



**REVIEW OF AUDITOR-GENERAL'S
AUDIT REPORT NO. 6, 1995-96
PERFORMANCE AUDIT**

**COMMUNITY DEVELOPMENT
EMPLOYMENT PROJECTS SCHEME
ABORIGINAL AND TORRES STRAIT
ISLANDER COMMISSION**

**HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON ABORIGINAL &
TORRES STRAIT ISLANDER AFFAIRS
DECEMBER 1996**

The Parliament of the Commonwealth of Australia

**Review of Auditor-General's
Audit Report No. 6, 1995-96**

Community Development Employment Project Scheme

Aboriginal and Torres Strait Islander Commission

House of Representatives Standing Committee
on Aboriginal and Torres Strait Islander Affairs

December 1996

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Foreword

The Committee is pleased to present the report of its review of Audit Report No. 6 of 1995–96, on ATSIC's Community Development Employment Projects Scheme.

The history of the CDEP is touched on in the report, but I would like to highlight the fact that the scheme is now twenty years old. It has been of great value to many indigenous communities and to many individuals within the communities. We believe that the benefits of the scheme are multi-faceted. It cannot be evaluated purely from an economic standpoint. It must be assessed as a tool in the maintenance of Aboriginal and Torres Strait Islander culture as it permits people to maintain communities which in economic terms might be unsustainable.

It is because the CDEP Scheme is so important to indigenous communities that all those concerned with government and public administration have a duty to ensure the scheme, and the communities which depend on it, prosper and develop. The role of Australian National Audit Office performance audits is vital to the continuing strength of the CDEP Scheme. These audits have played an important part in helping the scheme to meet the changing demands of its participants.

The Committee's report on the ANAO report, must, to some extent, be tentative. This is because Audit Report No. 6 is the first phase of a two phase project. Phase Two of the Audit is expected to be tabled in February 1997. The Committee will then have an opportunity to review the audit in its entirety.

We are grateful to the support ATSIC and the ANAO have given to the Committee's review of Audit Report No. 6 of 1995–96. Officers from the Office of Evaluation and Audit and the Central, Queensland State and Cairns Regional Officers have provided detailed written and oral evidence to the inquiry. The support given by the ANAO officers involved in the audit has been first rate as ever. We thank them all.

Lou Lieberman MP
Chairman

December 1996

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List of Committee Recommendations

Recommendation 1

The Committee recommends that the Office of Evaluation and Audit conduct an impact study on the effectiveness of the devolution process be scheduled for the 1997-98 financial year. (p. 24)

Recommendation 2

The Committee recommends that the results of evaluations and audits be distributed without delay to all levels of the ATSIC administration to allow for the earliest adoption of the findings. (p. 26)

Recommendation 3

The Committee recommends that ATSIC undertake an analysis of the benefits to Aboriginal and Torres Strait Islander communities who participate on CDEP Schemes with a view to showing the linkages between the objectives set by communities, the strategies to implement these objectives and the outcomes. (p. 30)

Recommendation 4

The Committee recommends that an evaluation of the effectiveness of training initiatives and programs be undertaken by ATSIC to ensure that they are reaching the target audience. (p. 39)

Recommendation 5

The Committee recommends that ATSIC adopt the advice of the Audit Office that all material requests and information be made available promptly to each office and not, as it appears to be the case, "when requested". (p. 43)

Recommendation 6

The Committee recommends that a detailed assessment be carried out of the extent to which the Quality Assurance Package is being used in Regional and State Offices of ATSIC, subject to further consideration of the matter in the Phase Two Audit Report. (p. 52)

Recommendation 7

The Committee recommends that ATSIC ensure that examples of good practice, such as the approach taken by the Cairns Regional Office in the monitoring of participant schedules, be distributed widely through all levels of the ATSIC administration. These could then be used as models for other offices and may lead to standard practice. (p. 53)

Recommendation 8

The Committee recommends that ATSIC introduce effective measures to ensure that information provided to them by CDEP organisations be assessed and evaluated and that appropriate and timely feedback be given to organisations on the subsequent findings. (p. 59)

Recommendation 9

The Committee recommends that wherever examples of "best practice" are found, the ANAO bring these to the attention of the relevant sections of the ATSIC administration. (p. 63)

Recommendation 10

The Committee recommends that ATSIIC develop an action plan with target dates to monitor and measure its responses to the recommendations in Audit Report No. 6 of 1995-96. (p. 75)

Chapter 1

Introduction

Background

1.1 During 1995 the Australian National Audit Office (ANAO) undertook phase one of a two phase audit into the efficiency and administrative effectiveness of the operations of the Community Development Employment Projects (CDEP) Scheme. The audit examined the operations of the scheme in the Aboriginal and Torres Strait Islander Commission (ATSIC) Central Office, Queensland State Office and Cairns Regional Office. The findings of the audit are contained in *Audit Report No. 6 1995-96, Community Development Employment Projects Scheme – Aboriginal and Torres Strait Islander Commission*.

1.2 The ANAO commenced Phase Two of the audit in August 1996. It has involved a review of operations in other regional offices. The report on Phase Two is due to be tabled in Parliament in February 1997.

1.3 It is anticipated that the Phase Two report will provide additional information and recommendations on some issues addressed in the Phase One report. For this reason the Committee has decided to defer final conclusions on some issues involved with audit report Phase One. Recommendations made in this report will be revisited if necessary, after the Committee has examined the Phase Two report.

Reference of Matter

1.4 *Audit-Report No. 6 1995-96* was referred to the previous Committee in the 37th Parliament, however the reference lapsed with the dissolution of the House prior to the federal election in March 1996. The new Minister for Aboriginal and Torres Strait Islander Affairs, Senator the Hon John Herron, referred the inquiry to the present Committee on 15 August 1996.

Committee's Objectives

1.5 It is important to note that the basis of the Committee's inquiry was to examine and review the findings of *Audit Report No. 6* and to follow-up the implementation of the recommendations made in that report, rather than to examine and review the CDEP Scheme in its entirety.

1.6 Another aspect of the Committee's inquiry was to examine the conduct and findings of the Auditor-General's efficiency audit with a view to making recommendations about how the audit process could be improved.

1.7 The Committee believes that the ANAO has an important role to play in examining government activity and recommending where efficiencies can be made. This could prove to be significant in relation to the administration of the CDEP Scheme from which benefits flow for the indigenous communities that operate CDEP's.

1.8 The CDEP Scheme itself, is an important one which has many benefits for indigenous people and communities. The Scheme has undergone extensive review over the last few years by a number of agencies. These were summarised in the ANAO's report and are briefly considered in Chapter 3 of this report.

1.9 Auditor-General's reports on ATSIC and various related agencies are generally referred to this Committee by the House for examination and review. The Committee welcomes the practice as it provides an additional mechanism for parliamentary scrutiny of all aspects of the Government's performance of its responsibilities within the Aboriginal and Torres Strait Islander portfolio.

The Audit Objectives

1.10 The audit objective was to examine the efficiency and effectiveness of CDEP operations in ATSIC Regional Offices, highlighting good practices and suggesting improvements where needed. It was planned in two stages:

- Phase I - fieldwork in the Cairns and district Regional Office and a client survey to assess CDEP services provided by ATSIC;
- Phase II - a review of operations in four other Regional Offices, to be conducted if the findings of Phase I justified further investment of ANAO resources in terms of the value of the extended audit.

The Committee's Approach

1.11 In the 37th Parliament the Committee also examined several ANAO reports which related to the CDEP Scheme. Some of the relevant information from these reports is also discussed in this report.

1.12 The Committee was particularly concerned to note that the previous reviews of the Scheme identified common concerns. These included:

- the need for more training for communities and project staff;
- the need for improved planning at each level;

- the need for a review of the CDEP objective and the development of appropriate related performance information;
- the need for improved field servicing;
- the development and use of information technology and management information systems;
- the need for appropriate attention to be given to remedying weaknesses in internal controls and procedures; and
- assessment of the usefulness of current reporting practices.

1.13 The Committee was also concerned that the fieldwork undertaken by the ANAO found that these concerns remain. The ANAO also commented that:

There is minimal value in continually conducting reviews if action is not taken to address key findings which have been raised through successive reviews. While recommendations are made in relation to specific findings in the next chapters, as a general observation the ANAO believes that ATSIC needs to address the concerns raised by these reports.¹

1.14 In considering the matter referred to it, the Committee sought and received responses from three agencies:

- the Aboriginal and Torres Strait Islander Commission;
- the Australian National Audit Office; and
- the Office of Evaluation and Audit (within ATSIC).

¹ *Audit Report No. 6, Community Development Employment Projects Scheme, ATSIC, 1995, p. 13.*

1.15 The Committee conducted three public hearings for the inquiry. They were held in Canberra on 10 & 29 October 1996 and in Cairns on 25 October 1996.

Chapter 2

Information on the Community Development Employment Projects Scheme

Background

2.1 It is useful to outline some of the history, operations and funding of the CDEP Scheme in order to appreciate its complexities and to provide a background to the findings contained in the ANAO audit report. These are detailed below.

2.2 Although the CDEP Scheme is quite straightforward in its aims and objectives it has proved to be a very difficult and complex program to administer. It has also seen considerable growth over the last ten years, as noted by the ANAO and it would be expected that this growth would lead to added pressure on ATSIC to administer the scheme efficiently. The growth of the scheme can be seen in table 1 and graphically in figure 1.

The CDEP Scheme was established as a pilot program for a remote Aboriginal community. The program has grown to include 274 communities with 28,422 participants – 20,737 of those being in remote areas and 7,685 in non-remote areas.² Annual expenditure of the program for 1994-95 was \$292m representing 31 per cent of ATSIC's total program budget for that period.³

2 Aboriginal and Torres Strait Islander Commission, *Annual Report 1995-96*, p. 65.

3 Australian National Audit Office. *Audit Report No. 6.. Community Development Employment Projects Scheme*, AGPS, 1995, p. 1.

TABLE 1
COMMUNITY DEVELOPMENT EMPLOYMENT PROGRAM (CDEP) 1976-77/1994-95

Year	Expenditure (\$m)	Communities Participating	Participants
1976/77	0.1	1	100
1977/78	2.0	10	500
1978/79	2.9	12	800
1979/80	3.8	17	700
1980/81	6.9	18	1300
1981/82	7.0	18	1300
1982/83	7.4	18	1300
1983/84	14.2	32	1700
1984/85	23.5	33	2900
1985/86	27.2	38	4000
1986/87	39.5	63	6000
1987/88	65.5	92	7600
1988/89	98.8	129	10800
1989/90	133.2	166	13800
1990/91	194.1	169	18266
1991/92	204.5	185	20000
1992/93	235.8	217	22496
1993/94	246.5	239	24079
1994	292.4	240	25525

Sources: Altman, J.C. & W. Sanders, "The CDEP Scheme: Administrative & Policy Issues" CAEPR Discussion Paper No. 5, 1991.
 ATSiC, Review of the AEDP, 1994.
 Budget Statements, Budget Paper No.1, 1993-94, 1994-95.

Source: N Verrucci, "The Community Employment Development Scheme: Real Employment or Disguised Welfare", *Economic Papers*, v. 14 (4) Dec. 1995.

