



HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON ABORIGINAL AND TORRES STRAIT ISLANDER AFFAIRS

Reference: Review of the Auditor-General's audit report No. 6 of 1995-96 (CDEP)

CANBERRA

Tuesday, 29 October 1996

OFFICIAL HANSARD REPORT

CANBERRA

HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON ABORIGINAL AND TORRES STRAIT
ISLANDER AFFAIRS

Members:

Mr Lieberman (Chair)

Mr Albanese	Mr Marek
Mr Campbell	Mr Melham
Mr Dondas	Dr Nelson
Mr Entsch	Mr Pyne
Mr Holding	Mr Quick
Mr Katter	Mr Tony Smith
Mr Lloyd	

Matter referred:

Review of the Auditor-General's audit report No. 6 of 1995-96 - performance audit - community development employment projects scheme: Aboriginal and Torres Strait Islander Commission.

WITNESSES

BROWN, Mr Morris Daniel, Manager, Administration Section, Community Development Employment Projects, Aboriginal and Torres Strait Islander Commission, PO Box 17, Woden, Australian Capital Territory 2607	69
GOLIGHTLY, Ms Malisa, Executive Director, Performance Audit Business Unit, Australian National Audit Office, 19 National Circuit, Barton, Australian Capital Territory	96
MEERT, Mr John, Group Director, Australian National Audit Office, 19 National Circuit, Barton, Australian Capital Territory	96
MYERS, Mr Ian Allen, Acting General Manager, Economic Division, Aboriginal and Torres Strait Islander Commission, PO Box 17, Woden Australian Capital Territory 2607	69
O'RYAN, Mr Michael, Assistant General Manager, Employment, Education and Training Branch, Aboriginal and Torres Strait Islander Commission, PO Box 17, Woden, Australian Capital Territory 2606	69

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Present

Mr Lieberman (Chair)

Mr Campbell	Mr Lloyd
Mr Dondas	Mr Marek
Mr Entsch	Mr Quick
Mr Katter	Mr Tony Smith

The committee met at 3.05 p.m.

Mr Lieberman took the chair.

CHAIR—I declare open this public hearing on the review of *Audit Report No. 6 1995-96: community development employment projects scheme, Aboriginal and Torres Strait Islander Commission*. This is the third public hearing on this inquiry. Submissions have been received from the Aboriginal and Torres Strait Islander Commission, the Office of Evaluation and Audit and the Australian National Audit Office. Resolved (on motion by Mr Marek):

That supplementary submissions from the Australian National Audit Office be accepted as evidence and authorised for publication for the inquiry into Audit Report No. 6 1995-96: community development employment projects scheme, and that the exhibits received from the Office of Evaluation and Audit and Aboriginal and Torres Strait Islander Commission be accepted by the committee.

The committee believes that the CDEP scheme is an important program and welcomes the opportunity to review the report. I emphasise that this inquiry is not an inquiry into the operations of the CDEP scheme, which has had a considerable amount of review over the last few years. It is an inquiry into the conduct and findings of the Auditor-General's performance audit, with a view to making recommendations about how the audit process can be improved. The committee is also keen to examine what effects the implementation of the recommendations made by the ANAO have had on the overall operation of the CDEP scheme.

BROWN, Mr Morris Daniel, Manager, Administration Section, Community Development Employment Projects, Aboriginal and Torres Strait Islander Commission, PO Box 17, Woden, Australian Capital Territory 2607

MYERS, Mr Ian Allen, Acting General Manager, Economic Division, Aboriginal and Torres Strait Islander Commission, PO Box 17, Woden Australian Capital Territory 2607

O'RYAN, Mr Michael, Assistant General Manager, Employment, Education and Training Branch, Aboriginal and Torres Strait Islander Commission, PO Box 17, Woden, Australian Capital Territory 2606

CHAIR—Welcome. The committee prefers that all evidence be given in public but should you at any stage wish to give any evidence in private you are welcome to do so and the committee will give favourable consideration to any such request. Are there any corrections, amendments or additional matters that you would like to make to the evidence you gave previously?

Mr Myers—Yes. I thought we might add a few points to elaborate on evidence that was given last time. We understand that the committee's terms of reference are not to look at the operations of CDEP, *per se*, but to look more at the way the audit was conducted and what might be learnt from that process. From the questioning last time, it was clear that a number of the committee members were eager to see how things operate within the commission. Following on from that, I will add a few extra points and provide some additional information to assist the committee.

At the first hearing, there was a fair bit of interest shown in how we collect performance data and what we do with that information. We have prepared for the committee a chart which shows the process of where it flows—from the organisational level to where it fits into various reports. We would like to table that.

CHAIR—Do you call it a flow chart?

Mr Myers—Yes, it is a flow chart.

CHAIR—Is it the wish of the committee that the document be incorporated in the transcript of evidence? There being no objection, it is so ordered.

The document read as follows—

Mr Myers—The other thing was that the committee was interested in how we promoted best practice with CDEPs. We thought we should inform the committee that ATSIC's annual report for the last three years has given examples of best practice in CDEPs in each of those reports. We also produce an ATSIC newsletter which is distributed to CDEP organisations and it also demonstrates best practice. More recently in taking on the new era of technology, ATSIC has a home page on the Internet and included in that are examples of CDEP and best practice within CDEP. Interestingly the ATSIC home page is averaging something in the order of 1,000 hits—I think that is the technical term—per day. So it is getting quite a degree of interest in terms of those people who use that system.

The other question we took on notice last time was whether we could produce a report by the AFP on Woorabinda on the CDEP operations there. I have made inquiries into that. There is no AFP report as such. What does exist is what is called a preliminary brief which the AFP prepared to the Director of Public Prosecutions. That document is possessed or owned by the AFP and the advice I am given is that, if the committee would like to see that document, it is probably best for the committee to make the request directly to the AFP. It is not ATSIC's place to actually hand over the document and we do not have a signed copy of it anyway. We have a working copy. It is not signed. We would have to go to the AFP and ask for that to be released.

CHAIR—One of our members, Mr Marek, is keen to examine that document. So that you will be aware, we will ask the secretary of the committee to write to the AFP and ask if a copy can be made available to us. Thank you for that.

Mr TONY SMITH—I find it a little bit difficult to understand why ATSIC could not give us a draft or a working copy without seeking the approval of the Federal Police, because (a) it is not a signed copy and (b) it may assist with the questioning of these officers to have those documents before us. I would imagine that a request to the Federal Police would take a considerable time to process.

CHAIR—Are you under instructions from the department on this?

Mr Myers—No. I—and I do not think any of my officers—have not actually sighted this document. The working copy is held in our human resources area for the purpose of investigation and possible follow-up action. The only AFP documents I have ever seen are always stamped that the information or a copy of them cannot be conveyed to any other party without the express approval of the AFP. That is why we are saying in this case that it is their document. It is not our document to release.

Mr MAREK—To go one step further, after we procure that document I would like the ability to question individuals who are in charge of the scheme in Queensland and then here. Therefore we can read the document and then question them exactly as to the reasoning of how the scheme went. Would that be possible?

