsibility for improvement lies within the sector'.<sup>22</sup>
- 4.28 At a public hearing, DoHA's Office for Aboriginal and Torres Strait Islander Health (OATSIH) told the Committee that it was working in partnership with the sector's peak body, the National Aboriginal Community Controlled Health Organisation (NACCHO), on capacity building strategies. This included funding NACCHO to develop a program of capacity building and governance improvement for the sector, with NACCHO rolling the initiatives out on the ground with its member organisations.<sup>23</sup>

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19 Mr Brian Gleeson, Coordinator General for Remote Indigenous Services, *Committee Hansard*, Canberra, 6 February 2013, p. 2.

20 Mr Michael Dillon, Deputy Secretary, FaHCSIA, *Committee Hansard*, Canberra, 13 March 2013, p. 2.

21 ANAO Audit Report No.26 2011-12, p. 94.

22 ANAO Audit Report No.26 2011-12, p. 26.

23 Ms Samantha Palmer, First Assistant Secretary, OATSIH, Department of Health and Ageing, *Committee Hansard*, Canberra, 13 March 2013, p. 5.

## Capacity building within government

- 4.29 Although the audit report focused on the capacity of Indigenous organisations to deliver outcomes for government, several inquiry participants pointed out to the Committee that capacity within government agencies was also an issue of concern.
- 4.30 In a written submission, the National Congress of Australia's First Peoples (the Congress) said that:
- In our view there has been a great deal of focus in recent years on the corporate governance of Aboriginal and Torres Strait Islander organisations, such as the work of the Office of the Registrar of Indigenous Corporations (ORIC), and far too little attention paid to how Government itself operates in our communities.<sup>24</sup>
- 4.31 The Congress added that there was an 'urgent need for agencies to focus on their own capacity building', particularly in regard to the capacity and experience of non-Indigenous officers in the public sector:
- In the experience of Congress and its members, non-Aboriginal government employees too often lack the knowledge, experience and cultural competency to engage appropriately with Aboriginal and Torres Strait Islander peoples. This is particularly the case in remote communities, where current service delivery models, particularly fly-in, fly-out arrangements, undermine efforts to build appropriate and effective relationships with the communities.<sup>25</sup>
- 4.32 The Congress pointed to a suggestion in the 2010 *Strategic Review of Indigenous Expenditure* for a 'paradigm shift in the value placed on investing in structured training, recognising and valuing skills and experience in working in the Indigenous affairs arena'.<sup>26</sup>
- 4.33 The Congress submission also raised concerns about the declining representation of Aboriginal and Torres Strait Islanders in the public sector. Despite commitments to increase representation to 2.7 per cent by 2015, the submission noted that the representation of ongoing Indigenous employees in the Australian Public Service had declined from 2.3 per cent in 2009 to 2.1 per cent in 2012, continuing a longer term trend over the past two decades. Indigenous representation at senior levels was even lower, at only 0.6 per cent of Senior Executive Service employees in 2012.<sup>27</sup>
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24 National Congress of Australia's First Peoples, *Submission 3*, p. 4.

25 National Congress of Australia's First Peoples, *Submission 3*, pp. 5-6.

26 National Congress of Australia's First Peoples, *Submission 3*, p. 6.

27 National Congress of Australia's First Peoples, *Submission 3*, p. 6-7.

- 4.34 As noted in Chapter 2, in his submission the Aboriginal and Torres Strait Islander Social Justice Commissioner referred the Committee to his recent recommendation that the Government ‘builds its own capacity to enable and support effective Indigenous governance’.<sup>28</sup>
- 4.35 The Coordinator General for Remote Indigenous Services also highlighted in his evidence before the Committee that the capacity of government was ‘equally important’ to that of non-government organisations.<sup>29</sup> As noted in Chapter 2, the Coordinator General said that there was increasing Indigenous representation on jurisdictional boards of management within the Remote Service Delivery model:
- More recently there has been a move to include Indigenous representation on those boards. It is already happening in South Australia, it is happening in New South Wales and is starting to happen in other places. I think that is good progress when they sit with other government public servants talking about [the] things being delivered.<sup>30</sup>
- 4.36 The government departments involved in the Committee’s review showed some recognition of the need to develop their own capacities. DEEWR told the Committee that it had worked hard to improve the understanding of its staff of the Closing the Gap targets and to improve cultural competency. DEEWR was also close to reaching its target of over six per cent Indigenous employment, which was being achieved through ‘a big focus on Indigenous specific recruitment pathways into DEEWR, such as traineeship programs and cadetship graduates’.<sup>31</sup>
- 4.37 DEEWR also noted that it was important to invest in internal capability not just in its Indigenous-specific programs, but also in its mainstream programs.<sup>32</sup>
- 4.38 In a joint response to questions on notice taken at a hearing, DEEWR and FaHCSIA also noted work being done to improve their capacities. For DEEWR, this included an online cultural awareness training package for Job Services Australia staff.<sup>33</sup> FaHCSIA summarised work underway on a