CDEP PARTICIPANT GROWTH 1977 - 1996

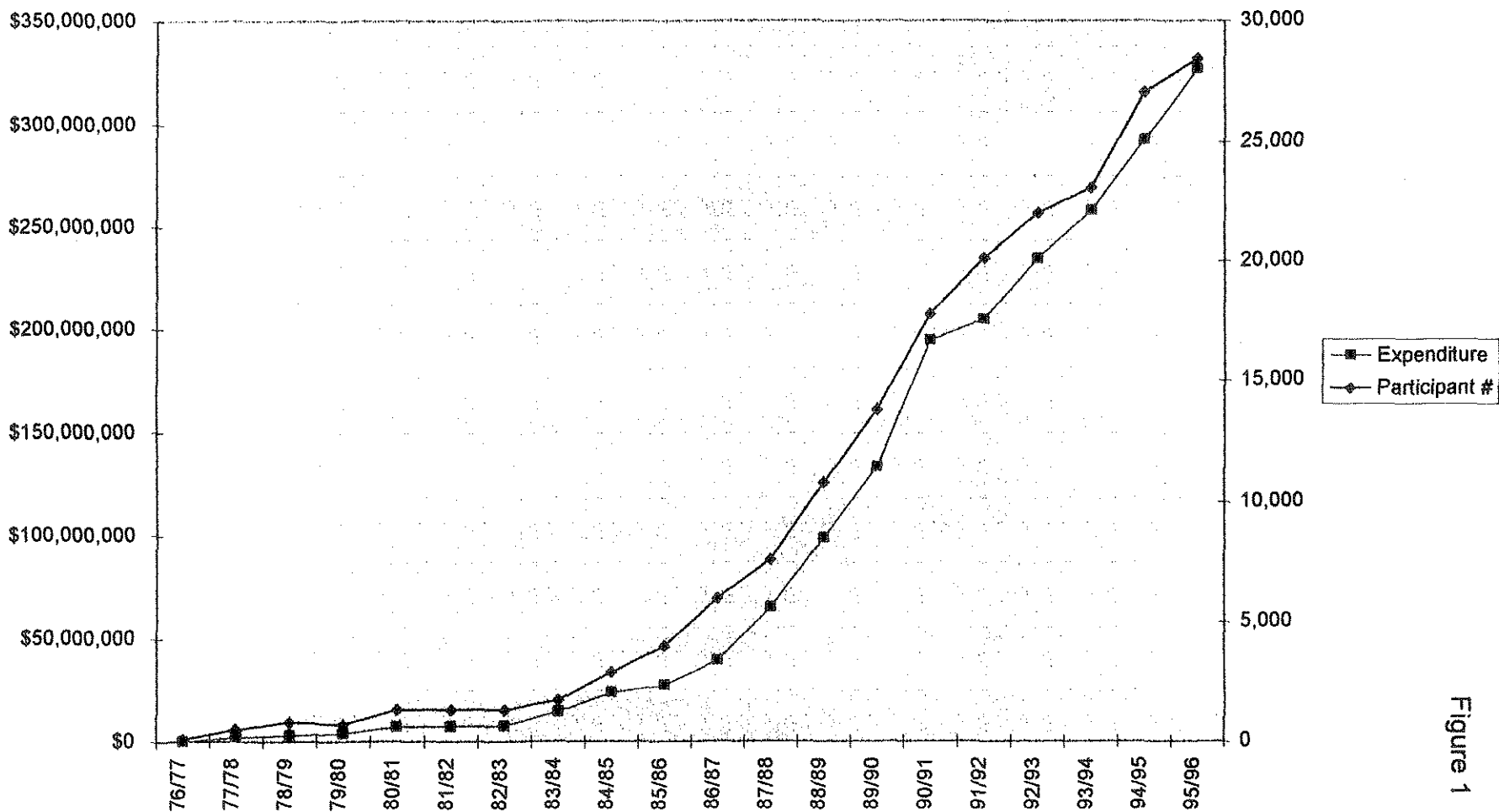


Figure 1

2.3 This increased to approximately \$330 m in 1995-96. ATSIIC reported that 63 per cent of this can be offset against potential Department of Social Security expenditure.⁴

Description

2.4 The objective of the CDEP Scheme is to create a range of employment opportunities for Aboriginal and Torres Strait Islander people in locations where there are no, or limited, alternative employment prospects. It is a scheme which offers work opportunities for Aboriginal and Torres Strait Islander people in a wide range of community projects and enterprises.

2.5 The CDEP Scheme provides communities, or interest groups within communities, with the means to undertake community development activities designed and valued by the community or group. It also involves employment for community members. The scheme provides Aboriginal and Torres Strait Islander Communities with the opportunity to aspire to and pursue their community goals. The aims of the scheme include self-management; the acquisition of work skills and the scope to contribute to improving the economy, facilities and infrastructure within the community.

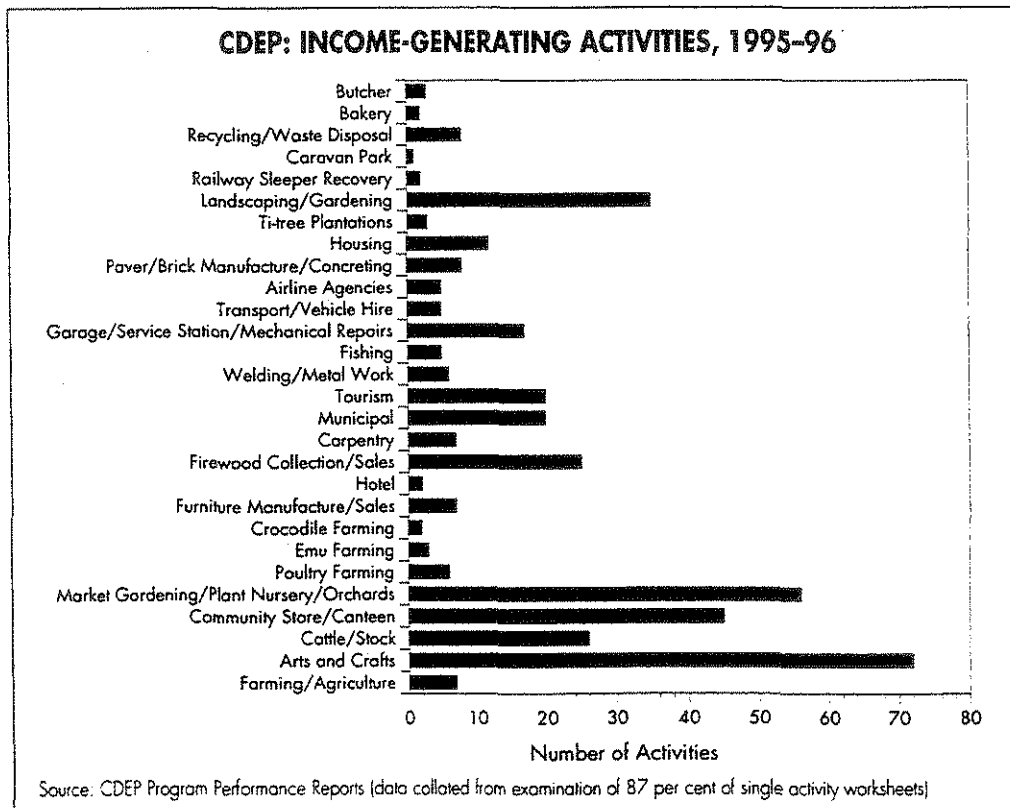
2.6 Unemployed members of the community forgo their entitlement to unemployment benefits and undertake productive activity in return for a wage at least equivalent to unemployment benefits. Most participants work between 15 and 20 hours per week on projects that directly benefit the community.

2.7 Communities decide on their own programs which include activities such as:

4 Aboriginal and Torres Strait Islander Commission, *Annual Report 1995-96*, p. 65.

- housing construction and maintenance;
- road maintenance;
- art and cultural pursuits;
- horticultural enterprises.
- tourism ventures; and
- municipal services.

2.8 A list of income generating activities is shown in table 2 and demonstrates the diversity in the nature of CDEP Schemes.



2.9 As stated earlier the Committee believes that the CDEP Scheme is an important scheme that provides indigenous communities with much needed employment and income generating opportunities. In addition, the scheme also offers unique social and cultural benefits for communities. Some of these benefits have been outlined by ATSIC.

Communities around Australia see many benefits in CDEP. For individuals, it can provide a transition to work and access to flexible training programs. It matches activities to individual aspirations and needs. It helps to establish cultural identity. For communities, it helps build corporate self-esteem and self-confidence by providing mutual support; it provides role models; it assists empowerment by generating a sense of community ownership and control. It builds a sense of pride in self and in the Aboriginal community by demonstrating a working Aboriginal organisation.

In many communities CDEP is the major source of employment for indigenous people and is used as a vehicle for the provision of community infrastructure and the delivery of services such as health, training and education.

CDEP is a major source of support for the establishment and consolidation of outstation or homeland centres that have been a significant factor in redressing social problems and strengthening traditional cultural practices.⁵

History of CDEP

2.10 The Federal Government originally introduced the scheme in 1977 to a remote Aboriginal community following community requests and as a community response to the unemployment problem which is common in remote areas. CDEP proved to be a popular scheme with Aboriginal people but severe administrative and budgetary restraints inhibited its expansion until 1986-87, when the government introduced the Aboriginal Employment

5 ATSIC *Annual Report 1995-96*, p. 66.

Development Policy. That policy saw the scheme grow and extend to 18,000 participants in 169 Aboriginal communities by 1992.⁶

2.11 Between 1986 and 1991 CDEP accounted for 60 per cent of new employment opportunities for Aboriginal and Torres Strait Islander people. The Royal Commission into Aboriginal Deaths in Custody strongly supported the scheme and the government's response to its recommendations promised a further expansion of CDEP.⁷ In 1994, the former government's White Paper, *Working Nation*, stated that approximately \$80m would be provided to ATSIC over four years for the scheme's expansion. By 1995 the number of participants in the scheme had risen to 27,041 in 252 Aboriginal and Torres Strait Islander communities in remote, rural and urban areas.⁸

CDEP Funding

2.12 As discussed above the Scheme is funded through ATSIC and is its single largest program with an expenditure of \$330m in 1995-96, representing 31 per cent of ATSIC's total budget for that period. Expenditure on the scheme increased by \$35 million over 1993-94.⁹

2.13 In examining the cost of the Scheme, consideration must be given to the fact that if CDEP were abolished, participants would otherwise receive

6 Australian Institute of Aboriginal and Torres Strait Islander Studies, *The Encyclopaedia of Aboriginal Australia*, Aboriginal Studies Press, 1994, pp. 184-185.

7 *Implementation of the Commonwealth Government Responses to the Recommendations of the Royal Commission into Aboriginal Deaths in Custody, Annual Report 1994-1995*, p. 614.

8 ATSIC, *Annual Report 1994-95*, p. 70.

9 ATSIC, *Annual Report, 1994-95*, p. 66.

social security entitlements. Consequently, 63 per cent of the costs of the CDEP scheme are offset by government benefit programs which would have had to be paid in its absence. [see 2.3 above]

2.14 The Department of Finance provided the Committee with a description of how the Scheme is funded.

Funding for CDEP is appropriated to both ATSIC and the TSRA in the Budget separately from operating expenses. Each year the CDEP allocation is adjusted in respect of any carryovers (in the 1996-97 budget ATSIC underspent CDEP by \$19m and TSRA by \$1m). The appropriation for CDEP in 1996-97 was reduced by \$20m in acknowledgment that \$20m had been carried forward from last year. The main reasons for carryovers are projects in suspension, delays in new projects coming on stream and variations in natural growth.

Total funding is a sum of three separate streams:

- wages - at least the equivalent to NSA entitlements;
- administration - calculated at 20% of wages; and
- capital - currently calculated at \$1278 per participant per annum.

Wages

The funding for wages is meant to be an equivalent to at least what participants would have received under NSA. In August 1990 the previous Government decided to change the method for deriving the CDEP allocation from an aggregation of exact UB entitlements of individuals to a simplified method based on an average payment formula. The Average Per Participant (APP) rate was initially calculated based on a weighted average of remote and non-remote participants from estimates of the age and marital status of existing participants. Where the rate was set an additional 4% premium was added to allow for discrepancies.