CHAIR—I am just pondering the position. It is obvious from members' responses that they are keen to have the report so they can pursue their inquiry. I will remind members that this is an inquiry into the auditor's report and recommendations and not in to the operation per se. Although, inevitably when you look at performance indicators and all that—and commonsense prevails—you must of course expect that people would want to know more about the actual operation in some cases.

I take it that you are saying that it is not within your particular province to release it. I think what we will do—if members are agreeable—is that we will ask the secretary of the committee to contact ATSIC formally by letter and phone call and ask that the document be made available. If it is unable to be made available, then ask that a letter be delivered forthwith to us setting out the reasons for it. We can then deliberate and decide what to do. Are you all happy with that? Of course, we have got powers to subpoena, but I am sure it will not come to that. We will see how we go and it may be that we need to talk again after we see the outcome of that. Mr Myers, would you like to resume your statement?

Mr Myers—There is one final point we would just like to add some clarification to. There was some discussion about the salary allocation levels which flow to Queensland following what is commonly referred to as the Daffen exercise. I have had inquiries conducted into that. In 1993-94 Queensland had a total salary allocation of some \$6.2 million which did not include the Torres Strait regional office. The reason it did not include that is because on 1 July 1994 the Torres Strait regional office transferred to the Torres Strait Regional Authority. In 1994-95—which is post-Daffen—Queensland received an allocation of \$7.356 million.

In fact, over the period of Daffen there was an 18.6 per cent increase in the salary allocation to Queensland. Confusion may have been caused by the fact that during the Daffen exercise there was also the establishment of the Torres Strait Regional Authority and the transfer of a full regional office out of ATSIC across to the Torres Strait Regional Authority. That may have caused some confusion over percentage movements of salary funds to Queensland. On a like to like basis—in other words, Queensland structure, not counting Torres Strait regional office, to post-Daffen Queensland structure, not counting Torres Strait regional office—there was an 18.6 per cent increase in salary.

CHAIR—Do you want to add to that?

Mr DONDAS—No, there is nothing more I wish to add. I just wanted to have some formal things clarified from our last hearing. As I understand it, the 16 recommendations under the auditor's report which is referred to us for inquiry now have all been accepted by ATSIC central office except for recommendation 8. I want to clarify again the status in relation to recommendation 8.

CHAIR—Eight and three are the same.

Mr DONDAS—Yes. There was a disagreement from ATSIC central office that the analysis of information and provision of feedback to state and regional offices was not a central office function. That was some of the background on my notes. The question I now ask is: has that issue been satisfactorily resolved?

Mr Brown—In fact there has been very little change. I think the ANAO perhaps became a little confused on the system and that is why we have actually submitted that document. It clearly outlines what happens to performance data. There is a hierarchy of performance indicators and it outlines how the information is or should be used at each level of the organisation, that is regional, state and central office, and also includes the benefit of that type of information to our regional councils and commissioners.

As I outlined last time, we are moving to an automated system called Insight where they have mandatory indicators as indicated on the chart. For each project, because of the diversity of projects, there is

a menu within the computerised system where the project officer can interrogate a menu of discretionary performance indicators to pick indicators which suits the particular type of project they are dealing with. There will be an aggregation facility for that to be used at the regional office level. They can actually assess the performance of their projects at regional office level for their own project assessment, for project monitoring purposes and to provide information on project performance to regional councils. State offices will have the same interrogation process where they will be able to aggregate data relative to the state and look at how the state in general is operating and, if necessary, to modify or develop state priorities.

At the national level, we have an interrogation and aggregation facility being built into it, which will enable us to take out data for evaluation and policy development purposes and for providing reports to the board of commissioners. When they say there was no feedback of data down along the line, as explained in the response to the ANAO they actually are able to aggregate their own data at the regional office level and at the state office level. We produce our data for policy development purposes and for the generation of the annual report submitted every year, which contains a lot of the data and information and examples of best practice which we have gathered nationally. That was where we had a variation of opinion with the ANAO.

CHAIR—On those layers which you have spoken about, I take it that, after the indicators are received by the regional office, they stay there unless they are requested by state and/or central office.

Mr Brown—They do not have to stay there, because the system, when fully operational, will enable the state office, if it wishes, to interrogate the data which has been accumulated by any regional office.

CHAIR—I understand that the ability to tap in and get the information is there. The only point I am trying to get for the record is that it is only accessed on demand by state office and head office.

Mr Brown—On a needs basis.

CHAIR—On a needs basis. How does the need arise? What triggers the need?

Mr Brown—There are a number of things. There is an ongoing evaluative process; there is an annual reporting process. At the current moment, as you were informed by the OEA at the last meeting, they are in the process of doing a program evaluation. They and we will extract data for the evaluation process. It depends on what is going on with the program at any given time.

Mr Myers—I can elaborate. There are a couple of what we might call ‘givens’ each year. We obviously have to produce an annual report.

CHAIR—What do you call them?

Mr Myers—‘Givens’: in other words, they are things we just have to do each year.

CHAIR—‘Givens’: that is a new phrase for me.

Mr Myers—We have to produce an annual report to parliament each year; therefore, we extract data

for that purpose each year. We also produce a Royal Commission into Aboriginal Deaths in Custody annual report. We have to produce information for that each year. Those requirements mean that there are at least two occasions when we need to extract, consolidate, analyse and present data. In addition, you will have cyclical reviews by OEA, for example, where they will review the program. They will need up-to-date data at the time they do that review. The Australian National Audit Office is doing a review, so it will also download. There are a combination of things that happen every year and, in addition, there are things that happen on a cyclical basis. The information is extracted, I would say, at the minimum, twice a year. It could be extracted quite a lot more, depending on the number of people needing to do various evaluations.

CHAIR—Is there a general instruction to regional office management that a program approved and being undertaken which does not perform according to submissions and approval criteria is automatically alerted, and notified to state and head office or one of those offices? Or does it stay within the discretion of the regional manager in the regional office, for them to sort out?

Mr Myers—Under our grant conditions, if an organisation fails to produce performance indicators or it fails to meet reasonably the objectives that it sets for itself in terms of its grant application, it then very much has the potential to fall into a breach of grants situation. That information obviously is reportable up the line. It is also information which can be gathered from the system.

CHAIR—I just want to clarify this point. Is it mandatory on the regional manager to report that immediately he becomes aware of it?

Mr Myers—No; because the regional manager is in a position to take corrective action with the organisation to try and address the problem.

CHAIR—It is discretionary?

Mr Myers—If we are talking about a minor issue, it is discretionary; if there is a major problem with an organisation—I emphasise ‘major’—we do require that that be reported up the line.

Mr MAREK—What happened at Woorabinda? This question is going to keep coming up because it is in my electorate, and I would really like to tidy it up. I really want to get to the bottom of the issue here. If this is the case and this is the procedure, why did not somebody sort Woorabinda out before it fell over? Who was at fault? Who was responsible? That is what I want to find out. It is as simple as that.

Mr Myers—As I understand it, the problems with Woorabinda were identified at a number of levels. Central office certainly identified that there looked to be problems and notified various people and said they should have a look at it. The action to actually have a formal inquiry into Woorabinda was instigated by ATSIC itself.