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28 Mr Mick Gooda, Aboriginal and Torres Strait Islander Social Justice Commissioner, *Submission 4*, p. [1]. See *Social Justice Report 2012: Aboriginal and Torres Strait Islander Social Justice Commissioner*, Australian Human Rights Commission, 2012, pp. 114–115, 121.

29 Mr Gleeson, *Committee Hansard*, Canberra, 6 February 2013, p. 2.

30 Mr Gleeson, *Committee Hansard*, Canberra, 6 February 2013, p. 6.

31 Ms Jo Wood, Group Manager, Indigenous Economic Strategy Group, DEEWR, *Committee Hansard*, Canberra, 13 March 2013, pp. 4–5.

32 Ms Wood, *Committee Hansard*, Canberra, 13 March 2013, p. 5.

33 DEEWR, *Submission 8*, p. 4.

COAG National Indigenous Governance and Leadership Framework, which would highlight the need to:

... increase the cultural competence of governments and their capacity to engage Aboriginal and Torres Strait Islander people in the development of policies and programs and the delivery of services'.<sup>34</sup>

## High number of separate Indigenous programs

- 4.39 As noted in Chapter 2, in 2011 there were 210 Indigenous-specific programs and sub-programs identified as making a contribution to the Closing the Gap initiative. These programs were administered by more than 40 different agencies across 17 portfolios, and the large number of programs places a heavy compliance burden on service providers.<sup>35</sup>
- 4.40 In 2010, the Department of Finance and Deregulation's *Strategic Review of Indigenous Expenditure* found that there was 'a strong case to reduce the number of Indigenous-specific programs operating across the Commonwealth'. It identified 51 currently separate programs that could be consolidated into 18 continuing programs; 25 programs that could cease or be restructured; and 15 programs that could be transferred to state and territory governments.<sup>36</sup>
- 4.41 Noting that the large number of Indigenous programs being administered across departments had been identified by the ANAO as a factor influencing the capacity of Indigenous organisations,<sup>37</sup> the Committee asked FaHCSIA in a written question what progress had been made across government to reduce the number of separate programs being delivered.
- 4.42 The response from FaHCSIA indicated that:
- ... most of the recommendations of the *Strategic Review of Indigenous Expenditure* have now been implemented, including the recommendations for program consolidation. A range of programs have been consolidated following the review, in particular programs in relation to Indigenous health care (recommendation 27), working on Country (recommendation 40), early childhood (recommendation 6.2), remote air services (recommendation 47), family support including related Indigenous specific services

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34 FaHCSIA, *Submission 8*, p. 6.

35 ANAO Audit Report No.8 2012-13, pp. 15, 82.

36 Department of Finance and Deregulation, *Strategic Review of Indigenous Expenditure: Report to the Australian Government*, February 2010, p. 12.

37 ANAO Audit Report No.26 2011-12, p. 20.



(recommendation 51, 52) and Indigenous law and justice (recommendation 58).<sup>38</sup>

- 4.43 The response also identified several specific examples of programs where consolidation had recently occurred:
- The Remote Jobs and Communities Program, which consolidates four previously separate programs.
  - The Indigenous Family Safety Program, which merged the Family Violence Partnership Program and the Family Violence Regional Activities Program.
  - The Family Support Program, which drew together a suite of previously separate programs under a single set of arrangements.<sup>39</sup>