The current rates and estimated participant numbers at June 30 1997 are:

APP rate is \$174.98 per week	(30,042 participants)
the remote rate is \$180.17 per week	(20,386 participants)

the non remote rate is \$162.26 per week (9,666 participants)

All participants under the TSRA receive the remote rate.

By comparison average NSA Rate is:

\$279.75 per fortnight (\$139.88 per week) for a meaningful comparison to the CDEP rates this average would need to be adjusted to take account of the large numbers of CDEP participants in remote areas.

About 70% of CDEP participants are in remote areas compared to about 2% of total NSA recipients.

The average Remote Area allowance is close to \$9 per week. This suggests that an estimate of the average NSA rate for comparative purposes would be close to \$145 per week.

Administration

Until the 1996-97 Budget the administration component was calculated at 20% of wages. The 1996-97 Budget decision to cut 12% off the funding to communities with over 150 participants has lowered this proportion to about 19.4%

This component is provided to assist the communities to meet costs such as workers' compensation, insurance, payroll tax, administrative staffing, office accommodation, administrative overheads.

Capital

Capital is calculated at \$1278.44 per participant. As for administration this loading was also cut in 1996-97 Budget by 12% for communities with over 150 participants.

The component provides capital and recurrent funds to assist communities to meet costs that cannot be met from the administration component, such as larger capital items and equipment.

Administration of the CDEP Scheme

2.15 The administration of the CDEP Scheme is undertaken by ATSIC through its Central, State and Regional Offices. The main roles of each part of the organisation are:

- *Central Office* provision of policy development and advice on CDEP;
- *State Offices* regional coordination of the Scheme;
- *Regional Offices* support and advice for Regional Councils and administration of the CDEP Scheme.

2.16 The ANAO's audit addressed the operations of the Scheme in Central Office and Queensland State and Cairns Regional Offices of ATSIC. These will be considered below.

Central Office

2.17 The Central Office of ATSIC has several areas that have some responsibility in relation to the CDEP Scheme. These include the CDEP Section, Grant Administration and Support Section, Information Technology Branch, Regional Support Branch, Office of Evaluation and Audit, Office of Public Affairs and the Staff Development Section.

2.18 The major focus of the audit was the CDEP Section which has the following responsibilities in relation to the Scheme:

- provides policy advice and reports to the Executive and Board on issues which have an impact on the delivery and effectiveness of the CDEP Scheme;

- develops and reviews new procedures in relation to the CDEP Scheme;
- provides support to State and Regional Offices; and
- promotes the role of the State Offices as the first point of reference for Regional Office staff on CDEP issues.¹⁰

State Office

2.19 The role of the State Office in relation to the CDEP Scheme was outlined at the Queensland State Office conference in July 1995 as follows: to

- support the regions in reviews, spot checks and other issues as requested;
- monitor participant numbers and emerging policy and administration issues;
- liaise with other agencies such as the Department of Social Security and the Department of Employment, Education and Training;
- pursue resolutions to State wide issues;
- facilitate the organisation of State conferences and training;
- report to Central Office and Regional Offices on the above; and
- act as the principal point of contact for Central and Regional correspondence and inquiries.¹¹

¹⁰ ANAO Audit Report No. 6, p. 14.

¹¹ ANAO Audit Report No. 6, p. 30.

Regional Office

2.20 The Regional Office is at the 'coal face' of the administration of the CDEP Scheme and has the most direct contact with indigenous communities operating CDEPs.

2.21 The ANAO commented in detail on a number of areas within the Cairns Regional Office including the application and assessment process, the maintenance of participant schedules, project monitoring and the monitoring and evaluation mechanisms which form an important part of the project monitoring process.

Reviews of the CDEP Program

2.22 The ANAO also commented in some detail on the number of reviews the CDEP Scheme has undergone in the last few years. These include the following:

- *No Reverse Gear. A National Review of the Community Development Employment Projects Scheme. Report to the Aboriginal and Torres Strait Islander Commission, Deloitte Touche Tohmatsu, 1993;*
- *Review of the AEDP - Aboriginal Employment Development Policy. 1994;*
- *Salary Resources Distribution Review: Towards the year 2000 (Daffen Review). 1994;*

2.23 The most recent review was an internal audit undertaken by KPMG on behalf of the Office of Evaluation and Audit. This was a wide ranging audit and took into consideration the operations of a number of State and Regional Offices and the Central Office of ATSIC.

2.24 The objectives of the OEA audit were to briefly identify the level of compliance with grant procedures and assess the effectiveness, efficiency and economy of operations with which the program is being performed across the organisation.

2.25 In the State and Regional Offices the internal audit noted a number of improvements to existing systems in response to previous audit recommendations and innovations that can be referred to as best practice. There were also several areas identified which still required improvement.

2.26 It is not within the scope of this report to comment in detail on the findings of these reviews and evaluations, however, it should be noted that common findings have been found in these successive reviews.

Chapter 3

Analysis of Audit Report No 6

Background

3.1 This Chapter comments on the findings of the ANAO Audit Report No.6. In brief the Audit Report found many examples of good practice but also identified many areas of CDEP administration in need of improvement in Central, State and Regional Offices. These areas are outlined below:

Central Office

3.2 In summary the Audit found:

- appropriate performance information had not been developed for the CDEP Scheme;
- little analysis of data collected from State and Regional Office was undertaken by Central Office. Analysis and the provision of appropriate feedback forms a critical link in the process of identifying good practice and areas in need of improvement. It would also strengthen the understanding of the need for these reports and their place in the accountability framework throughout all levels of the administration; and
- there were a number of different levels of planning for CDEP and inconsistencies in the use of planning terms. The former Government provided \$16.5m over four years through *Working Nation* for enhancements to the CDEP Scheme, with a central component being

improvements to planning. At the time of the Audit Report, this funding had not been used for the purpose for which it was allocated.¹²

Queensland Office

3.3 At the State Office level there was a need to more clearly define its role and responsibilities regarding the administration of the CDEP Scheme. This definition is particularly important given the devolution of many CDEP responsibilities from Central to State/Regional Offices.¹³

Cairns Regional Office

3.4 The ANAO recognised that the Cairns Regional Office operates in a difficult environment and the Audit Report listed the factors contributing to this situation¹⁴. It has responsibility for two regions, covering nineteen CDEP organisations and 4500 participants. The office also provides support to two Regional Councils, has a high rate of staff turnover and deals with constant changes to procedures, processes and reporting arrangements.

3.5 The ANAO found little evidence that individual projects funded under the CDEP Scheme were being monitored to ensure that they were progressing successfully, in that:

- Periodic Financial Statements and Project Performance Reports were not being analysed;

12 *Audit Report No. 6*, pp. 14-28.

13 *Audit Report No. 6*, pp. 30-34.

14 *Audit Report No. 6*, p. 35.

- field visits to CDEP organisations were not documented. These visits involve substantial resource use and represent an important mechanism for providing assistance to these organisations; and
- major reviews had not been undertaken in line with CDEP Procedures.¹⁵

3.6 The ANAO believed that it is important that analysis is undertaken, documentation kept and reviews conducted to ensure that any problems are identified at an early state and appropriate feedback and assistance provided to communities to improve project outcomes.¹⁶

Overview of the Audit Report

3.7 The ANAO made 16 recommendations in its Audit Report No 6. Eight of these related to Central Office, one to the Queensland State Office and seven to the Cairns Regional Office. It is useful to consider individually the 16 recommendations made by the ANAO and to provide some general comments about the implementation of the each of those recommendations.

3.8 All of the recommendations were agreed to by ATSIC (or at least given qualified support) with the exception of recommendation 8 which relates to the analysis of performance reports. ATSIC considered that the ANAO had misunderstood the mechanisms in place to analyse feedback on projects.

3.9 The recommendations are reproduced below and are collected in Appendix 4. The recommendations are considered in order.

¹⁵ *Audit Report No. 6*, pp. 35-49.

¹⁶ *Audit Report No. 6*, pp. 35-49.

ANAO Recommendation 1

The ANAO recommends that ATSIC undertake an assessment of the impact of the implementation of the recommendations of the "Salary and Resources Distribution Review: Towards the year 2000", undertaken by Peter Daffen, to ensure that:

- Changes in staffing arrangements have led to identified improvements in program administration; and
- it provides a reasonable basis for allocating resources in future years.¹⁷

3.10 This recommendation requires ATSIC to undertake an assessment of the impact of the implementation of the recommendations made in the Daffen Review *Salary and Resources Distribution Review: Towards the Year 2000*¹⁸. This review was discussed briefly in the previous chapter.

Comments on ANAO Recommendation 1

3.11 The Office of Evaluation and Audit, in their submission to the inquiry, noted the following:

If such an assessment is to be made, a good period of time should be allowed for the implementation and consolidation of the devolution process before an impact study is done. An impact study which is conducted too early will not be representative of the desired effects of the devolution exercise as it will pick up many of the teething problems of a complex transitional process. This is exacerbated by the reported lack of consultation and preparedness of CDEP management for the transfer of CDEP from a national to a regional council program.¹⁹

17 *Audit Report No. 6*, p. 9.

18 Daffen P. *Salary Resources Distribution Review: Towards the Year 2000*. 1994

19 *Audit Report No 6*, p. 16.

Committee Conclusions on ANAO Recommendation 1

3.12 The Committee agrees with the views of the Office of Evaluation and Audit. The Committee believes that it is reasonable to expect that after a major shift in resources such as that recommended by the Daffen Review, a detailed assessment be undertaken as recommended by the ANAO. However for this to be a useful review there must be sufficient time allowed for the implementation of these initiatives.

3.13 It was noted by the Queensland State Manager Mr Richard Allmark that the priority for the distribution of resources in Queensland was to the Regional Offices.

The established staffing levels for Queensland under Daffen were 225. We never got beyond 205 staff at any stage. We were never able to fully implement the Daffen report through resource restrictions. Having said that, we did, wherever possible, staff our regional offices, as we feel that is the cutting edge, that is where things happen and that is where our project work is carried out. We staff to the fullest extent possible our regional offices. In terms of the state office, we really have not seen any great advantage in the Daffen reforms. We have kept our state office essentially as it was pre-Daffen. The administration of CDEPs in the state relies on Ms Johnston and one other officer to cope with the newfound responsibilities of 30-odd projects and something like \$72 million. So it is a major exercise.²⁰

3.14 The Committee notes that the implementation of this recommendation will have a long lead time and benefits of its implementation will not be apparent for some time. The implementation of this recommendation will be followed up in detail in the Committee's examination of the phase 2 audit.

²⁰ *Transcript*, p. 24.

Recommendation 1

The Committee recommends that the Office of Evaluation and Audit conduct an impact study on the effectiveness of the devolution process be scheduled for the 1997-98 financial year.

Office of Evaluation and Audit ReportsANAO Recommendation 2

The ANAO recommends that Office of Evaluation and Audit reports be circulated promptly to ensure that sound controls are in place, best practices are disseminated and necessary action is taken promptly; and responses to Office of Evaluation and Audit reviews be provided within the agreed timeframe to confirm that appropriate action has been taken.

Comments on ANAO Recommendation 2

3.15 The Office of Evaluation and Audit (OEA) plays an important role in examining the efficiency of the administration, and the compliance with procedures, at all levels of ATSIC.