Mr MAREK—That is interesting, I asked somebody that question when we had this last meeting and they said they did not know there was a problem there.

Mr KATTER—A \$1.2 million dollar loss problem.

Mr MAREK—Yes. I asked someone at the last meeting whether they knew there was a problem at Woorabinda and they said, ‘No, we were unaware.’ So, it sounds as though some people did and some people did not know that there was a problem with Woorabinda.

Mr Myers—It depends who you are talking to in terms of who would have any sort of program connection with it. Obviously, ATSIC is divided into various program areas, and if somebody did not have a connection with CDEP, they would not know. The other thing you need to bear in mind is that, if you have a look at when Woorabinda first became an issue and have a look at the officers who you probably have been talking to, most of those officers were either not in those particular jobs or in that state at that time. So they would not have been aware of early times at Woorabinda.

Mr MAREK—Who would have known that there was a problem with Woorabinda? Whose responsibility was it?

Mr Brown—In the finance subsection of central office—and it is a subsection of the section I manage—we identified that there were suspected irregularities with participant numbers. That resulted from a census which was conducted by ATSIC of participants at Woorabinda and there was a significant shortfall of participants at the census relative to the numbers which were shown up on the participant schedules which are submitted to us quarterly.

It aroused suspicion because it was out of character with the other organisations where we had conducted censuses and we did one for over 240 CDEPs nationally in that particular year. Woorabinda showed up to be out of character with the findings of the others. We alerted the regional office to the fact that we thought that there was a problem. They subsequently conducted another census of the organisation to verify the figures of the first census, corrective action was taken. Subsequently, additional numbers were put back on the participant schedule. I believe that those numbers and people actually existed.

We went back and did it again. Again there was a steady growth in participant numbers. We did an investigation. The irregularities showed up and it was ATSIC who alerted the AFP that there was a problem there and initiated the AFP action to investigate Woorabinda.

CHAIR—Thank you for that, Mr Brown. I take it from what you have said that it was actually central office’s work that led to the further inquiries and it was not as a result of regional office being aware of the problem. Your office in fact told the regional office?

Mr Brown—The regional office did not have the participant trends nationally that we had. So in a national analysis, looking at the trends overall, Woorabinda stuck out as being different, if you like, from the others. We said, ‘Hey, this looks to be different, I think you should have a look at it.’

CHAIR—However, going back to the original submissions for the project, approved by regional office, and recommended to regional committee for funding, would not those documents have contained information about the number of participants to be involved in the program.

Mr Brown—Certainly.

CHAIR—Therefore, isn't it obvious from what you are telling me that regional office, for some reason, did not monitor and keep its eye on the operation so that they would be able to say, 'That is funny—we have gone to regional committee and recommended this project with the following components, it is not happening, yet we are spending the money'?

Mr Brown—But it was happening. It was one of the best projects, in terms of outputs, in the country.

CHAIR—Yes, but one of the fundamental elements of its approval was not being delivered. Is that what I understood you to say?

Mr Brown—No, it was the mechanics of the operation, rather than error in assessment.

CHAIR—The number of participants?

Mr Brown—The actual number of participants—that is correct.

CHAIR—What was happening to the money?

Mr Brown—We believe that there was significant ghosting there.

CHAIR—Ghosting?

Mr Brown—That is right.

CHAIR—That is a pretty serious issue.

Mr Brown—That is why the AFP were called in.

CHAIR—Exactly. I am not on a witch-hunt. Please understand that. I am just trying to get for the record that, in this context, it was the regional office that was told by central office that there was something wrong. Yet because the regional office had fought for the policy and the program and had gone to regional committee and sold it, it would have had in its own department and offices—had it gone out there and checked—the knowledge that you had to tell them about.

Mr Brown—Actually they did go out. They were the ones that conducted the census. I think I have to go a little bit further as to how the system works. It was the regional office who actually conducted the census of the participants as part of the national census that was carried out. It was apparent then. I would have to check the records, but I think the regional office also recognised that there was a significant decrease in the number of participants at the census at that particular time.

CHAIR—That there was ghosting?

Mr Brown—Suspected ghosting.

Mr TONY SMITH—One of the difficulties we have here is that you have said that central office looked at this particular problem—that there was a problem and central office became aware of the problem because of an analysis of comparative projects across the country. I think you said that that alerted you to a problem.

Mr Myers—A potential problem.

Mr TONY SMITH—Are you saying this from first-hand knowledge or from what you have been told?

Mr Brown—I was the manager of the CDEP section at the time.

Mr TONY SMITH—Right. So you had first-hand knowledge, because of an analysis of projects, that there could be a problem at Woorabinda?

Mr Brown—Correct.

Mr TONY SMITH—When was that?

Mr Brown—I could not give you the date, I am sorry.

Mr TONY SMITH—Approximately when?

Mr Brown—You are talking about something that was over 3½ years ago.

Mr TONY SMITH—Mr Marek asked you a question last time and I will refresh your memory of it. It is on page 31 of the transcript. Mr Marek asked:

I have one last question on it. Are you aware, then, that people were screaming for assistance years before it fell over? Were you aware that people were yelling that the scheme was not working properly and they were having problems and that they were asking for someone to come in and help?

And the answer is:

I am not aware of it. There again, I certainly was not around the scheme then, and neither was anybody who is sitting at this table

Can you explain to me whether that answer sits exactly with what you have now said?

Mr Brown—Yes, because you were talking to Mr Allmark who was the state manager.

Mr TONY SMITH—No, it is Mr Brown in fact—you.

Mr O’Ryan—What page are you talking about?

Mr TONY SMITH—Pages 31 to 32. That was your answer.

Mr O’Ryan—We have got different pages. My page 31 is—

Mr TONY SMITH—I am talking about *Hansard*. At the top of the pages is 17 and 18.

CHAIR—If you have difficulty in finding it I will ask Mr Smith if he could lend you the copy of the transcript that he is reading from. Have you got it?

Mr O’Ryan—Yes.

Mr Myers—Are we not talking about different issues there? We are talking about whether we will—

CHAIR—I will just pause for a glass of water while the witness reads the transcript.

Mr Brown—It says ‘years before it fell over’, and I was certainly not around then.

Mr TONY SMITH—There are a number of elements to that question by Mr Marek. There is the element that people were screaming for assistance; there is the element that people were yelling that the scheme was not working properly; and there is the element that they were having problems and they were asking for someone to come in and help. Did not all of those elements alert you to the fact that Mr Marek was asking you whether or not there was a problem?

Mr Brown—No. I came in on the scheme, into my current position, in 1992, years before it fell over. I certainly was not around relative to the scheme in those days.

Mr TONY SMITH—Years before it fell over?

Mr Brown—It says that it was screaming for assistance years before it fell over. I came in around about the time of the national census.

Mr TONY SMITH—But the question goes on to say that people were yelling that the scheme was not working and they were having problems. Is that question not broad enough to have elicited an answer from you that the office was aware that there was a problem because the office has now said, through you, that they did look at the problem?

Mr Brown—The problem was identified at the national census.