## Approaches to funding

- 4.44 Another contributing factor identified by the ANAO to capacity constraints in Indigenous organisations was the high number of short-term and small value funding arrangements. These arrangements ‘can make it difficult for organisations to predict future funding, which has planning and resource implications’.<sup>40</sup>
- 4.45 The ANAO recommended that the departments ‘review their current funding approaches and supporting arrangements, and where appropriate, consider other options to achieve program deliverables such as longer-term partnerships or core support.’<sup>41</sup>
- 4.46 In its written submission, the National Congress of Australia’s First Peoples told the Committee that the difficulties associated with ‘short and piecemeal funding arrangements’ for programs and services had been raised as a concern by many of its member organisations. The Congress endorsed the Auditor-General’s findings on this matter, and noted that its Policy Platform advocates:
- long-term funding arrangements which provide greater certainty for Aboriginal community organisations; and
  - funding which provides community control of what and how services and infrastructure are provided.<sup>42</sup>
- 4.47 At a public hearing, FaHCSIA provided a brief overview of its implementation of this recommendation, telling the Committee:

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38 FaHCSIA, *Submission 8*, p. 3.

39 FaHCSIA, *Submission 8*, pp. 3–4.

40 ANAO Audit Report No.26 2011–12, p. 20.

41 ANAO Audit Report No.26 2011–12, pp. 64–65.

42 National Congress of Australia’s First Peoples, *Submission 3*, p. 4.

We do this writ small as well as writ large. Yesterday the Prime Minister announced \$14 million in funding for Reconciliation Australia over four years. It is essentially a partnership, and it is core funding. So that is the writ small, if you like. Writ large, we are locking in long-term funding through national partnerships. The National Partnership Agreement on Remote Indigenous Housing is ten years. The Stronger Futures national partnership will be ten years. We are looking to, in a sense, lock in a joint approach with the states and the Commonwealth.<sup>43</sup>

- 4.48 The three departments provided more detailed information about their implementation of the ANAO's recommendation in response to written questions from the Committee.
- 4.49 DoHA advised that its Office for Aboriginal and Torres Strait Islander Health (OATSIH) had introduced multi-year funding agreements, 'reducing the reporting burden and red tape associated with funds administration'. The OATSIH multi-year funding agreements were now available to around 80 per cent of OATSIH-funded organisations, and the agreement was being used to administer funding from other areas of DoHA. The department was also introducing a 'multi-year, multi-program' funding agreement to 'allow all organisations to operate under one agreement for all their funding'.<sup>44</sup>
- 4.50 In their joint response, FaHCSIA and DEEWR pointed to the incoming Remote Jobs and Communities Program, a \$1.5 billion program which will provide employment and participation services and community development in remote Australia. The program will provide five-year funding agreements, with options for further extensions of up to five years, giving 'greater certainty to providers and communities'. There would be a single service provider offering a 'single, local point of contact' in each of 59 remote regions.<sup>45</sup> At a public hearing, DEEWR explained that the five year agreements were:
- ... longer that we have traditionally offered for employment services funding in DEEWR, and we often have project based funding. So there would be an assurance to those organisations that, so long as they are achieving outcomes and working with their communities and job seekers and towards the goals of the

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43 Mr Dillon, *Committee Hansard*, Canberra, 6 February 2013, p. 4.

44 DoHA, *Submission 7*, p. [1].

45 FaHCSIA and DEEWR, *Submission 8*, pp. 1-2.

Remote Jobs in Communities Program, they have a sustainable period in which to operate.<sup>46</sup>

- 4.51 Other examples referred to by FaHCSIA and DEEWR of initiatives in which longer term funding or core support have been used included:
- the ten year investment timeframe for the Stronger futures in the Northern Territory package, in which agencies were ‘looking to develop multi-year funding agreements with providers’;
  - providing core support, for example, through the National Partnership Agreement on Early Childhood Education administered by DEEWR;
  - a proposed new national school funding model under the National Plan for School Improvement, which would ‘support improvements in policy areas that are critical to the closing the gap reform agenda such as lifting teacher quality and providing more information for parents’; and
  - funding to the Supply Nation program to link Indigenous businesses with major contract opportunities.<sup>47</sup>

## Reporting and compliance burdens

- 4.52 The ANAO found that the extent of administration associated with individual funding agreements can create a high administration load for organisations, limiting their ability to use existing capacity to actually deliver programs and services.<sup>48</sup> It concluded that while more comprehensive reporting was often used by departments as a mitigation strategy to address internal capacity risks, the ability of an organisation to comply with reporting requirements was itself a common risk. Noting that such mitigation strategies can divert resources away from service delivery, the ANAO recommended that departments:

... take a more strategic approach to risk management that gives greater consideration to the broader operating environment, and balances compliance requirements with the actual level of risk and the achievement of outcomes.<sup>49</sup>

- 4.53 The National Congress of Australia’s First Peoples endorsed the ANAO’s findings, noting that they reflected the experience of its member

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46 Ms Marsha Milliken, Acting Deputy Secretary, Early Childhood, Working Age and Indigenous Participation, DEEWR, *Committee Hansard*, Canberra, 13 March 2013, p. 3.