3.16 An internal audit of the CDEP Scheme was performed in November and December 1994 by Walter and Turnbull for OEA. The objectives of this audit as listed by the ANAO Audit Report were as follows:

- identify the systems and procedures operating in the designated offices;

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- assess the internal controls operating within the systems identified;
 - determine whether the internal controls applied within the identified systems were adequate;
 - assess the effectiveness, efficiency and economy of operations with which the program is being performed across the organisations;
 - assess the adequacy of systems, procedures, guidelines and training introduced to support the transfer of CDEP on 1 July 1994 from a National Program to Regional Council Budgets;
 - identify and report on areas of good practice;
 - identify and report on areas of innovation, particularly where such innovation may have wider benefit within the Commission;
 - provide comment on the level of adherence to procedures by Commission staff where that adherence impacts on projects for Aboriginal and Torres Strait Islander women; and
 - make recommendations as appropriate.²¹

3.17 A large role of the Office of Evaluation and Audit has been to evaluate and audit the CDEP Scheme. The most recent audit was carried out for the OEA by KPMG Chartered Accountants in February 1996 and released in July 1996. The audit covered the year ended 30 June 1995 as well as the period from 1 July to the date of audit fieldwork.²²

21 *Audit Report No. 6*, p 10

22 Internal Audit Report. Community Development Employment Projects (CDEP). Prepared by KPMG on behalf of the Office of Evaluation and Audit. July 1996

Committee's Conclusion on ANAO Recommendation 2

3.18 The Committee believes that these evaluations and audits are important as they are able to identify areas where improvements to the Scheme can be made for the benefit of all concerned, in particular the organisations that operate CDEP's.

Recommendation 2

The Committee recommends that the results of evaluations and audits be distributed without delay to all levels of the ATSIC administration to allow for the earliest adoption of the findings.

Performance Information

ANAO Recommendation 3

The ANAO recommends that ATSIC develop performance indicators for the CDEP Scheme which clearly establish a link between program objectives, strategies and outcomes.

Comments on ANAO Recommendation 3

3.19 The ANAO was particularly concerned that the performance information being gathered by ATSIC was geared more towards outputs rather than outcomes.²³

23 *Audit Report No. 6*, p. 16.

3.20 In agreeing to this recommendation ATSIIC stated that it has revised the program objectives and performance indicators for 1995-96.²⁴

3.21 ATSIIC's submission to the inquiry stated that the program objectives and performance indicators for 1996/97 had been revised and that compulsory and discretionary performance indicators had been developed. The compulsory indicators were:

- The numbers of communities participating in the Scheme;
- Types and locations of CDEP communities;
- Numbers of individuals participating in the Scheme;
- Types of work/economic development activities undertaken;
- The number of activities that address the needs of women and youth;
- Narrative accounts of benefits gained from participation in CDEP;
- Number of males/females that successfully completed accredited training courses;
- Number of males/females undertaking apprenticeships;
- Number of income generating activities;
- Number of Aboriginal and Torres Strait Islander males/females in project management/administration positions.

3.22 The discretionary performance indicators for 1996-97 were listed as follows:

²⁴ *Audit Report No. 6*, p. 17.

- Type of on the job/non-accredited training provided and number of participants trained (male/female);
- Number of participants employed in providing essential community services, electricity, water supply, parks, gardens, garbage and sanitation services, road maintenance, airport maintenance;
- Number of participants employed in enterprises;
- Number of participants employed in housing construction and/or maintenance;
- Number of participants employed in providing health services;
- Number of participants employed in the tourist industry;
- Number of participants employed in the pastoral industry;
- Number of participants employed in horticulture activities;
- Number and types of contracts being undertaken; and
- Number employed in the arts and crafts industry and/or cultural activities.²⁵

3.23 The revised compulsory performance indicators still clearly focus on outputs while the discretionary indicators take into account some measure of outcomes.

3.24 An indication of the information that could be collected is given by the ATSI Annual Report for 1995-96.

²⁵ ATSI, *Submissions*, pp. S4-5.

Along with providing employment opportunities CDEP can also have wider benefits, including a reduction in crime. A NSW magistrate recently stated in relation to the CDEP scheme:

'...I Admire the great work they are doing. However the benefits to the community and to the State far outweigh the results of the physical work.

As a magistrate...I have noticed a very marked downturn in the number of matters coming before the court. Whereas in years gone by there were over 100 fresh charges each month before the court the figures lately have been approximately 10 or less each month.

I am absolutely convinced that the fact so many persons usually unemployed are now gainfully engaged in work is the main factor contributing to the marked decrease in crime.

The Magistrate went on to say that he believed the CDEP Scheme has resulted in a significant reduction in theft, vandalism, assaults, juvenile crime and consequently a reduction in imprisonment rates.²⁶

3.25 The Annual Report goes on to note the findings of a case study of CDEP in Port Lincoln in South Australia carried out by the Centre for Aboriginal Economic Policy Research:

...CDEP employment was not simply about wages and skill, but that self-esteem and confidence (for individuals, families and the community) had been considerably enhanced:

When people ask "are you on UB?", a person can say, No I'm working for CDEP". Individuals feel they need no longer be accused of being "dole bludgers"; they work for wages. This aspect of the scheme, though intangible, should not be underrated. Regular CDEP employment is said by some local people to have encouraged stability within families and, as a result, is even said to have improved attendance and retention rates amongst school children...Pride in Aboriginal identity is also seen to have

26 *ATSIC Annual Report 1995-96*, p. 66.

been enhanced as a result of the success of particular work programs within the wider population...²⁷

Committee Conclusions on ANAO Recommendation 3

3.26 The gathering of this type of information on a national basis would help lead to the identification of CDEP organisations that are progressing well and some collection of the benefits, other than economic, to communities. An analysis or evaluation could establish some clear linkages between the objectives set by communities, the strategies to implement these recommendations and the resulting outcomes.

3.27 It may also show linkages between negative outcomes and the objectives or strategies which may not have been realistic in the first instance. Further evaluation could also indicate where the strategies to implement the objectives were not realistic and resulted in poor outcomes for the CDEP.

Recommendation 3

The Committee recommends that ATSIC undertake an analysis of the benefits to Aboriginal and Torres Strait Islander communities who participate on CDEP Schemes with a view to showing the linkages between the objectives set by communities, the strategies to implement these objectives and the outcomes.

27 ATSIC Annual Report 1994-95, p. 66.

CDEP Guidelines and Procedures

ANAO Recommendation 4

The ANAO recommends that ATSIC nominate a specific Section to take a leading role in matters such as the development and dissemination of CDEP guidelines and the formation of a management group from relevant areas in ATSIC to ensure effective coordination; and

to ensure that the Commission decisions relating to the CDEP Scheme are reviewed, so that appropriate action regarding the implementation of those decisions is taken in a timely manner.

Comments on ANAO Recommendation 4

3.28 In the consideration of issues relating to this recommendation the ANAO was concerned about the lack of co-ordination between the areas in Central Office which were involved in the administration, development and dissemination of CDEP Guidelines and Procedures. The ANAO also outlined the many changes that had been made to the 1995-96 Guidelines and Procedures.²⁸ In summarising these the ANAO stated that:

The chronology of events in relation to performance reporting reflects the lack of coordination between the various Sections of ATSIC which have a role to play in ensuring an effective and efficient administration of the CDEP Scheme. It is important that all those with CDEP responsibilities recognise the need for early consultation and coordination to ensure problems such as those described above do not occur.

As mentioned above in paragraph 3.23, the constant changes to the procedures can result in confusion among the CDEP organisations and increase the administrative burden on all parties involved.²⁹

²⁸ *Audit Report No 6*, pp. 17-18.

²⁹ *Audit Report No 6*, p. 19.

3.29 In its response to this recommendation ATSIC stated:

The Review and Procedures Section of the Corporate Services Division has prime responsibility to process and distribute all ATSIC procedures including CDEP guidelines. A timeline has been established for development and dissemination of 1996-97 CDEP guidelines.

The Assistant General Manager, Employment, Education and Training Branch has responsibility to ensure that all Commission decisions relating to CDEP are responded to promptly³⁰.

Committee Conclusions on ANAO Recommendation 4

3.30 The Committee is satisfied that ATSIC has implemented this recommendation which will lead to greater coordination in the development and dissemination of CDEP guidelines.

Implementation of Computerised Participant Schedule

ANAO Recommendation 5

The ANAO recommends that, as a matter of priority, ATSIC seek finalisation of the implementation of the computerised participant schedule system at all administrative levels to achieve optimum gains in efficiency.

3.31 The participant schedules list all the participants who are on the CDEP Scheme for a particular quarter and are required to be submitted to ATSIC at least four weeks before the commencement of the next quarter.

30 *Audit Report No 6, p. 19.*

CDEP Project Officers then check the participant schedules to ensure that those who participate in the Scheme are eligible to do so.³¹

3.32 Concerns in relation to the administration of the participant schedules lead to the qualification of ATSIC's financial statements every year since 1990, except for 1993-94.³² In 1994, partly in response to these qualifications, ATSIC decided to develop a computerised participant schedule system. The computerised participant schedule was planned to be implemented in three stages:

- Phase one - Community System;
- Phase two - Regional Office System; and
- Phase three - State and Central Office System.

Comments on ANAO Recommendation 5

3.33 In response to this recommendation ATSIC stated that:

Phase 1 and 2 of software development are completed and work has now commenced on the State and Central Office package. The resource implications to develop and implement a system for 250 communities and 33 Regional Offices was underestimated.

It is estimated that the State and Central Office system will be completed in April 1996. There will be progressive implementation at community level throughout 1995-96.³³

31 *Audit Report No 6*, p. 19.

32 *Audit Report No. 6*, pp. 19-20.

33 *Audit Report No 6*, p. 21.

3.34 In further submissions to the Committee ATSIC stated that:

The complete implementation of the system will vastly improve ATSIC's capacity to maintain the high level of accountability that it has achieved in recent years.³⁴

Committee's Conclusions on ANAO Recommendation 5

3.35 Although the implementation of the computerised participant schedule experienced significant delays, the Committee notes that implementation at the community and Regional Office levels are complete. In its examination of the phase two Audit Report, the Committee will follow up the further implementation of this recommendation at the State and Central Office levels.

Planning

ANAO Recommendation 6

The ANAO recommends that the *Framework of CDEP Three Year Planning* be reviewed and revised to:

- remove any inconsistencies in the use of planning terms;
- ensure that it relates to and is integrated with the other planning activities carried on within ATSIC; and
- take into account the improvements recommended in the internal audit report in relation to this Framework

34 Submissions, p. S6.

Comments on ANAO Recommendation 6

3.36 The ANAO noted that insufficient planning at the community level had been identified in all previous reviews and improvements were strongly recommended by the *No Reverse Gear* and AEDP reviews. In May 1994, \$16.5 m was provided through *Working Nation* for enhancements to the CDEP Scheme with planning being a central component of these enhancements.³⁵

3.37 The CDEP Section in Central Office proposed to use these funds to implement three-year operational planning for CDEP organisations, with a focus on employment outcomes. During 1994-95 only one CDEP organisation had attracted funding to develop a three-year operational plan.³⁶ However in evidence to the inquiry Mr Maurie Brown implied that more CDEP organisations were now utilising these funds.

We also have had operational planning funds to enable CDEP's to take a more long-term view of their objectives and the outcomes that they are seeking from the project. We have provided those funds to some communities who are wanting to engage in operational planning to enable them to develop three-year operational plans. We expect the first products of that probably in December of this year.

Those funds can be used in a number of ways. If the community itself does not have the resources to undergo a three-year planning exercise, they can use the funds to employ a facilitator from outside the community or from within the community if a suitable person is available. They can also use the funds to do business planning if they are wanting to become engaged in enterprises. They can use the funds to conduct pre-feasibility studies, feasibility studies, and they can use it for marketing research or anything else associated with enterprise development. So the financial resource is there to enable CDEP's to engage in planning, and we hope out of that there will be a more integrated approach to the use of the scheme and certainly

35 *Audit Report No 6*, p. 22.