Mr TONY SMITH—When was that?

Mr Brown—In 1992.

Mr TONY SMITH—Yes, and that problem was a problem that you became aware of?

Mr Brown—Correct, at the time of the national census—that was the first-hand knowledge we had of it.

Mr TONY SMITH—So you are saying that you were aware that people were having problems as at 1992.

Mr Brown—As at 1992 and it was at that stage that we intervened.

Mr TONY SMITH—Okay.

Mr Brown—But prior to that we had no knowledge that people were screaming for assistance.

CHAIR—Can I just interject? That is the very reason why I have been trying to elicit the process that involves head office and state office. That is that it is only when head office and state office are alerted to something or decide to embark on some form of census or audit that a problem is unearthed it appears, and things that are going wrong are kept at regional level unless regional level tells state office or head office or both. I am sorry, Tony, I just wanted to put that in to clarify the procedural problem that is concerning me.

Mr Brown—I would like to explain how the participant system is managed now and the changes that we have brought about since the Woorabinda situation.

CHAIR—Before you do that, I will ask Mr Smith to complete his questioning.

Mr TONY SMITH—One of the difficulties we have as a committee is that we ought to have documentation that indicates what was going on then. We are accepting that you said that there was a problem and obviously there has been some correspondence and so forth. Have you got that documentation or can you bring it so that we can see it?

In other words, firstly, there would be the indicators to which you have referred; secondly, there would be inter-office memorandums in relation to the discrepancy; thirdly, there would have to be correspondence between your office and the relevant regional office; and, fourthly, there would have to be a response, one would think, or any other correspondence in relation to that.

Mr Brown—Yes, we can provide that. It was primarily between the finance subsection of central office and relevant participant numbers.

Mr TONY SMITH—Is there a file that you have on Woorabinda that you could show us?

Mr Brown—We have several files on Woorabinda.

Mr TONY SMITH—In relation to this particular matter though, is there a way of grabbing the file?

Mr Brown—A lot of that information also will be contained within the AFP investigation because we provided all those files to the AFP when they conducted their investigation and at the time we assisted them.

Mr TONY SMITH—Of course that goes to the substance of the allegations, but obviously what the committee may be interested in is whether or not there is a problem in communication. I think this is what we are really trying to address.

Mr Brown—I think you also have to appreciate that you are going back some three years. A lot of water has passed under the bridge since then and our systems have changed quite significantly, particularly the control systems on participant schedules. What we have at the moment is an automated system. I think you could say that the CDEP scheme grew very quickly over a period of about four years and, to keep track of participants, it was virtually being done manually in the community, and it was also being checked manually at the regional office level. If you take an example like Cairns where they have over 3,500 people, highly mobile, moving between projects, moving in and out of regions, moving across state boundaries, moving across regional office boundaries and moving between projects, the process became extremely time consuming and difficult.

Since then we have automated that system with a system called the CDEP management system which enables communities to enter participant data into the system. It automatically generates documentation for the Department of Social Security; it also has a facility to check people entering the project, leaving the project, and moving between projects within a region. That system did not exist some three years ago when problems occurred with Woorabinda. The ease of being able to track participants has given us a much more accurate tracking system to enable us to ensure a greater degree of accuracy in dealing with participants.

Mr TONY SMITH—What about the communication factor? I understand what you are saying in relation to those sorts of matters because obviously it would make sense that you would want to follow individuals as they are moving around and so forth, but what about the actual communication factor at that particular time—which is basically angling in to what we are looking at here, as to how well you are in touch with the respective regional offices and how well they are in touch with you?

Mr Brown—Our communication with all the regional offices, except for matters of finance and participant numbers, on all issues is through the state manager. So the first line, if they have a problem, is the regional manager. If he has a problem and needs advice, or he needs advice on policy procedures, his first line of communication is with the state manager.

Mr ENTSCH—It would still be useful to have a look at any of that documentation to see what happened there. Given that you say that there have been significant changes, it would be very useful to have a look at that to see where these changes have taken place and compare them with what you have in place now in the hope that they can be improved on. It would be very useful information for us.

Mr DONDAS—Mr Smith, you say in your response to the recommendation on page 24 of the ANAO report that consideration must be given to the fact that planning cannot be imposed on communities. How does ATSIC assist communities at a regional level in relation to CDEP?

Mr Brown—Relative to planning for CDEPs, we would have a requirement at budget time each year that the actual project goes through a planning process and we fill out what we call a work activities sheet—in other words, it sets out what activities they are going to be employed in; the costs of those activities; how

many people are going to be employed in a particular activity, and that is the basis of the submission for a budget for their project. That is the first part of the planning process.

We also have had operational planning funds to enable CDEPs 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 CDEPs 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 better coordination between state, local government and other Commonwealth departments.

Mr DONDAS—Are there any guidelines in terms of the number of people that they could employ to give advice for those programs? Is there a budget for them? For example, they can employ one person or two people, say, with a budget of \$50,000 or \$80,000 to give them advice on a program?

Mr Brown—If they apply for it, they make their application or submission to the regional office. It is assessed for its suitability on the methodology at the regional office level, and that is where the assessment is done.

Mr DONDAS—Recommendation 7 relates to training:

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

My question in relation to this recommendation is this: has there been any improvement in the training being provided by ATSIC to ensure that this is timely, relevant and evaluated for program effectiveness?

Mr Brown—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.

CHAIR—There is a division. The meeting is temporarily adjourned.

Short adjournment

Mr DONDAS—Mr Brown, we were at the stage of getting a response in terms of the recommendation by ANAO and whether there had been an improvement in the training provided by ATSIC.

Mr Brown—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 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.

Mr DONDAS—So in fact you have not done an assessment as to whether the training is reaching the target or not?

Mr Brown—Not at this stage, no.

Mr DONDAS—And is training being provided on an ongoing basis, as suggested by ANAO?

Mr Brown—Yes. Training at the community level has suffered, of course, with the cessation of the community training program, which is no longer funded by ATSIC. The impact of the loss of that program has yet to be assessed.

Mr KATTER—I would just like to follow up on Mr Marek's question, which is a very important question. I cannot remember whether \$1.2 million or \$2.2 million was alleged to have gone astray. Could I ask how much money was supposed to have gone astray there?

Mr Brown—The actual final figure—and I will stand to be corrected on this—included Queensland state government money, because the demise of the CDEP was not just the CDEP—

Mr KATTER—I am well aware.

Mr Brown—The demise of the CDEP was brought about by the collapse, really, of the administration of Woorabinda, which is primarily staffed by Queensland state employees. CDEP at Woorabinda was only one project that fell down as a result of the problems experienced with the general administration of Woorabinda. There was quite a significant amount of money, I believe, belonging to the Queensland state government that was not accounted for and the total CDEP, I think, was around \$1.4 million, but I stand to be corrected on that.

The Queensland state government, which has primary responsibility for the administration of projects in Woorabinda, provided something in excess of \$2 million to re-establish the administration and pay off the creditors incurred by the Woorabinda Aboriginal Council.