47 FaHCSIA and DEEWR, *Submission 8*, pp. 2–3.

48 ANAO Audit Report No.26 2011–12, p. 20.

49 ANAO Audit Report No.26 2011–12, pp. 83–84.

organisations and that its Policy Platform states that it 'will work with the Government to cut red tape from all stages of funding processes'.<sup>50</sup>

- 4.54 At one of the Committee's public hearings, DEEWR, in relation to the Remote Jobs and Communities Program, acknowledged that 'we need to look at the obligations that government imposes on providers and the proportionality of reporting and the way we manage risk'. It said that it was 'conscious of and thinking about' how it could do better in this area.<sup>51</sup>
- 4.55 In its joint written response to questions from the Committee, FaHCSIA said it had been implementing broad administrative reforms to 'streamline administrative requirements for grant programs and ensure that only essential information is collected'. These reforms included introducing (in 2009):
- a Common Business Model for Grants Management, which applied a risk-based approach to grant administration resulting in a reduced level of monitoring, reporting and acquittal requirements for most funding recipients as a result of their 'low' risk ratings; and
  - Standard Terms and Conditions for Funding Agreements.<sup>52</sup>
- 4.56 FaHCSIA informed the Committee that it had been 'proactive in recent years' strengthening its Program Risk Framework. This included in 2011 bringing together previously separate processes, tools and templates into a single Service Delivery Monitoring Tool to give performance and risk ratings to all of FaHCSIA's funded activities. Additionally, in 2012, a department-wide Risk Maturity Strategy was implemented to 'further embed a culture of risk management across all areas of the Department's operations'.<sup>53</sup>

## Current capacity building initiatives

- 4.57 Through public hearings and responses to questions on notice, the three departments informed the Committee of a range of initiatives currently underway to help build the internal capacity of Indigenous organisations to delivery services and programs.
- 4.58 At the Committee's hearing on 6 February 2013, FaHCSIA said that capacity building had been built into the program design of the incoming Remote Communities and Jobs Program. This was in the form of around

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50 National Congress of Australia's First Peoples, *Submission 3*, p. 5.

51 Ms Wood, *Committee Hansard*, Canberra, 13 March 2013, p. 3.

52 FaHCSIA and DEEWR, *Submission 8*, p. 2. See also FaHCSIA's response to the ANAO's Recommendation No.1, which summarises these two reforms, in ANAO Audit Report No.26 2011-12, pp. 65-66.

53 FaHCSIA and DEEWR, *Submission 8*, p. 2.

\$10 million being allocated to build capacity within organisations during the lead up to the rollout, in addition to ‘local knowledge’ being one of the criteria used to select providers:

... we have deliberately built into the planning for this program a brokering role as we go forward in selecting so that existing job service providers or disability employment service providers might form a partnership with a local organisation so that we get the best combination of both local knowledge, Indigenous sensitivity, if you like, and capacity to deliver for what is a mainstream program.<sup>54</sup>

4.59 During the Committee’s second public hearing on 13 March 2013, DEEWR provided more information on capacity building activities built into the Remote Communities and Jobs Program. Capacity strengthening began at the application and expression of interest phases, and would extend throughout the transition in to the new program on 1 July 2013:

During the assessment phase we have got the capacity to work with applicant organisations to develop their capability and once we have successful organisations identify, through our experience of those organisations and also through the selection process, areas where they need capacity development and to work with them in the lead up to 1 July, not only training them in the nuts and bolts of the program itself – because it is a new program – but also about their governance, their frameworks and how they will operate as an organisation. We are also adopting a more supportive approach in agreement management with the organisations from 1 July. So we will be working with them to develop their organisations as well as to develop the delivery of the program.<sup>55</sup>

4.60 Many of the capacity-building activities identified by the three departments focused on the internal corporate governance of Indigenous organisations. For example, at a public hearing DoHA told the Committee that it was funding the National Aboriginal Community Controlled Health Organisation to develop a program of capacity building and governance improvement in its sector, of which a key feature was the establishment of a sector governance network. The network’s focus was on ‘how to improve the capacity within their own organisations and on the development and promotion of national principles and guidelines for

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54 Mr Dillon, *Committee Hansard*, Canberra, 6 February 2013, p. 10.