36 *Audit Report No 6*, p. 22.

better coordination between state, local government and other Commonwealth departments.³⁷

Committee's Conclusion on ANAO Recommendation 6

3.38 The Committee notes that the ANAO will examine the implementation of operational planning during the phase two Audit³⁸. Accordingly the Committee reserves its findings on this recommendation until its examination of the phase two report.

Training

ANAO Recommendation 7

The ANAO recommends that Central Office ensure that CDEP training is timely, relevant and evaluated for program effectiveness.³⁹

Comments on ANAO Recommendation 7

3.39 In relation to training aspects the ANAO drew attention to the fact that the need for appropriate training has been raised by successive reviews⁴⁰. The ANAO noted that Central Office has a "significant training role to play in

37 Mr M. Brown, *Transcript*, p. 82.

38 *Audit Report No 6*, p. 23.

39 *Audit Report No 6*, p. 26.

40 *Audit Report No 6*, p. 24.

relation to issues such as procedures and guidelines, the computerisation of participant schedules and other nationally driven initiatives⁴¹.

3.40 The ANAO noted that Central Office was involved in the following training initiatives:

- development of the Multimedia CDEP training package;
- ATSIC TV presentations;
- CDEP Staff Training Handbook; and
- ATSIC CDEP Manager train-the-trainer courses.⁴²

3.41 ANAO provided detailed comments on initiatives which would improve training opportunities:

... Central Office has been involved in developing a number of training initiatives to enhance the CDEP Scheme performance. However, ATSIC needs to ensure that the training initiatives are timely and reach the target audience. Training needs to be provided on an ongoing basis, especially when major changes are made to the Guidelines and Procedures.

In case of the multimedia package, all efforts should be made to expedite its development, as it will substantially benefit the Regional and State Office staff and eventually the community through better service and support.

ATSIC TV has the potential to have a significant impact and could represent good practice. In order to determine this ATSIC needs to review the costs/benefits of the project.

Provision of train-the-trainer courses is good practice since it provides benefits by:

41 *Audit Report No 6*, p. 24.

42 *Audit Report No 6*, pp. 24-26.

- ensuring consistency of the product;
- disseminating information and practices at reasonable cost;
and
- providing a forum for exchange of ideas.⁴³

3.42 An important part of training is determining the extent to which the training is reaching the target audience. Although the ANAO did not comment on the extent to which this is being examined within ATSIC, it did comment that an evaluation of training programs needs to be carried out⁴⁴.

3.43 The Committee believes that the ANAO could have been more active in examining the extent to which training programs were being evaluated by ATSIC.

3.44 In evidence given to the Committee, Mr Brown stated that:

At this stage we have not gone through an evaluation process of the training provided. We have received reports of the level of training provided from states and regional offices, both training for ATSIC staff and training at the project level. Evaluation at this stage we have not carried out.⁴⁵

3.45 It should be noted, however, that ATSIC had increased the level of training being provided. Mr Brown went on to inform the Committee:

We can tell you that there has been an increase in the level of training provided, because this specifically refers to staff. We have provided state training units with a training package which they have been able to use. There has been a certain amount of in-house training done at the regional office level as well as training provided by state training units to ATSIC staff throughout the country. In addition to that, we have had conferences at state

43 *Audit Report No 6*, p. 26.

44 *Audit Report No 6*, p. 26.

45 Mr M. Brown, *Transcript*, p. 83.

level on CDEP procedures. We have had a series of state conferences, which were initiated by the board of commissioners last year and which had not only an exchange of ideas relative to policy but also served a training role. As early as last week we had both state and regional office staff – a representative selection from across the country – in Canberra for a conference/training seminar, but at this stage we have not evaluated the impact of that in terms of improved performance.⁴⁶

Committee's Conclusion on ANAO Recommendation 7

3.46 The Committee is satisfied that the range of measures ATSIC has developed to address training needs, as outlined by the ANAO, are adequate and in many instances represent good practice. However, ATSIC must ensure that it builds on the work that has been done, and where appropriate undertake an evaluation of the effectiveness of the programs.

Recommendation 4

The Committee recommends that an evaluation of the effectiveness of training initiatives and programs be undertaken by ATSIC to ensure that they are reaching the target audience.

46 Mr M. Brown, *Transcript*, p. 83.

Performance Information

ANAO Recommendation 8

The ANAO recommends that ATSIC Central Office analyse and provide feedback to the State and Regional Offices on the performance reports in order to further improve the administration of the CDEP Scheme.⁴⁷

Comments on ANAO Recommendation 8

3.47 This recommendation was not supported by ATSIC on the grounds that the functions of analysis and feedback on performance reports were not Central Office functions and that the:

Regional Office and State Office have performance data relevant to their areas of responsibility and can conduct an analysis appropriate to their management needs.⁴⁸

3.48 The main use of the performance data forwarded to Central Office was described as follows:

To modify the Scheme for 1995-96; and provide useful management information in relation to CDEP and Working Nation Initiatives, CDEP and infrastructure development, Aboriginal and Torres Strait Islander Education and Health Programs, Rural Industry Strategies and Tourist Industry Strategies⁴⁹

47 *Audit Report No. 6, p. 28.*

48 *Audit Report No. 6, p. 28.*

49 *Audit Report No. 6, p. 28.*

3.49 The clear indication is that the CDEP Scheme is one that is integrated with, or has the potential to become integrated with, a whole range of Commonwealth, State/Territory and Local Government areas. ATSIC went on to state that:

... the data has significantly contributed to the process of integrating CDEP with the development programs and strategies {Commonwealth and State} thus enhancing the value and scope of the scheme.⁵⁰

3.50 The CDEP Section in Central Office has the following functions: It

- provides policy advice and reports to the Executive and Board on issues which have an impact on the delivery and effectiveness of the CDEP Scheme;
- develops and reviews new procedures in relation to the CDEP Scheme;
- provides support to State and Regional Offices; and
- promotes the role of the State Office as the first point of reference for Regional Office staff on CDEP issues.⁵¹

Committee's Conclusions on ANAO Recommendation 8

3.51 The Committee paid particular attention to this recommendation because of the importance of analysing and providing feedback on the

50 *Audit Report No. 6*, p. 28.

51 *Audit Report No. 6*, p. 14.

performance data provided by CDEP organisations. One of the essential functions of public administration is to evaluate the results of the expenditure of public funds. Detailed analysis of performance information which was collected at the point of implementation of the project, is essential. Analysis by Central Office, of the information provided by CDEP organisations and the State and Regional Offices is an important element of this evaluation so that the scheme can be coordinated and best practice benchmarks established.

3.52 In evidence given to the Committee at public hearings the Committee was not satisfied that the issue of analysing performance information by Central Office had been adequately addressed.

3.53 Given that one of the functions of the CDEP Section is to provide policy advice and reports to the Executive and Board on issues which have an impact on the delivery and effectiveness of the CDEP Scheme, it would seem sensible and necessary that this information and any recommendations that are being made about the Scheme be communicated directly to Regional Office and community levels.

3.54 There also appeared to be continuing confusion or a lack of clarity about who is responsible for the analysis of information being provided by CDEP organisations.⁵²

3.55 ATSI Central Office supplied a flow chart (see Appendix 5) which attempted to define the flow of information and at which points this information could be taken out of the system and analysed for particular areas of relevance. The Committee is concerned that the flow of information outlined in this chart was going one way – from the regions to the Central Office. There was still little feedback given to Regional Offices and ultimately to the CDEP

52 *Audit Report No. 6*, p. 19.

organisations. A functional and operational chart is also attached at Appendix 5

Recommendation 5

The Committee recommends that ATSIC adopt the advice of the Audit Office that all material requests and information be made available promptly to each office and not, as it appears to be the case, only "when requested".

State Office FunctionsANAO Recommendation 9

The ANAO recommends that Queensland State Office ensure that its role is clearly defined and that an appropriate implementation plan is developed and achieved; and

ATSIC make an assessment of other States' operations to gauge how effectively their role is defined and implemented.⁵³

Comments on ANAO Recommendation 9

3.56 With the devolution of resources and responsibilities resulting from the Daffen Review, the roles and responsibilities of the State Offices of ATSIC

53 *Audit Report No. 6*, p. 32.

in relation to the administration of the CDEP Scheme changed significantly.

The Audit Report stated that:

... the Queensland State Manager indicated that the effect of the implementation of Daffen Review findings was to place the State Office firmly back in the CDEP administration loop.⁵⁴

3.57 In evidence to the Committee Mr Richard Allmark, the Queensland State Manager confirmed this view:

as part of the Daffen review, there was the thought that Central Office should be more of a policy promoter than a project and program administrator. A lot of that role has shifted to the State Offices.⁵⁵

3.58 Mr Allmark also indicated that the Queensland State Office has done considerable work over the last 12 months to clarify the State Office role in relation to the administration of the CDEP scheme:

as we said in our response to auditors in the phase one response, we are still coming to grips with what our role is. One thing we have done in the past 12 months is try to focus on precisely what we will and will not do in the State Office. We have come up with an Operational Plan. The Auditor in phase two still thinks there needs to be some fine tuning to it. We would agree with that, particularly in terms of the outcomes of our planning processes. We think we have got our key objectives reasonably well placed.⁵⁶

54 *Audit Report No. 6*, p. 30.

55 *Transcript*, p. 25.

56 *Transcript*, p. 25.

3.59 The Operational Plan tabled by the State Office outlined the key objectives, the strategies to meet these objectives and the outcomes. It was evident that there are still problems, particularly in relation to access to the computer software system known as CDEP Manager, however it is noted that considerable progress has been made in this area.

3.60 The Office of Evaluation and Audit also commented that the role of the Queensland State Office is becoming more clearly defined.

The Queensland State Office has shown a willingness to respond to comments made about it in recent reviews of its management of the CDEP Scheme. For example, in response to a number of recommendations concerning the need to ensure that the State Office role is clearly defined and that it should take a proactive role in CDEP management, the State Office has developed:

- an operational plan
- a standardised Terms of Reference for CDEP reviews;
- a file audit checklist to be completed when spot checks of CDEP files are being completed
- a standard summary or synopsis sheet to be attached to the inside cover of each CDEP file; and
- a quarterly reporting package to be completed by the Regional Offices and forwarded to the State Office to enable the State Office to remain abreast of developments around the State.⁵⁷

3.61 The OEA Major Functional Audit also found that Central Office had taken steps to more clearly define the role of State Offices:

A number of the previous reports levelled a degree of criticism at Central Office in relation to a perceived lack of assistance provided to the State Offices in light of the changed administrative structure of CDEP. This change in structure has seen a

⁵⁷ Office of Evaluation and Audit, *Internal Audit Report, Community Development Employment Projects (CDEP)*, Prepared by KPMG, July 1996, Appendix 5, p. 1.

devolution in operational responsibility and function from Central to State Offices.

Audit observed that Central Office have moved quickly to answer these criticisms. A number of initiatives have been developed to not only assist State Offices fulfil their new role but also help define exactly what that role is.⁵⁸

The Committee's Conclusion on ANAO Recommendation 9

3.62 The Committee believes that the Queensland State Office has done a considerable amount of work in addressing this recommendation and will follow up the further implementation in its examination of the Phase Two Audit Report.