Mr KATTER—I saw a lot of the paperwork associated with the reports and, with all due respect, the interpretation you are putting upon the events there is an awful lot different from the reports that I saw. The reprints I saw said that you people failed to notify the council that the CDEP had been cut off—had

stopped—and that they were not informed so they continued the CDEP program. They said, ‘Our cheque for CDEP has not arrived,’ and you people said, ‘Well, there is no cheque for CDEP; it was cut off four months ago,’ or three months or six months ago whatever it was.

They then had to find that money and the state government said, ‘We are not putting up the money, it was a federal government mistake, let them put up the money.’ That, in fact, was the precipitating factor that caused the council to go down. That was in one of those reports that I read. I put that to you: was that report correct, or was it not correct?

Mr Brown—When the CDEP was suspended, we gave them adequate time; not only did we notify them, we also, to ensure that minimal hardship was incurred, arranged the transfer of the participants of the Department of Social Security before funding was terminated on the CDEP. The normal process for the suspension of the CDEP, which required the approval of the regional council, was adhered to in relation to Woorabinda, to the best of my knowledge.

Mr KATTER—If there was two or three months overrun after the cut-off point, there would have been a very significant fund of money. How many people would have been on CDEP then?

Mr Brown—I think roughly 450 at the time.

Mr KATTER—How much would they be paid?

Mr Brown—It was not an overrun; when we are suspending or terminating a CDEP we always give lead time to ensure there is adequate time for people to transfer to social security. We just do not cut them off until they are able to transfer across; we ensure that they have bread and butter on the table.

Mr KATTER—It was three years ago and I have not got the report with me, but there was no doubt at all that the council had continued the CDEP after you people had called it off. Whether that was your fault or their fault—I do not think either of us will ever be able to establish whose fault it was—but I would have to say that if you called it off you must have known—any responsible body would have known that they were continuing with it. You should have advised the state authorities to have the council immediately stopped from continuing the program and leaving the state government with the bill afterwards.

Either way, it seems to me, that CDEP had one hell of a lot to answer for in the case of Woorabinda. Most certainly, when I heard the case presented at the ACC meeting there was no doubt in my mind that CDEP had committed an enormous blunder—I would most certainly not be prepared to say that you did not advise them. These councils are not particularly well run, they are in a very embryonic stage of development, a lot of the people that are associated with them have very poor educational standards, as much as they try hard, and for you people to just simply call it off without ensuring that it had not actually stopped was an extremely irresponsible action to have taken, and left the state government picking up the tab.

If you say the state government had significant losses, yes, they did, and they richly deserved to have the losses because all the executive officers, who are doing continuous audits in each of these communities, were removed by the incoming Goss government in Queensland. If you removed the watchdog, clearly,

people were going to see that as an invitation to do as they pleased, which, in fact, was the experience that we encountered. I understand that Bynoe in Normanton at the present moment has collapsed under very similar circumstances; would you like to comment on that situation?

Mr Brown—No, I am not fully aware of what is going on there.

Mr KATTER—Mr Chair, I bring to the attention of the committee that anyone that has had any experience in these areas, and one would like to think that the administration of ATSIC has some experience in these areas, would realise that you need a continuous audit. We were parcelling out about \$30 or \$40 million, say, and in the last audit for which I was responsible as minister I think there was a negligible amount of money. There were only six councils that got a qualified audit and four of those were in the Torres Strait; one of them only had 22 people, it was Stephens Island. They were not of very great significance.

But the reason for that was that there was a continuous audit. It is absolutely extraordinary to me that you people do not have a continuous audit operating. If you have a continuous audit operating it picks up ghosting and these other phenomena which are quite common.

Mr Myers—Can I make a few points on that one? First of all, with Woorabinda, it would seem to me that, if the organisation was advised of the cessation of the CDEP funding by ATSIC and given due notice, and if DSS were advised so that they could take appropriate action to put people on to their social security entitlements, it could well have been a situation where Woorabinda itself chose to attempt to run some form of CDEP where the actual wages were the old social security payments directly from Social Security. They might have tried to keep some work force going. That was their decision, their prerogative. We went through all the appropriate steps to advise them and to advise Social Security. What the council chose to do is really its responsibility. To try and blame ATSIC for that, I think, is a little excessive.

Mr KATTER—Mr Chairman, as far as I am concerned, Mr Myers has just admitted that they in fact knew that the CDEP scheme was still running. That is how I would interpret your remarks.

Mr Myers—No.

Mr KATTER—You are entitled not to.

CHAIR—Time is getting away. I want to bring the discussion back. I know that Mr Entsch has a question, Mr Quick has a question and Mr Smith has a question.

Mr DONDAS—I have one final question. How is your CD-ROM training program going? I launched it for DEETYA in May this year in Darwin. How is it going?

Mr Brown—The CD-ROM development at this stage, as I think I commented previously, has almost been outstripped by technology. We made a significant change in our procedures format for this financial year. We employed an information mapping exercise which enables us to consolidate the procedures and put them in a more comprehensive, digestible, user-friendly format. By virtue of doing that, we have had to revamp the CD-ROM. Already there are indications that perhaps the CD-ROM as an instrument, but not the

information going into it, may have been superseded by the Internet.

We have a shopfront on Internet at the moment which is being tapped a thousand times a day from around the world. We are not sure of the exact number, but quite a few of the CDEPs and people out there are connected to Internet and they would be able to access a wide range of information on government programs, including CDEP and other ATSIC programs, for the cost of a local telephone call through Internet. We will complete the CD-ROM production, because the information and the format that is contained in that will be a format appropriate for downloading onto the Internet. But as for actually sending out CD-ROM disks, it may be that technology is taking over and the other option is more appropriate.

Mr ENTSCHE—I have a question on the assessment. Who does the assessment with regard to advisers or consultants to the CDEP programs? Is there a watchdog mechanism to see that the people who are actually engaged by the communities to run the programs are in fact qualified to do so? I ask that question because I know of a number of CDEP programs that have fallen over badly. The advisers or consultants who have been brought into the communities to run these things have disappeared and, 12 months later, they pop up in another community. In the last few months, for example, the Deeral community co-op has been on its way out: it has gone bankrupt; the Rimeer community in Cooktown is going bankrupt; the Kuku Djungan people at Mt Mulligan, at Kondaparinga, are in the process of going bankrupt, and one of the Aboriginal people who run it is actually in the process of going through the courts because of it.

It is an interesting situation that these people pop up. There seems to be a group of these professional advisers who pop up in these communities. The CDEP programs are based around their qualifications and their advice. They fall over. These guys disappear and you will see them pop up in another community six or 12 months later and again there is another program going. I am just wondering where the mechanism is. Do you have some sort of alarm system there that says, 'Right, these guys keep popping up' or do you have some sort of a mechanism there that can check the qualifications of these people to hold them responsible for it?

Mr Myers—I will talk about our procedures to start with. In terms of consultants, organisations themselves engage consultants, but they have to go through a proper process. If it is over a certain price, they do have to go to public tender and try to recruit people through that process. They are not allowed to actually put anybody on as a consultant without ATSIC giving a tick to that person first. I suppose consultancies can be reasonably well monitored, provided that, if there is such a person that you are talking about, we are aware of it. I suppose then we do have some capacity to influence the community decision. Staff recruited by organisations can be quite a different matter. We certainly hear stories the same as you have heard about people popping up.