55 Ms Milliken, *Committee Hansard*, Canberra, 13 March 2013, p. 3.

good governance training and development' and providing expert support services for members:

They have established a governance member support function in each of the affiliates – they are staff who are dedicated to actually providing advice to the Aboriginal community controlled organisations in each location so that they can be supported through business advice and general advice from the national body and from each state affiliate.<sup>56</sup>

- 4.61 FaHCSIA told the Committee that its Office of the Register of Indigenous Corporations provided a 'whole suite' of assistance to organisations incorporated under the *Corporations (Aboriginal and Torres Strait Islander) Act 2006*. This included training programs, assistance to directors of organisations, provision of materials to boards, and one-on-one work with particular organisations on a risk basis.<sup>57</sup> Internal FaHCSIA policy was to encourage Indigenous organisations to incorporate under the *Corporations (Aboriginal and Torres Strait Islander) Act 2006* or the *Corporations Act 2001*, if they were not already so incorporated.<sup>58</sup>
- 4.62 FaHCSIA also said that it was encouraging its major service providers to consider the appointment of independent directors in order for them to be able to contribute their specific governance skills to the directorship of Indigenous organisations.<sup>59</sup>
- 4.63 Another initiative being led by FaHCSIA was the development of the COAG National Indigenous Governance and Leadership Framework. The Framework would be a guide for the Federal and state and territory governments in implementing the National Indigenous Reform Agreement 'Governance and Leadership' Building Block, and 'increase the focus on governance and leadership' for policies and programs across the other Building Blocks. It would aim to 'facilitate, support and enable good leadership and governance practice in Aboriginal and Torres Strait Islander peoples, organisations and communities' by building on existing good practice.<sup>60</sup>
- 4.64 Other governance-related issues were also raised in the submissions received from the National Congress of Australia's First Peoples and the Aboriginal and Torres Strait Islander Social Justice Commissioner, primarily relating to participation of Indigenous people and their
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56 Ms Palmer, *Committee Hansard*, Canberra, 13 March 2013, p. 5. Further information on this initiative was provided in DoHA, *Submission 7*, p. [2].

57 Mr Dillon, *Committee Hansard*, Canberra, 13 March 2013, p. 5.

58 FaHCSIA and DEEWR, *Submission 8*, p. 5.

59 Mr Dillon, *Committee Hansard*, Canberra, 13 March 2013, p. 6.

60 FaHCSIA, *Submission 8*, p. 6.

representatives in government decision-making.<sup>61</sup> These issues were discussed in Chapter 2 on Australian Government Coordination for Indigenous Programs.

4.65 Other internal capacity building activities identified by the three departments in evidence provided to the Committee included:

- Providing assistance to Indigenous organisations for effective business planning and budgeting (FaHCSIA).<sup>62</sup>
- Consultations with the Australian Charities and Not-for-Profits Commissions to ensure its activities are aligned with the Government's broader not-for-profit reform agenda, including contributing to a range of working groups examining regulation, streamlining grant arrangements and performance reporting (FaHCSIA).<sup>63</sup>
- A Job Services Australia Indigenous mentoring pilot, in which providers are funded to deliver culturally appropriate mentoring support for Indigenous workers (DEEWR).<sup>64</sup>
- The provision of professional support to staff of early childhood services through Professional Support Coordinators and Indigenous Support Units, supporting staff to improve their qualifications, through the Budget Based Funded Quality Measure (DEEWR).<sup>65</sup>
- The Remote Indigenous Professional Development Project, which supports the delivery of early childhood education practice for early childhood educators in remote Indigenous communities for whom English is a second or third language (DEEWR).<sup>66</sup>
- The Establishing Quality Health Standards–Continuation measure, which 'supports eligible organisations to achieve clinical and organisational accreditation under mainstream standards relevant in the Australian healthcare environment' (DoHA).<sup>67</sup>
- Other DoHA projects which have a capacity building component, including the Expanding Health Service Delivery Initiative in the Northern Territory.<sup>68</sup>

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61 Aboriginal and Torres Strait Islander Social Justice Commissioner, *Submission 4*; and National Congress of Australia's First Peoples *Submissions 3*.