3.63 The Committee awaits the outcome of the Phase Two Report before commenting further on this matter.

Cairns Regional Office

3.64 ANAO recommendations 10 to 16 relate to the Cairns Regional Office. The ANAO drew attention to the difficulties experienced by the Cairns Regional Office in the administration of the CDEP Scheme noting that

it has responsibility for the administration of nineteen CDEP organisations and the provision of support services to two Regional Councils;

there is a high staff turnover and problems in maintaining appropriately trained staff;

it has conflicting roles to play in relation to these organisations - of fulfilling both a policing and an advisory role; and

58 *Internal Audit Report, Community Development Employment Projects, July 1996.*

there are constant changes to procedures, processes, forms and reporting requirements.⁵⁹

3.65 The role of the Regional Office was discussed in Chapter 2. However, it is useful to elaborate on its role and to outline some of the functions of the Regional Office staff in the administration of the CDEP Scheme at this level. Some of the duties involved in the administration of the scheme at a Regional Office level were outlined by Mr Chohan, Senior Project Officer, in the Cairns Regional Office:

Basically my role is to assist the community in developing applications, work plans, budgets and so on, which they are required to submit to gain the funding they are claiming from ATSIC. Secondly, my role is to process those applications here, doing the assessments based on our knowledge of the community through field visits and so on. Thirdly, I put those assessments through to the Regional Councils for their assessment and approval of projects. Once the approvals have been obtained, it is a matter of assisting the community with the development of those projects. That might be through, initially, letters of offer being issued to the organisation and, on occasions, assisting with redevelopment and rebudgeting. This might be based on the amount of money they originally applied for, compared with the amount of money the Regional Council approves. Once the project is actually up and running, the whole issue is one of monitoring – monitoring a project through obtaining the necessary project performance reports and the quarterly acquittal process through the audit reports that the organisations are required to submit - that falls on our project officers. So basically my role is one of assisting the community with applications, assessing those applications and then developing the projects and monitoring them.⁶⁰

59 *Audit Report No 6*, p. 35.

60 *Transcript*, p. 55.

3.66 The ANAO identified a number of areas within the Cairns Regional Office which required attention. These are discussed in relation to recommendations 10 to 16 below.

ANAO Recommendation 10

The ANAO recommends that each grant application be assessed in accordance with the procedures outlined in the ATSIIC Funding Procedures Manual.⁶¹

Comments on ANAO Recommendation 10

3.67 In the background to this recommendation several areas of the Regional Office administration were addressed.

Application and Assessment Process

3.68 As outlined earlier every CDEP organisation is required to make a single application for one grant comprising wages, capital and recurrent expenditure.

3.69 The ANAO noted that a review of 1994-95 applications for renewal of CDEP grants indicated that all relevant forms and information had been provided for grant assessment purposes and that where insufficient or incorrect information had been provided, appropriate follow-up action had been undertaken.⁶²

61 *Audit Report No. 6*, p. 37.

62 *Audit Report No. 6*, p. 36.

3.70 The ANAO identified two main problem areas relating to conformity with the ATSIC Funding Procedures Manual:

- a) Scrutiny Assessment Ratings and
- b) the assessment of training needs.

a) Scrutiny Assessment Rating

3.71 Major Project Reviews, aim to determine the appropriateness of financial management and grant administration in organisations and to recommend appropriate action to address any identified deficiencies.

3.72 The Scrutiny Assessment Rating is used to assess and determine the frequency to which a CDEP organisation should be subject to these Major Project Reviews.

3.73 The ANAO outlined the following factors which are taken into consideration while allocating these ratings:

- level of funding;
- value of assets;
- current management capacity;
- grantee's adherence to grant conditions in the past two years; and
- complexity of projects administered.⁶³

63 *Audit Report No. 6*, p. 36.

3.74 A high rating indicates that the CDEP organisation should be placed on a one to two year review cycle, while a medium rating would indicate a three to four year review cycle.⁶⁴

3.75 The Committee notes with concern that 26% of the 1994-95 CDEP applications had not been assigned scrutiny assessment ratings.

3.76 Also of concern was the ANAO's findings that:

... in almost one third of grant assessments examined ... Project Officers had provided standard comments relating to their assessment of the training to be provided to the applicant and did not reflect the training needs identified by the applicant.⁶⁵

b) Assessment of Training Needs

3.77 Standard comments in the form of generic responses, used in assessing the training needs of CDEP applicants, are unlikely to lead to a detailed analysis of the specific needs of applicants. This must raise questions about the adequacy of the training being provided to communities. It also indicates serious deficiencies in the analysis of the information being provided by CDEP organisations to the ATSIC administration.

Committee Conclusions on ANAO Recommendation 10

3.78 The assessment of grant applications is a key element in the administration of the CDEP scheme. If conducted efficiently the assessment protects the public's interest in ensuring the funds benefit the communities.

64 *Audit Report No. 6*, p. 36.

65 *Audit Report No. 6*, p. 36.

The Committee notes that ATSIC has provided a Funding Procedures Manual which addresses the subject of processing grant applications. The Quality Assurance Package prepared by the Office of Evaluation and Audit and provided to State Managers is a further valuable tool which can be used in assessing grant applications.⁶⁶

3.79 It is of concern that the ANAO found that some of the grant assessments had not been undertaken in accordance with the ATSIC Funding Procedures Manual as outlined in Recommendation 10

3.80 The Committee agrees with the ANAO's comments that:

Grant assessments should be completed according to the procedures manual and should be based on actual information in the application rather than using generic comments.⁶⁷

3.81 ATSIC's comment in response to this recommendation was that this process was included in the Quality Assurance Package prepared by the Office of Evaluation and Audit and provided to State Managers. Despite the Package being issued in February 1994, the ANAO found little evidence of its use in the fieldwork that was undertaken.⁶⁸ The Committee expects to revisit this matter in its consideration of the Phase Two Audit Report.

66 *Audit Report No. 6*, p. 37.

67 *Audit Report No. 6*, p. 37.

68 *Audit Report No. 6*, p. 37.

Recommendation 6

The Committee recommends that a detailed assessment be carried out of the extent to which the Quality Assurance Package is being used in Regional and State Offices of ATSIC, subject to further consideration of the matter in the Phase Two Audit Report

Good Practice – Participant Schedules

3.82 A particular area of CDEP administration that has caused considerable problems in the past has been the participant schedules. All CDEP organisations are required to provide a CDEP participant schedule to ATSIC prior to each quarter. This enables project officers to ensure that those who participate in the scheme are eligible to do so.⁶⁹

3.83 The Committee notes that the ANAO praised the Cairns Regional Office in relation to its administration of participant schedules:

The approach adopted by this Regional Office represents good practice and has allowed the Office to improve its CDEP administration. Such an approach may be useful for other Regional Offices, where not already considered.⁷⁰

69 *Audit Report No. 6*, p. 37.

70 *Audit Report No. 6*, p. 38.

3.84 It is regrettable that the ANAO did not make any recommendation in relation to this issue. If there are examples of good practice it would be of immense benefit to other areas of ATSIC to know of these.

Recommendation 7

The Committee recommends that ATSIC ensure that examples of good practice, such as the approach taken by the Cairns Regional Office in the monitoring of participant schedules, be distributed widely through all levels of the ATSIC administration. These could then be used as models for other offices and may lead to standard practice.

Project Monitoring

3.85 There are two main elements of project monitoring: Periodic Financial Statements and Project Performance Reports.

3.86 The ANAO examined the analysis of both the Periodic Financial Statements and the Project Performance Reports. The analysis of these reports enables project staff to:

- ensure that the grantee complies with grant conditions;
 - regularly assess grantees' progress in managing grant funds;
 - assess grantees' performance against the original project objectives;
- and

- provide ongoing support and assistance.⁷¹

3.87 The two aspects of project monitoring are addressed in ANAO recommendations 11 and 12.

ANAO Recommendation 11

The ANAO recommends that ATSIC ensure that Project Officers:

- monitor the submission of Periodic Financial Statements as required by the ATSIC Funding Procedures Manual;
- analyse Periodic Financial Statements on a quarterly basis; and
- provide CDEP organisations with appropriate feedback to strengthen the accountability process.

Comments on ANAO Recommendation 11

3.88 The ANAO found that in the first three quarters of 1994-95, in 65% of cases Periodic Financial Statements had not been submitted for all three quarters. The ANAO also found that in 95% of all cases examined there was no evidence to indicate that the Analysis of Periodic Financial Statements form had been completed for all the three quarters in 1994-95 or that an assessment of any kind had been undertaken⁷².

3.89 In response to this recommendation ATSIC stated again that:

71 *Audit Report No. 6, p. 38*

72 *Audit Report No. 6, p. 38*

this process is included in the Quality Assurance Package prepared by the Office of Evaluation and Audit and provided to State Managers.⁷³

3.90 The Office of Evaluation and Audit submission to the inquiry stated that:

it is noted that the ANAO reported that it found no evidence of the use of the Quality Assurance Package. In this regard OEA proposes to include staff comments on the use of, and satisfaction with, the Quality Assurance Package in its evaluation of CDEP in 1996.⁷⁴

Committee Conclusions on ANAO Recommendation 11

3.91 It was of concern to the Committee that such an important process as this analysis was not being implemented adequately.

3.92 As the ANAO commented, these Periodic Financial Statements form an integral part of the project monitoring process and they should be assessed regularly to ensure all CDEP organisations are progressing well against their budgeted allocations and to get early indications of problems, for example, debts outstanding for a long period⁷⁵. If these Periodic Financial Statements are not being forwarded by CDEP organisations or being analysed by the Regional Office there is a higher risk that problems which may be developing in these communities will not be picked up.

73 *Audit Report No 6*, p. 39.

74 Evidence p S19

75 *Audit Report No 6*. p 39

3.93 The Committee's Recommendation 8 below, encompasses ANAO Recommendation 11 as well as ANAO Recommendation 12.

Project Performance Reports

3.94 These reports, together with the Periodic Financial Statements, enable CDEP projects to be monitored. Performance Reports are required to be submitted for the period 1 July to 30 June no later than 31 July each year and are part of the process of evaluating each CDEP organisation.⁷⁶

3.95 The Project Performance Reports (PPRs) are seen as an important part in the evaluation of CDEP organisations. Project Officers are required to compare the actual project outputs with the planned outputs as indicated in the *Work Plan* submitted with the grant application, to measure the satisfactory completion of the project.⁷⁷

ANAO Recommendation 12

The ANAO recommends that:

- Project Performance Reports be reviewed in accordance with the ATSIIC Funding Procedures Manual; and
- Project Officers provide appropriate feedback to the CDEP organisations in order to assist project performance. This feedback could be provided during the Project Officer' field visits.

⁷⁶ *Audit Report No. 6*, p. 39.

⁷⁷ *Audit Report No. 6*, p. 39.

Comments on ANAO Recommendation 12

3.96 The ANAO found that all CDEP organisations had submitted PPRs for 1993-94 but there was no evidence to indicate that these reports were being reviewed and the information being compared with the work plans..⁷⁸

3.97 This situation may have improved since the Audit as these types of activities are beginning to be implemented in the Cairns Regional Office and are not confined to PPRs. ATSIC agrees that performance reports should be reviewed in accordance with ATSIC procedures. The Commission is also endeavouring to be more creative in providing feedback through the use of telephone calls and faxes..⁷⁹

3.98 In evidence to the Committee Mr Aspinall, Regional Manager, Cairns Regional Office, stated:

Since this audit we have had an exit interview on the second round ANAO process, which has looked at some of the things that have been implemented in relation to the region. I certainly have implemented an internal operational planning process, which takes into consideration some of the issues that were raised that were found to be less than appropriate in the original round. This has included the appointment of a dedicated officer responsible for doing grant administrative reviews of the organisations – not only CDEP organisations, but also other organisations – based on risk assessment process..⁸⁰

78 *Audit Report No. 6*, p. 39

79 *Audit Report No. 6*, p. 40.

80 *Transcript* p. 51.

Committee Conclusions on ANAO Recommendation 12

3.99 The Committee agrees with the ANAO that the Project Performance Reports are vital in assessing the progress of the project against planned outcomes and that without appropriate review and feedback to the CDEP organisations the purpose of these performance reports is unclear.⁸¹

3.100 If the ATSIC administration places a duty on CDEP organisations to provide that information there should be an obligation for the Regional Office to analyse and assess this information and to provide appropriate feedback to those organisations.