Mr ENTSCHE—No, I see them. I live in the community. I can assure you I see them.

Mr Myers—Often the difficulty with that is that, if they have left a previous community and there are no grounds—in other words they have not been sacked or they have not been dismissed—they will often leave with an apparent clean bill of health. Unless the community is prepared to pursue the matter in terms of action against that particular employee, legally that person still has a clean bill of health.

Mr ENTSCHE—There are a number of failures and a lot of it happens in those areas. I can name there that have happened in the last three months there. They are in the process of going through and serious allegations have been made with regard to the management and to the consultants on those. I have personally seen and know of a number of them that keep popping up in different communities. They just disappear when they get into financial trouble. Is there no other mechanism there through ATSIC for more accountability for the advisers?

Mr Myers—It would be local knowledge only. There is no process where we can or would keep a track of the employees of organisations. We are not geared to do that and it probably would not be an appropriate role for us.

Mr ENTSCHE—I just flag a real problem there, because a lot of these advisers get into these communities and, irrespective of your tendering process and everything else, the fact that they have some association with a member of the community automatically qualifies them to deal with their funding. I think that that is an area that really seriously needs to be looked at, because it is crucifying the communities. It happens all the time.

CHAIR—Perhaps some form of debriefing process that somehow or other provides some conclusions. Surely, if someone is applying for funding in the future, one of the matters that should be looked at is the ability of the parties to deliver and perform based on their previous involvement. That fundamental principle should surely be part of the assessment process, I would have thought.

Mr Myers—If we look at some of the special auditor's recommendations for example, they have made similar observations about some of the auditors that work for organisations and said that the competence level of auditors varies drastically right across Australia. Their observations of some of the organisations who have breached grant conditions are a direct result of poor performance by auditors. One of the recommendations that they have put to ATSIC is that we should set up a central register of what you might call approved auditors, that is those who have successfully done audits for communities before. Now that is a recommendation that is under active consideration within the commission at the moment. How we might extend that, I do not know.

Mr ENTSCHE—What is the possibility that, when these people sign on as advisers or consultants to these communities, there is a process there that will hold them financially and legally responsible for the decisions they make for that community, such as a contract that they have to sign?

Mr Brown—We run into a problem here, because a lot of the people that are actually running CDEP for example can be employed by a community operating under the Queensland local government system or the Northern Territory local government system. On many of these communities ATSIC is a minor player in terms of the programs and projects that are delivered to that particular community. We are not the primary funding agent.

When these people are employed, they are not employed by ATSIC. They are employed under a range of state and local government arrangements for the administration of communities and councils. In fact, we have no control over who those people employ at all. I agree with you. In many communities a number of

people have got onto them to the detriment of the community.

Mr ENTSCH—It is still happening today and that is unfortunate. We need to put a mechanism in there, otherwise it is never going to stop. We will be sitting here talking about it for years.

Mr KATTER—I find what Mr Myers said before quite extraordinary and what he is saying now quite extraordinary. You might not be aware, Warren, but last year we passed legislation which I considered to be draconian. I was very unhappy with the legislation passed by the last government. It kept a register and, if you were on an organisation which was dissolved, then you could not serve on an organisation for another three, four or five years. I find it extraordinary that Mr Myers would come here and say there is nothing we can do about that when we passed legislation ensuring in fact that they never be allowed to serve on another organisation for three, four or five years, if they were in an organisation that was dissolved.

CHAIR—In view of the time, I do not want to cut you off Bob, because it is a very real concern. Obviously, the committee's deliberations will involve an examination of some of the oversight. Also we will be asking the next witnesses from the audit office questions about how to improve supervision, accountability and all that. Michael, I did not want to cut you off before. If I did overlook you, I apologise for that. Did you want to add something?

Mr O'Ryan—I just wanted to make the point that the public accounts committee, together with the Queensland public accounts committee, is having a look at this whole issue of the administration of councils. They are using Queensland as the yardstick for their examination. It is a joint public accounts committee approach, including a register or the qualifications of people that are employed to administer councils, particularly in Queensland.

CHAIR—For members' interest, that is a very valuable reminder that Mr O'Ryan has mentioned. I was by coincidence talking today to the chairman of the public accounts committee, Mr Alex Somlyay, and he indicated that the inquiry they are conducting is looking at some of those aspects. I think this committee probably would benefit from discussion with Mr Somlyay and his secretary just to touch base on that. Thank you for reminding me of that as well.

Mr QUICK—For the record, I am really concerned that, if this is the ATSIC performance indicator system, it is all one way. In this day and age that is the most simplistic performance indicator system I have ever seen in my life. If that is indicative of how the system works, I can see why it has failed. I do not know whether this is going to be put on the record or not, but I would like to see it incorporated.

CHAIR—Yes, it is incorporated. It is referred to in our transcript as the flow chart. Are you happy to leave it for deliberations?

Mr QUICK—Yes. I have a couple of questions. The KPMG audit report mentions a whole lot of new technology. It mentions information mapping, Toolbox, Insight and CDEP Noticeboard. Are we being blinded by science? My big concern was information dissemination. The report mentioned a number of previous reports and levelled a degree of criticism at central office on page 5 in relation to a perceived lack of assistance provided to state office in light of the changed administrative structure of CDEP. It mentioned

Internet, Toolbox, Insight, information mapping and CDEP Noticeboard. Are they all part of the same thing? Are they all totally different? How do they work? Where is the funding coming from?

CHAIR—There are a series of questions there. You can take them on notice and respond by letter; you can do it now, or you can do both. You can have a go at some of it now and you can write to us on the balance, if you like.

Mr Myers—We can go through it now, but it is fairly lengthy to say how they all fit together.

Mr QUICK—Looking at that flow chart, I notice that none of them are mentioned on that and, as I say, all the information is going from the bottom to the top. There is nothing going back down to anything like regional councils, or state or central office.

Mr Myers—On that chart, the concept is local information gathering which is used at the local level. It should be used by regional council via the regional office for local decision making. It is based on the performance of the organisations at that level. From that it then feeds up. We extract the bits out of it that we need to fit into national reporting, so they still have their information.

Mr QUICK—But something as simple as program evaluation and monitoring stops with the central office.

Mr Myers—That then feeds into policy development, changed to CDEP procedures.

Mr QUICK—These are your performance indicators. It all goes from project A, B, C and D to central office and stops there.

Mr Myers—But what that chart does not show is where the analysis of the information goes. What we would want is for regional councils to consider the information outcomes, the outputs from the funds' recipients, to work out how much money they might want to direct there in future years.

Mr QUICK—As a former teacher, I would appreciate a chart, or some schematic outline, to show me—as a result of degrees of criticism about the various levels, regional, state and central, and KPMG's assertion that you have moved quickly to answer these criticisms—how it all fits into the great scheme of things. So if I have three flow charts I can then say, 'We have had a study of CDEP. It was stuffed up pre-whatever it might have been. There has been some criticism and some evaluation and reassessment and here are the positive initiatives.' I mean, that chart is useless to me. I think that you are underselling yourselves if, as KPMG have said, you have addressed some of these issues.