62 FaHCSIA and DEEWR, *Submission 8*, p. 5.

63 FaHCSIA and DEEWR, *Submission 8*, pp. 5–6.

64 FaHCSIA and DEEWR, *Submission 8*, p. 4.

65 FaHCSIA and DEEWR, *Submission 8*, pp. 5–6.

66 FaHCSIA and DEEWR, *Submission 8*, pp. 5–6.

67 DoHA, *Submission 7*, p. [2].

68 DoHA, *Submission 7*, p. [2–3].

- Funding to NACCHO and its state and territory affiliates to provide support and capacity building to Indigenous health services (DoHA).<sup>69</sup>

## A whole-of-government capacity development strategy

4.66 The ANAO's audit report observed that none of the audited departments had an overarching policy which drew together their capacity development efforts or provided guidance to staff implementing the capacity development activities. Similarly, there was no overarching whole-of-government strategy for implementing capacity development. The ANAO concluded that:

... in the absence of an overall strategy, the impact of individual initiatives within programs is likely to be limited, and may lead to duplication in implementation or a piecemeal approach.<sup>70</sup>

4.67 The ANAO recommended that FaHCSIA, through the Executive Coordination Forum on Indigenous Affairs (ECFIA), facilitate the development of a whole-of-government capacity development strategy and implementation approach. The recommendation was agreed to by FaHCSIA.<sup>71</sup>

4.68 At the public hearing on 13 March 2013, the Committee asked FaHCSIA whether a whole-of-government strategy was in place yet, noting that it had been more than 12 months since the ANAO's report had been released. FaHCSIA indicated that it had been 'instrumental' in ensuring that capacity building was an 'integral part' of major cross-agency initiatives such as Stronger Futures in the Northern Territory and the Remote Jobs and Communities Program, and that it was using ECFIA to drive such initiatives:

... there is a strong push underpinning all these major initiatives and if next year there is another major initiative, FaHCSIA will be there with our shoulder to the wheel pushing the same issue.<sup>72</sup>

4.69 Asked to confirm 'yes or no' whether its ongoing work through ECFIA constituted its response to the ANAO's recommendation for a whole-of-government strategy, FaHCSIA responded affirmatively. It explained:

Is there a pamphlet out there that says: 'Strategy on capacity development'? The answer is no. Is there a strong drive across

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69 DoHA, *Submission 7*, p. [3].

70 ANAO Audit Report No.26 2011-12, p. 21.

71 ANAO Audit Report No.26 2011-12, pp. 102-103.

72 Mr Dillon, *Committee Hansard*, Canberra, 13 March 2013, p. 7.



government, led by FaHCSIA, to improve the focus on capacity development? The answer is yes.<sup>73</sup>

- 4.70 Despite this response, after the hearing, in response to a question on notice about the capacity development initiatives currently underway, FaHCSIA indicated that it was 'already engaged in a range of activities which will inform a whole-of government capacity building strategy'.<sup>74</sup>
- 4.71 FaHCSIA provided more information to the Committee in its response to a question on notice about progress being made towards an overarching capacity development framework. It described how the COAG National Indigenous Governance and Leadership Framework (briefly discussed above), led by FaHCSIA, was being developed in consultation with Indigenous leaders, state and territory governments and across the Commonwealth, and was due to be considered at the next meeting of the COAG Working group for Indigenous Affairs. FaHCSIA noted that while the Framework would be based on the Service Delivery Principles of the National Indigenous Reform Agenda, it would also include two additional principles relating to capacity building and a 'strengths-based approach'. Recommendations were being developed for actions to achieve the Framework's outcomes commencing in 2013-14.<sup>75</sup>
- 4.72 In regard to the development of a strategy to support capacity development across agencies, FaHCSIA added that a range of activities and reforms had been identified which would inform the strategy, including:
- On the ground activities, such as awareness raising and business planning guidance;
  - Structural actions, such as a modified new policy proposal template requiring capacity risks to be addressed;
  - Governance related activities, such as encouraging Indigenous organisations to incorporate under the *Corporations (Aboriginal and Torres Strait Islander) Act 2006*;
  - Additional support to peak bodies to build the capacity of their member organisations; and
  - Sector-specific actions, for sectors such as health, education, aged care and early childhood.<sup>76</sup>

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73 Mr Dillon, *Committee Hansard*, Canberra, 13 March 2013, p. 6.