3.101 Although ATSIC agreed that performance reports should be reviewed in accordance with ATSIC procedures⁸² the Committee believes that the Regional Office should take a more proactive role in the assessment of information and the subsequent feedback to CDEP organisations. While strongly supporting effective collection and analysis of results of programs, the Committee appreciates the burden these reporting processes place on CDEP organisations. However, on balance, the organisations have much to gain by providing the analysis and feedback.

81 *Audit Report No. 6*, p. 40.

82 *Audit Report No. 6*, p. 40.

Recommendation 8

The Committee recommends that ATSIC introduce effective measures to ensure that information provided to them by CDEP organisations be assessed and evaluated and that appropriate and timely feedback be given to organisations on the subsequent findings.

Reviews

3.102 ATSIC employ a variety of means of monitoring and evaluating CDEP schemes which complement the office-based monitoring such as Periodic Financial Statements and Project Performance Reports outlined above. These include

- field visits
- spot checks and
- Major Project Reviews

3.103 Field visits are initiated either by a CDEP organisation's request or by the Regional Office. The ATSIC Funding Procedures Manual requires the Project Officer to document field visits in a Field Contact Report. The report provides a record of work undertaken and a means by which follow-up action may be taken if required.⁸³ The ANAO found serious deficiencies in the

83 *Audit Report No. 6*, p. 41.

recording and management of field visits. In 1994-95 only 19 per cent of field visits were recorded. This was down from 43 per cent in 1993-94.⁸⁴

ANAO Recommendation 13

The ANAO recommends that ATSIC:

- ensure that field visits have a clearly stated purpose; and
- reinforce the need for Project Officers to prepare a field visit report on completion of each field visit to ensure it provides a record of work undertaken and enables follow-up action to be undertaken as required. One option to facilitate this process would be to develop a field visit report pro forma.

Comments on ANAO Recommendation 13

3.104 The ANAO notes that field visits are an important component of project monitoring and client feedback.⁸⁵ The ANAO also comments on the expense of field visits and the consequent need to ensure they are well planned, that an objective is established and that they are well documented.⁸⁶

Committee Conclusions on ANAO Recommendation 13

3.105 All things considered, the ANAO's criticisms on this matter are remarkably mild. The Committee views the poor record of documenting field visits with alarm. The suggestion of a pro forma to encourage best practice in documenting field visits is a step forward.

⁸⁴ *Audit Report No. 6*, p. 41.

⁸⁵ *Audit Report No. 6*, p. 42.

⁸⁶ *Audit Report No. 6*, p. 42.

3.106 The Committee will revisit this issue in its review of the Phase 2 Audit Report.

Spot Checks

ANAO Recommendation 14

The ANAO recommends that, where possible, various field reviews should be combined to ensure optimum use of staffing resources.⁸⁷

Comments on ANAO Recommendation 14

3.107 Spot checks are conducted in order to verify the existence and eligibility of participants on the participant schedules.⁸⁸ They complement other project monitoring mechanisms including field visits.

3.108 Five spot checks were undertaken by the Cairns Regional Office in 1994-95. The ANAO reviewed the related files and concluded that appropriate procedures and follow-up action had been undertaken.⁸⁹

3.109 The ANAO's recommendation in relation to spot checks acknowledges that economies would result from combining spot checks with field visits.

87 *Audit Report No. 6*, p. 43.

88 *Audit Report No. 6*, p. 42.

89 *Audit Report No. 6*, p. 43.

3.110 In considering this issue, the ANAO considered that there would be value in combining spot checks and field visits to ensure the optimum use of resources, adding that it would enable ATSIC to achieve more with the same amount of resources. This is expressed as combining "various field reviews" in the recommendation.

3.111 ATSIC's comment on ANAO Recommendation 14 is that where possible, spot checks will be conducted in concert with "major reviews".⁹⁰ This is not necessarily complete agreement with combining spot checks with field visits, which appears to be the intention of the ANAO recommendation.

Committee Conclusions on ANAO Recommendation 14.

3.112 The Committee endorses the ANAO recommendation. It would be beneficial if the ANAO examined and reported on the extent to which this is happening at the present time as this could also be used to assist in the development of best practice models.

3.113 Further, where best practice models are developed or discovered, information on them should be circulated to all levels of ATSIC. There is a clear role for the ANAO in this regard, because through its performance and financial audits it is well placed to discover good models. Central Office also has a role in the encouragement and development of best practice models and in ensuring they become standard throughout the Commission.

⁹⁰ *Audit Report No. 6, p. 43.*

Recommendation 9

The Committee recommends that wherever examples of "best practice" are found, the ANAO bring these to the attention of the relevant sections of the ATSIC administration.

Major Project ReviewsANAO recommendation 15

The ANAO recommends that a schedule of Major Project Reviews and CDEP Project Performance Reviews be developed based on risk management and that appropriate reviews be undertaken.⁹¹

Comments on ANAO Recommendation 15

3.114 This recommendation concerned two review processes:

- Major Project Reviews; and
- CDEP Project Performance Reviews.

3.115 The Major Project Reviews aim to address financial and operational management issues. The Regional Manager is required to schedule a program of reviews based on the scrutiny assessment ratings assigned to

91 *Audit Report No. 6*, p. 45.

each CDEP organisation during the grant assessment process. In the Cairns Regional Office a program of Major Project Reviews had not been established at the beginning of 1994-95 and no Major Project Reviews had been undertaken during 1994-95.⁹²

3.116 In addition, CDEP Performance Reviews were introduced in July 1995 which replaced the requirement for a review of each CDEP organisation every three years. These examine aspects of CDEP organisations not covered by Major Project Reviews and are to be conducted in accordance with specific terms of reference. The frequency of these reviews is determined by the Regional Manager on a risk management basis. No CDEP Project Performance Reviews were scheduled for 1995-96 in the Cairns Regional Office.⁹³

3.117 In responding to this recommendation ATSIC stated that:

This has been included in the Draft Operational Plan for State Office CDEP Support Units.⁹⁴

3.118 The ANAO also indicated that in its follow up audit it will focus on the methodology used for completing the risk assessments.⁹⁵

92 *Audit Report No. 6*, p. 42.

93 *Audit Report No. 6*, p. 44.

94 *Audit Report No. 6*, p. 45.

95 *Audit Report No. 6*, p. 45.

Committee Conclusions on ANAO Recommendation 15

3.119 The Committee recognises that the development of a schedule for Major Project Reviews and CDEP Project Performance Reviews based on risk management represents good practice. The Committee also notes that the implementation of this recommendation has been included in the Draft Operational Plan for State Office CDEP Support Units and that the ANAO will follow-up aspects of this recommendation in its phase two report.

3.120 The Committee will follow-up the further implementation of this recommendation in its examination of the Phase Two Audit Report.

Training

ANAO Recommendation 16

The ANAO recommends that the series of training initiatives planned to upgrade the level of staff skills within the Regional Office be followed up to ensure they are implemented effectively.⁹⁶

Comments on ANAO Recommendation 16

3.121 The evaluation of training by Central Office was discussed in sections 3.41 – 3.46 above. In the background to this recommendation the ANAO found evidence that training had been provided to Regional Office staff and that Project Officers had been attending workshops. The ANAO found that the

⁹⁶ *Audit Report No. 6*, p. 46.

majority of Project Officers' training was informal, and on-the-job in response to minor procedural changes or the release of new procedures.⁹⁷

3.122 The ANAO commented that:

the training initiatives planned by the Regional Office should complement the Central Office initiatives and will assist all project staff in ensuring more effective program management and delivery of the CDEP Scheme.⁹⁸

Committee Conclusions on ANAO Recommendation 16

3.123 The Committee endorses the ANAO's observations regarding the importance of appropriate training, particularly where there is a high staff turnover and frequent changes to procedures.⁹⁹

3.124 As the Committee commented in its examination of ANAO recommendation 7, it is satisfied that the range of measures ATSIC has developed to address training needs are adequate and in many instances represent good practice. ATSIC must ensure that it builds on the work that has been done and, where appropriate, undertake an evaluation of the effectiveness of these training programs.

3.125 The Committee will follow up the further implementation of this recommendation in its examination of the Phase Two Audit Report.

97 *Audit Report No. 6*, p. 45.

98 *Audit Report No. 6*, p. 46.

99 *Audit Report No. 6*, p. 45.

Chapter 4

Constraints on the ANAO in Conducting the Audit

Introduction

4.1 The Committee notes that the role of the Auditor-General is considerably more constrained in its audit activity because of the increasing involvement of non-Commonwealth bodies in Commonwealth funded activities. While the Committee considers that it is outside the scope of the current report to make recommendations about the general powers of the Auditor-General, it considers that it is appropriate to consider how this problem can be addressed in relation to CDEP projects.¹⁰⁰

4.2 Under the CDEP Scheme, funds for each community are managed by 'a designated incorporated body'.¹⁰¹ Incorporation is a standard ATSIC requirement.¹⁰² Such incorporated bodies are not usually within the ambit of the ANAO powers.

100 The Committee notes that the subject of financial accountability requirements for Aboriginal and Torres Strait Island local government councils is currently being examined by the Joint Committee of Public Accounts and the Queensland Public Accounts Committee. This report may be relevant to the matters raised in this chapter.

101 Deloitte Touche Tohmatsu, *No Reverse Gear – A National Review of the Community Development Employment Projects Scheme*, May 1993, Appendix 1 p. 2.

102 Deloitte Touche Tohmatsu, *No Reverse Gear – A National Review of the Community Development Employment Projects Scheme*, May 1993, Appendix 1 p. 3.

Jurisdiction of the ANAO

4.3 The jurisdiction of the Auditor-General necessarily places limits on what the ANAO can actually review. Under the *Audit Act 1901* the Auditor-General has broad powers to carry out performance, also called efficiency, audits. Project performance audits are carried out under section 54, and efficiency audits are carried out under Division 2 of Part VI of the *Audit Act*.¹⁰³ Such audits may be conducted on the operations of a:

- Department;
- public authority of the Commonwealth; or
- other Commonwealth organisation.

4.4 While the ANAO has power to audit Commonwealth bodies' administration and management of funds provided to non-Commonwealth bodies which may be involved in Commonwealth programs, 'in general, the audit of the *non-Commonwealth* parties falls outside the mandate of the Commonwealth Auditor-General. Non-Commonwealth bodies involved in Commonwealth programs might include:

- state governments;
- local governments;
- community organisations which are incorporated under the *Aboriginal Councils and Associations Act 1976* ;
- councils established under state government legislation – for example the Queensland Deed of Grant in Trust communities; and

¹⁰³ ANAO, *Audit Strategy Statement 1996–97*, Volume 1 June 1996, p. 12.

-
- companies established under the Corporations Law.¹⁰⁴

4.5 Mr Meert from the ANAO told the Committee that the ANAO was often unable to gather information about the management of programs because of jurisdictional difficulties.¹⁰⁵

Even for us, there are limitations on what we can do as the parliament's auditor. There are areas we just cannot get into, as we have explained in here. So there are gaps simply because of the way the thing is structured, where you cannot get the information.¹⁰⁶

4.6 This inability to gather information could be a significant problem for auditors. Mr Meert commented that in a purchaser/provider model within the Commonwealth arena the right of review was crucial from an auditor's perspective, otherwise there was no way of measuring objectives and seeing how the money was being spent.¹⁰⁷

4.7 For companies funded wholly or in part by the Commonwealth, ANAO's access to the records of the company depends on the audit provisions contained in relevant legislation. The conduct of an audit may require:

- the written request of a Minister;
- the written requests of both the Minister and the company itself; or
- a request by way of resolution of both Houses of Parliament.