Mr Myers—I think that there are two separate issues though. Firstly, there is the quality of the actual information being gathered and, secondly, there is the process, or what you do with the information that you have. That chart is about what we do with the information which we gather. The other issue about the quality of the information is one that we alluded to in the first hearings when we said that we had been having trouble getting consistent information which allows us to consolidate at the various levels. That is where we are making improvements by compulsory indicators on the insight system. That is the technique to gather the

information which will then feed in to that process.

Mr QUICK—So when they are talking about central office having changed the guidelines for the completion of the new participant certificate and they state:

Discussions with state and regional office personnel reveal that these new guidelines are difficult to enforce as they do not form part of the grand contract. As such, it is recommended that . . .

and it goes on, where is that on that thing, when we are talking about performance indicators?

Mr Brown—That is a totally different issue.

Mr QUICK—We are talking about performance.

Mr Brown—No. I think we are talking about procedures. What you are talking about is a procedural matter which is dealt with at this level here.

Mr QUICK—Yes, but it ends with you guys. How does it get back up to here?

Mr Brown—By variations of the procedures.

Mr QUICK—Why do you not show it? That is what I am saying. If this is how the system works, and you are saying it does not work—

Mr Brown—But it is policy development for the scheme which is for all of that. It is procedural development for the scheme which is all of that, and so on. And program evaluation and monitoring is for the scheme which is all of that.

Mr QUICK—It does not show it on that. If I just came in and said, 'Here is the ATSIC performance indicator system,' it all ends up with central office and stays there.

Mr Myers—Would you like us to produce a revised chart?

Mr QUICK—I would, if we are going to be fair dinkum. I knew nothing about CDEP before I came on this committee, apart from one visit to one outside Broken Hill. I am interested in the whole issue. As a teacher, I would expect to get all of the information and, upon getting that information, to then make a value judgment as to whether I criticise, applaud or suggest some things that might do it. I am not here to score points. I am here to learn about a system that has obviously got some problems. I want to help you guys: that is why I am here, otherwise I am wasting my time and I should get on some other committee. I think you are selling yourselves short because you have made some positive initiatives, as KPMG has stated. I am on about information dissemination and evaluation so that at the end of the period everybody benefits. I gave you a hard time last time about the roles of the state and the regions, and whether we should do away with one level as a more effective way of seeing that this scheme, which I think is a good scheme, works properly for the benefit of ATSIC and the people involved.

CHAIR—Mr Quick, you have indicated a very interesting and important element of concern about the chart. I think Mr Myers suggested that they would write with a revised chart showing the interaction and the way in which information is disseminated back so that it does not stay on the desk of someone in central office, as I understand the thrust of Mr Quick's question. The witnesses could write to us with that information or, if Mr Quick does not want to, he is at liberty to pursue questions now.

Mr QUICK—One thing mentioned here is the establishment of state conferences. You are being funded for it but the state is responsible for the organisation of those. That is not mentioned anywhere here as an effective mechanism.

Mr Brown—But the state conferences do not form part of the ATSIC performance indicator system, they are a consultative process.

Mr QUICK—But surely they contribute in some way?

Mr Brown—Not to performance indicators, no.

Mr QUICK—They are not raised as a state conference issue?

Mr Brown—We have information disseminations and policy discussions at state conferences but they are not part of the forward performance indicator system.

CHAIR—You are now aware of the concern of the committee. We have not yet deliberated on our report but it is clear that some of the members may wish to raise in the report their concerns about how performance indicator information and evaluation is conveyed back to the players. On that basis, could you could write to us commenting on those points and providing further information.

Mr TONY SMITH—The ATSIC program statements define four main CDEP objectives: first, provide indigenous people with work; second, enhance individual skills; third, enhance community self-management; and fourth, enhance economic development. What do you mean by enhancing community self-management and what do you mean by enhancing economic development? In relation to the latter, does enhancing economic development extend to looking at communities providing an economic infrastructure that will lead to community self-management?

Mr Myers—On the economic side, we are certainly looking at communities, in the longer-term, to be able to develop an economic base and for them to move beyond CDEP. We have a number of other programs which assist communities in that regard. One of the objectives of our community enterprise initiative scheme, CEIS, is to provide additional funds to CDEP communities for enterprise activity and to encourage that. Currently, around 30 or 40 per cent of our CEIS funds go to CDEP communities to encourage businesses and business activities. That could be tourism, transport or a whole range of endeavours within the CDEP community which give it an economic focus.

Mr TONY SMITH—Regarding that last point about tourism, some of us have just come back from the Torres Strait, and I did not see one example of tourism, and yet there is enormous potential up there. I

did not see one example of any project which would lead to a tourism base for economic development. The only thing of any note was what was happening at St Pauls in relation to block making. That is just an observation. Again, are you suggesting, however, that that is one of the objectives?

Mr Myers—Certainly, if you look at the objectives of the overall scheme it is, amongst other things, to enhance economic opportunities for the community. If a community chooses to pursue an economic focus, with having a work force there and assistance from other programs, there is potential for communities, provided that is what they want to do and that there is a market. We have seen both in the Aboriginal community and non-Aboriginal community any number of examples where people have thought they had a good business idea and the market has not been there or the delivery has not been there.

You made the observation that in the Torres Strait there were opportunities that perhaps had not been tapped into. In the Kimberley at the moment, for example, the communities are looking at getting into ecotourism projects. We are suggesting to them that, rather than go down the path of exposing themselves at this stage to what you might call commercial finance and all those sorts of things, they try to utilise the existing CDEP work force to minimise their cash liability. So there are ways of using the scheme if the communities wish to go down that path.

Mr TONY SMITH—The other matter relates to the documentation that we raised before the interruption. I have a handwritten request here, but I will read it into the record, subject to Mr Chairman's approval.

CHAIR—Yes, that is fine. Mr Smith foreshadowed to me during the adjournment that he wished to make a formal request for further documents to be made available to the committee. He is now going to read details of the request.

Mr TONY SMITH—I am requesting the following: firstly, all letters, facsimiles, reports and notes respecting the identification of problems at Woorabinda, emanating from and to central office, to state office and/or regional office, and any other source or sources together with responses, if any, from the state office and/or the regional office; secondly, all telephone notes, memoranda and communications respecting the same; and thirdly, any documents, notes or memoranda originating or having been made in the period leading up to the confirmation of problems subsisting at Woorabinda.

CHAIR—We, of course, will give you the wording of that. Is there any problem in complying with that?

Mr Myers—I suppose the only difficulty we have is that, certainly, the files were all made available to the AFP as part of their investigation, so obviously whatever documents exist are there and have been looked at.

CHAIR—We are looking for copies, by the way, not originals.