74 FaHCSIA and DEEWR, *Submission 8*, p. 4.

75 FaHCSIA, *Submission 8*, pp. 6-7.

76 FaHCSIA, *Submission 8*, p. 7.

## Committee comment

- 4.73 The Committee welcomes the audit report and endorses the ANAO's findings.
- 4.74 The evidence from all participants in the Committee's review indicates that capacity development in Indigenous organisations is a critical issue for improving outcomes on the ground, particularly in remote communities. The large amount of funding, both in real terms and as a proportion of total Australian Government Indigenous Expenditure, necessitates concerted efforts to ensure that everything possible is being done to remove barriers to Indigenous organisations being as effective as they need to be in delivering services and programs.
- 4.75 It is clear that there is a lot of valuable action underway and the issue of capacity development is being taken seriously. For example, the departments demonstrated an increased awareness of the need for longer term funding partnerships with service providers and noted a range of instances in which they were being used. However, more than one year after the release of the ANAO report, the capacity development efforts by departments still appear relatively patchy and varied in their focus.
- 4.76 The Remote Jobs and Communities Program, which was noted extensively in the evidence from FaHCSIA and DEEWR, appears to be a good model for future initiatives. The program's focus on longer term partnerships associated with longer term funding, consolidation of previously separate programs, and support for the internal capacity of service provider organisations being built into the package all point to capacity building having been incorporated right throughout the initiative. However, the Committee shares the concern expressed in the ANAO's report that the good efforts being made in programs such as the Remote Jobs and Communities Program may not be repeated in other programs and may not be sustained into the future in the absence of a stronger framework to support them.

## The need for a shift in focus

- 4.77 A point that was made in the audit report, and was also observed by the Committee in the evidence it received, is that the departments' activities still seem to be primarily focused on addressing internal capacity constraints within Indigenous organisations, without necessarily addressing external constraints that are within the scope of government to influence. This was evidenced in the departments' responses to questions about their capacity initiatives currently underway, which were

- overwhelmingly dominated by measures to support capacity within organisations, particularly in relation to corporate governance.
- 4.78 While support for internal capacity of organisations is important, and the departments should be commended for their efforts, an overemphasis on these factors creates a risk that agencies will not address the external drags on organisational capacity that may be within their ability to address – or worse, could even contribute to those factors. For example, the ANAO report noted that some departmental efforts to mitigate internal capacity risks, such as through increased reporting and monitoring, can actually negatively impact service provider capacity overall by diverting resources away from actual service delivery.
- 4.79 Closing the Gap is a big policy challenge, and will require risks to be taken in order to achieve results. The Commonwealth Financial Accountability Review currently underway calls for better engagement with risk in the public service, working towards a 'positive risk culture'. The Committee sympathises with the difficult position of public servants in balancing the need to ensure compliance against the burdens that some compliance activities can place on service providers. However, in the context of Indigenous service delivery, a positive risk culture means agencies (and indeed ministers and the Parliament) need to be willing to accept increased levels of risk, such as by reducing reporting requirements for Indigenous organisations, as a trade-off for greater overall outcomes.
- 4.80 Capacity *within government* was identified by non-government inquiry participants as an issue needing more attention, particularly in regards to cultural awareness. The Committee was pleased to hear that there were some initiatives within the three departments to address this issue, and suggests that efforts to improve cultural awareness and Indigenous representation in the Australian Public Service must increase and be sustained if the issues are to be overcome.
- 4.81 Many of the current capacity-building activities listed by the departments centred on the provision of training, support and advice. This approach is critical. However, the Committee notes the ANAO's warning that, while there is a place for training to help support the internal capacity of organisations, it is unlikely to be enough on its own. These type of activities do not address other internal influences on capacity such as access to infrastructure and resources.<sup>77</sup>
- 4.82 The evidence suggests that cultural change may be needed within departments to move towards a greater focus on improving the enabling environment within which Indigenous organisations operate.

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77 ANAO Audit Report No.26 2011-12, p. 98.

Demonstrating this, 'governance' was raised as a capacity issue by most inquiry participants. However, while the departments talked about providing assistance for the internal governance of organisations, the external inquiry participants had a much broader perspective, talking about reforms to the governance of the programs themselves. This suggests a shift in focus may be needed within departments.

- 4.83 At a broader level, the ANAO identified that the high number of distinct Indigenous programs and subsequent funding agreements creates administrative burdens that contribute to service provider capacity constraints. The Committee was pleased to learn that progress has been made in consolidating Indigenous programs, both in response to the *Strategic Review of Indigenous Expenditure* and separately, and compliments the departments on these reforms. The Committee encourages this type of rationalisation to continue and advocates for the overall impacts on the service delivery environment to be considered before any new separate programs are created in the future.