104 ANAO, *Submissions*, pp. S31–S32.

105 Mr John Meert, *Transcript*, p. 98.

106 Mr John Meert, *Transcript*, p. 98.

107 Mr John Meert, *Transcript*, pp. 98–99.

4.8 For companies receiving Commonwealth grants or contracts ANAO's access is determined by the specific conditions of each grant or contract.¹⁰⁸

ANAO's Suggestions for Overcoming the Constraints

4.9 The ANAO has suggested that the provision of management review mechanisms, such as those ATSIK has under the ATSIK Act, to the ANAO would help it to overcome the jurisdictional constraints it currently faces. ATSIK reviews can address all or any of the following:

- financial management;
- operational management; and
- performance of individual CDEP projects.¹⁰⁹

4.10 While ATSIK's powers are provided for under legislation, mechanisms might also be put in place on a case by case basis. Mr Meert agreed in principle that it would be a solution to put in place an agreed audit access mechanism prior to the approval of funds for new programs.¹¹⁰

Committee's Conclusions

4.11 The Committee considers that constraints which mean that vital information relating to Commonwealth funds is not available to an independent auditor, are unacceptable. It is highly desirable to make it a standard condition of CDEP funding that for audit purposes, the ANAO or some other body has

¹⁰⁸ ANAO, *Submission*, pp. S32–S33.

¹⁰⁹ ANAO, *Submission*, pp. S33–S35.

¹¹⁰ Mr John Meert, *Transcript*, pp. 98–99.

access to the records of CDEP organisations for the purposes of reviewing whether conditions are being met to the extent of the designated funding.

4.12 Furthermore, the Committee agrees that it would be appropriate to put agreed audit mechanisms in place when each new CDEP program is established. The Committee considers that this principle should be extended to all Commonwealth programs.

Chapter 5

Further Comments

5.1 As stated earlier, the Committee believes that the Australian National Audit Office has an important role to play in the examination of government activity. Over the last few years it has also played an important role in the examination of the CDEP Scheme, recommending how the administration of the Scheme can be improved and where efficiencies can be made. Ultimately this leads to greater benefits for participants in CDEPs and more efficient administration of the Scheme at all levels of the ATSIC administration.

5.2 ATSIC has stated that the audit report was useful in providing a focus on administrative issues that required improvement in Central, State and Regional Offices. The Commission also acknowledged that the CDEP Scheme is ATSIC's largest and possibly most complex program and it appreciated the ANAO reviewing the delivery of the Scheme.¹¹¹

5.3 The Queensland State Manager, Mr Allmark outlined the benefits of the audit, particularly to Queensland:

This audit has been of particular benefit to Queensland. The phase one part was done exclusively in my State Office and in the Cairns Regional Office. We had the opportunity, following that exercise, of meeting with the ANAO people and discussing at some length their findings, which we found to be very helpful to us in the work that we have done in the last 12 months or so in trying to address some of those findings that related directly to us. It sharpened our focus on what we were doing with the CDEP

111 *Audit Report No. 6*, p. xv.

Scheme in the State. All in all, we felt it was a very worthwhile exercise.¹¹²

5.4 The Committee believes that the audit has been carried out to the satisfaction and benefit of all parties concerned. It notes the comments made by Mr Myers from ATSIC to the effect that the audit complemented reforms already being considered or implemented:

We were working on quite a number of the areas which the ANAO touched on in its report anyway. We have already gone a significant way towards introducing most of the amendments. The draft follow-up report we have received from the ANAO is very complimentary in terms of the steps we have taken to fully or partially implement most of their recommendations.¹¹³

5.5 The Committee also notes the comments made by Mr Miller, the Director of the Office of Evaluation and Audit, regarding recent implementation of reforms by ATSIC:

I believe it important to inform the Committee that, in my view, the Commission has striven hard over the last 2 years to improve its performance in relation to CDEP and I will be interested to examine the report on our latest audit of the scheme to ascertaining whether improved performance has, in fact occurred¹¹⁴.

5.6 Mr Miller also noted:

Since the report you are looking at, we have reported again in July this year. I am pleased to say that a lot of the issues raised

112 Mr R. Allmark, *Transcript*, p. 23.

113 *Transcript*, p. 12.

114 *Submissions*, p. S20.

by us before ANAO reported them – there was a commonality at that time – have been addressed. I want to say publicly that ATSIC has put a lot of work into trying to get that scheme right. There are still problems. I do not want to overstate the situation. There has been a lot of work at all levels of the organisation to address the issues that both my office and the ANAO have been raising.¹¹⁵

5.7 The Committee accepts that progress has been made, but has concerns about the rate of implementing the recommendations made in the Audit report. It considers that the implementation by ATSIC of some of the recommendations should have occurred more quickly. In addition, ATSIC needs to do more to ensure that the ANAO Audit recommendations are implemented fully. For example, there is a need to ensure adequate analysis of information provided at all three levels of administration. It is also very important that appropriate follow-up action is undertaken in response to analyses of information provided by participating agencies.

5.8 The Committee considers that ATSIC would benefit by formalising its response to the Audit's recommendations and recommends that this should be done. The Committee considers that an "action plan" with "target dates" should be introduced in future so the progress can be targeted and measured.

115 *Transcript*, p. 41.

116 *Submissions*, p. S20.

117 *Transcript*, p. 41.

Recommendation 10

The Committee recommends that ATSIIC develop an action plan with target dates to monitor and measure its responses to the recommendations in Audit Report No. 6 of 1995-96.

5.9 As noted in Chapter one, Phase Two of the audit process will be tabled early in 1997. Audit Report Phase Two will be referred to the Committee and our report on the second audit report will be tabled in 1997. Because the audit reports and (therefore) the Committee's reports will be in two parts, this report on Phase One of the ANAO's report should be regarded as the Committee's preliminary views on the subject. The Committee notes that its current recommendations may need to be revisited in response to the ANAO's Phase Two recommendations.

Lou Lieberman MP

Chairman

December 1996

APPENDIX 1 - WITNESSES

10 October 1996 - Canberra

ABORIGINAL AND TORRES STRAIT ISLANDER COMMISSION

ALLMARK, Mr R	State Manager, Brisbane
BROWN, Mr MD	Manager, CDEP Administration Section
JOHNSTON, Ms LA	CDEP Coordinator, Brisbane
MYERS, Mr I	Acting General Manager, Economic Division
O'RYAN, Mr M	Assistant General Manager, Employment, Education and Training Branch

OFFICE OF EVALUATION AND AUDIT

McMAHON, Mr PJ	Deputy Director of Evaluation and Audit
MILLER, Mr WE	Director of Evaluation and Audit

25 October 1996 - Cairns

CAIRNS OFFICE - ABORIGINAL AND TORRES STRAIT ISLANDER COMMISSION

ASPINALL, Mr RE	Regional Manager
CHOHAN, Mr R	Senior Project Officer
WHITE, Mr SJ	Deputy Regional Manager (Peninsula)

PRIVATE CITIZEN

SAVAGE, Mr JW

29 October 1996 - Canberra

AUSTRALIAN NATIONAL AUDIT OFFICE

GOLIGHTLY, Ms M Executive Director

MEERT, Mr J Group Director

ABORIGINAL AND TORRES STRAIT ISLANDER COMMISSION

BROWN, Mr MD Manager, CDEP Administration Section

MYERS, Mr I Acting General Manager, Economic Division

O'RYAN, Mr M Assistant General Manager, Employment,
Education and Training Branch

APPENDIX 2 - SUBMISSIONS

Submission No.	Body/Organisation
1	Aboriginal and Torres Strait Islander Commission
2	Australian National Audit Office
3	Australian National Audit Office
4	Aboriginal and Torres Strait Islander Commission
5	Australian National Audit Office

APPENDIX 3 - EXHIBITS

Exhibit No.	Body/Organisation
1	Aboriginal and Torres Strait Islander Commission
2	Aboriginal and Torres Strait Islander Commission - Queensland State Office

Appendix 4 - List of Recommendations made by the ANAO

Recommendation 1

The ANAO recommends that ATSIC undertake an assessment of the impact of the implementation of the recommendations of the "Salary and Resources Distribution Review: Towards the year 2000", undertaken by Peter Daffen, to ensure that:

Changes in staffing arrangements have led to identified improvements in program administration; and

it provides a reasonable basis for allocating resources in future years.

Recommendation 2

The ANAO recommends that:

Office of evaluation and Audit reports be circulated promptly to ensure that sound controls are in place, best practices are disseminated and necessary action is taken promptly; and

responses to Office of Evaluation and Audit reviews be provided within the agreed timeframe to confirm that appropriate action has been taken.

Recommendation 3

The ANAO recommends that ATSIC develop performance indicators for the CDEP Scheme which clearly establish a link between program objectives, strategies and outcomes.

Recommendation 4

The ANAO recommends that ATSIC nominate a specific Section to take a leading role:

in matters such as the development and dissemination of CDEP guidelines and the formation of a management group from relevant areas in ATSIC to ensure effective coordination; and

to ensure that the Commission decisions relating to the CDEP Scheme are reviewed, so that appropriate action regarding the implementation of those decisions is taken in a timely manner.

Recommendation 5

The ANAO recommends that, as a matter of priority, ATSIC seek finalisation of the implementation of the computerised participant schedule system at all administrative levels to achieve optimum gains in efficiency.

Recommendation 6

The ANAO recommends that the Framework of CDEP Three Year Planning be reviewed and revised to:

remove any inconsistencies in the use of planning terms;

ensure that it relates to and is integrated with the other planning activities carried on within ATSIC; and

take into account the improvements recommended in the internal audit report in relation to this Framework.

Recommendation 7

The ANAO recommends that Central Office ensure that CDEP training is timely, relevant and evaluated for program effectiveness.

Recommendation 8

The ANAO recommends that ATSIC Central Office analyse and provide feedback to the State and Regional Offices on the performance reports in order to further improve the administration of the CDEP Scheme.

Recommendation 9

The ANAO recommends that:

Queensland State Office ensure that its role is clearly defined and that an appropriate implementation plan is developed and achieved; and

ATSIC make an assessment of other States' operations to gauge how effectively their role is defined and implemented.

Recommendation 10

The ANAO recommends that each grant application be assessed in accordance with the procedures outlined in the ATSIC Funding Procedures Manual

Recommendation 11

The ANAO recommends that ATSIC ensure that Project Officers:

monitor the submission of Periodic Financial Statements as required by the ATSIC Funding Procedures Manual;

analyse Periodic Financial Statements on a quarterly basis; and

provide CDEP organisations with appropriate feedback to strengthen the accountability process.

Recommendation 12

The ANAO recommends that:

Project Performance Reports be reviewed in accordance with the ATSIC Funding Procedures Manual; and

Project Officers provide appropriate feedback to the CDEP organisations in order to assist project performance. This feedback could be provided during the Project Officers' field visits.

Recommendation 13

The ANAO recommends that ATSIC:

ensure that field visits have a clearly stated purpose; and
reinforce the need for Project Officers to prepare a field visit report on completion of each field visit to ensure it provides a record of work undertaken and enables follow-up action to be undertaken as required. One option to facilitate this process would be to develop a field visit report pro forma.

Recommendation 14

The ANAO recommends that, where possible, various field reviews should be combined to ensure optimum use of staffing resources.

Recommendation 15

The ANAO recommends that a schedule of Major Project Reviews and CDEP Project Performance Reviews be developed based on risk management and that appropriate reviews be undertaken.

Recommendation 16

The ANAO recommends that the series of training initiatives planned to upgrade the level of staff skills within the Regional Office be followed up to ensure they are implemented effectively.

APPENDIX 5

ATSIC Performance Indicator and Reporting System