## A whole-of-government strategy

- 4.84 At the public hearing, FaHCSIA pointed to the work of the Executive Coordination Forum on Indigenous Affairs along with some particular initiatives as evidence of its new focus on capacity; but it did not appear that the ANAO's recommendation for a whole-of-government strategy was being implemented in any explicit manner. The Committee considers that an explicit, written strategy would provide the clear and consistent guidance across departments that is needed to improve support for service provider capacity, and would be a worthwhile exercise of FaHCSIA's lead agency role. Indeed, the presence of such an explicit strategy could provide FaHCSIA with some additional leverage to drive improvements across departments, the need for which was discussed earlier in this report (see Chapter 2).
- 4.85 Interestingly, although somewhat confusing the matter, FaHCSIA's written response to questions taken on notice at the hearing implied that a written whole-of-government strategy *was* being developed, and that it would be informed by a range of activities underway and reforms that have been identified. The Committee understands that the strategy will be associated with the COAG National Indigenous Governance and Leadership Framework, which will have a strong focus on supporting capacity development. The Framework will provide FaHCSIA with an excellent opportunity to develop an explicit capacity development strategy for implementation across Commonwealth agencies.

- 4.86 Although it is unclear why the work underway towards developing a whole-of-government strategy was not able to be presented at the public hearing, the Committee is pleased to hear that work does appear to be in progress, and looks forward to seeing the outcome. To emphasise the Auditor-General's findings, the Committee suggests that it will be important for such a strategy to address not only internal capacity issues such as corporate governance, but also external influences on capacity that are within the ability of government to influence, such as reporting requirements. It is also important that the strategy address the issue of capacity within government itself.

### **Recommendation 5**

**The Committee recommends that FaHCSIA lead the development of an explicit whole-of-government strategy for capacity development in order to provide guidance across departments on the Government's role in supporting capacity development in Indigenous organisations. The strategy should take into account both internal and external influences on the capacity of organisations, and also provide guidance on building the capacity of government agencies working with Indigenous organisations.**

Rob Oakeshott MP  
Chair  
May 2013





## Appendix A – Submissions

1. Australian National Audit Office
2. Department of Families, Housing, Community Services and Indigenous Affairs
3. National Congress of Australia's First Peoples
4. Aboriginal and Torres Strait Islander Social Justice Commissioner
5. Australian National Audit Office
6. Department of Education, Employment and Workplace Relations
7. Department of Health and Ageing
8. Department of Families, Housing, Community Services and Indigenous Affairs and Department of Education, Employment and Workplace Relations







## Appendix B – Public Hearings

**Wednesday, 6 February 2013 – Canberra**

**Australian National Audit Office**

Mr Ian McPhee, Auditor-General

Dr Andrew Pope, Group Executive Director

**Department of Families, Housing, Community Services and Indigenous Affairs**

Mr Michael Dillon, Deputy Secretary

Major General Dave Chalmers, Group Manager, Indigenous Coordination

Ms Lisa Croft, Branch Manager, Remote Service Delivery

Ms Michelle Kinnane, Branch Manager, Indigenous Commonwealth State Relations Support

**Office of the Coordinator General for Remote Indigenous Services**

Mr Brian Gleeson, Coordinator General

**Wednesday, 13 March 2013 – Canberra**

**Australian National Audit Office**

Mr Ian McPhee, Auditor-General

Dr Andrew Pope, Group Executive Director

**Department of Families, Housing, Community Services and Indigenous Affairs**

Mr Michael Dillon, Deputy Secretary

Ms Michelle Kinnane, Branch Manager, Indigenous Commonwealth State Relations Support

**Department of Education, Employment and Workplace Relations**

Ms Marsha Milliken, Acting Deputy Secretary, Early Childhood, Working Age and Indigenous Participation

Ms Jo Wood, Group Manager, Indigenous Economic Strategy Group

**Department of Health and Ageing**

Ms Samantha Palmer, First Assistant Secretary, Office for Aboriginal and Torres Strait Islander Health

Mr Garry Fisk, Assistant Secretary, Office for Aboriginal and Torres Strait Islander Health

**Wednesday, 20 March 2013 – Canberra**

**COAG Reform Council**

Ms Mary Ann O'Loughlin, Executive Councillor