Mr Myers—The difficulty we have at the moment—and I would need to get, I suppose, advice from our human resources people on this—is that the involvement of certain staff members in all of that is subject

to inquiry under the Public Service Act as we speak, and I am just not sure where all of that sits—

CHAIR—Okay, this committee is meeting at four o'clock tomorrow for a private meeting, and I would like, if you would not mind, some indication to be conveyed to the secretariat before four o'clock on any problems that might be discovered overnight in complying with Mr Smith's request. We are happy to sit down and discuss those in a sensible way if that is the case. We would also like an indication of delay in how long before you would be able to provide that information to us. Are you happy with that, Mr Smith?

Mr TONY SMITH—Yes.

CHAIR—I would like to thank the three of you for being with us on two days now. We appreciate your cooperation and we look forward to the further information that you have undertaken to provide to us. I now discharge you from your attendance today. I call our next witnesses who have been waiting more than patiently for a record period of time, but I am sure they have enjoyed it immensely!

[5.44 p.m.]

GOLIGHTLY, Ms Malisa, Executive Director, Performance Audit Business Unit, Australian National Audit Office, 19 National Circuit, Barton, Australian Capital Territory

MEERT, Mr John, Group Director, Australian National Audit Office, 19 National Circuit, Barton, Australian Capital Territory

CHAIR—Welcome. Both witnesses have given an affirmation. The committee prefers that all evidence be given in public. Should you at any stage wish to give any evidence in private you would be most encouraged to do so, and the committee will give favourable consideration to your request. We have received your submission and we thank you for that. Are there any corrections or amendments that you would like to make to your submission?

Mr Meert—No, Mr Chairman.

CHAIR—Do you wish to make a statement in relation to the submission, or would you care to make some introductory remarks?

Mr Meert—No, I think the statement covers it.

CHAIR—The first burning question I have got is for members' interest as well. We were informally anticipating that we would ask you to brief the committee on phase 2 of the audit in a private hearing—perhaps tomorrow. If you think that is no longer needed in view of the evidence given today by witnesses from ATSIC, we would appreciate your guidance on that. We are happy to have the private briefing.

Mr Meert—We will take it.

CHAIR—Yes, my gut feeling is that the private briefing would help us immensely. It has been a long hard haul. My first questions are, in relation to the recommendations in your report which we are examining, can you indicate to us the progress that has been made? Are you satisfied with the responses from ATSIC? Do you have any comments on or information you think we should know about, having regard to the passage of time and the work that you have done? Could you put it in context in relation to report No. 2 as well?

Mr Meert—In the context of report No. 2, I would prefer to discuss that tomorrow, simply because the audit still has not been finalised. In a sense, what we are giving you is a view, without having gone through the full analysis of the data we have gathered, so I think I would prefer to wait until tomorrow for that.

In terms of some of the progress, I might ask Ms Golightly to comment specifically on the report. I suppose we can then talk about some general issues, especially things like performance information.

Ms Golightly—Basically, phase 2 has looked at the progress being made, so that will go into a lot of detail about individual recommendations. But generally—as I think ATSIC read out in the discussion paper they had from us—we have found that they have made progress against most of the recommendations.

What we are attempting to do now is see whether that could be further improved or whether it was sufficient, and that is what John is referring to in terms of the analysis that we are doing at the moment. We are quite happy that the recommendations have been addressed, some more than others of course, but there has definitely been progress made against those recommendations from phase 1.

CHAIR—This is so hard to do without getting into the second report but—without wanting to anticipate too much of what our own recommendations might be on the first report—are you satisfied that if the recommendations of your first report are fully and effectively implemented that those safeguards and procedures would be adequate for the future operation? Or do you think that—without going into detail—there will need to be additional steps taken?

Ms Golightly—Perhaps I can answer that by explaining the context of phase 1. Phase 1 looked at Queensland only and, indeed, only one region in Queensland. So the recommendations that flowed from that report we were sure would help Queensland and we thought, just given their nature, would probably benefit other regions as well; but the focus was mainly Queensland. From that point of view, there was always the potential that other issues and further improvements or further discussion of how their scheme as a whole could be improved was always going to be there in phase 2.

CHAIR—Might the committee do its duty adequately if it reports on the first stage of the report to the parliament that the final determination of audit performance measures be addressed when the second report is available?

Ms Golightly—Yes. The context of the second report is much broader and looks at the scheme as a whole.

CHAIR—I am foreshadowing that this committee might qualify its first report by not saying, ‘Yes, everything is resolved, we can go on to a brighter, happier world.’ We should be saying that we will need to look at the effectiveness and the thoroughness of all this in the context of the second report.

Ms Golightly—For example, there was a limited amount of information which we could put in phase 1 about the adequacy of performance indicators. We knew at the time of this that in Queensland there was a long way to go. Phase 2 wanted to see whether that was a problem across the board. So, as a minimum, the recommendations of phase 1 would need to be implemented; but there was always that potential that there could be bigger problems in the scheme as a whole, or better good practices both ways.

CHAIR—Hearing the witnesses, I am almost overwhelmed by the layers of bureaucracy and people involved in what I appreciate is a very worthwhile program that should be strengthened because it is a good program and which, of necessity, involves many people, sometimes in isolated areas. Have you any general comment about that observation?

Mr Meert—As a general comment, one thing I would say of the ATSIC type of environment is that it is extremely complex and it is almost useful to map out the roles, responsibilities and limitations of what the ATSIC managers can and cannot do. Because it seems that in the debate—sitting back there listening—there is a bit of confusion about where their responsibility, authority or power stops. I think even clarifying that is

useful in putting the rest of the management cycle—as I have just drawn here—into perspective.

We find that a lot of times, even in Commonwealth-state grants, you set your objectives, you have a budget, you implement the program and you gather your information. As soon as you start gathering your information for the management loop, you start getting into problems because you do not have jurisdiction. You cannot necessarily get the information to complete the cycle because you have not got the jurisdiction to say, ‘Give me the information on what you have done with the money.’

Just clarifying that shows you the limitations on what you can actually review and what sort of performance information and measures you can set in place. That way you will start identifying the gaps in the total accountability picture. 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.

CHAIR—You and I have had informal discussions in another area about this problem. Would you consider that the committee would be on the right path if, in its deliberations, it considered alerting the parliament to the need, prior to approval, of funds for programs from the Commonwealth to have signed up the other players in the game, acknowledging that they will grant jurisdiction and access to our reasonable requests for audit and performance levels? Would that be a solution?

Mr Meert—Let me answer that in a roundabout way because I do not want to transgress into policy. From the audit office perspective—looking at a purchaser-provider model within the Commonwealth arena—if you are getting into contractual obligations, you always need to know what the contract is for. Therefore, to have that right of review is crucial from an auditor’s perspective. If you have not got it, then how do you know you are getting value for money, meeting your objectives and that what you are setting out to do is actually achievable? So in a roundabout way I am really supporting what you are saying, that you have to complete that accountability loop, to be able to get in there and see how the money is being spent.

CHAIR—As a sneak preview, is there likely to be some comment on that in another commenting document?

Mr Meert—We cannot comment on policy. If the policy says that is it, we cannot go into that.

CHAIR—In other words, there is a need for a policy determination to be made at government level to spell out requirements for players other than Commonwealth players to provide more assistance, cooperation and reporting—

Mr Meert—Yes, whatever it is that you wish to look at.

Mr DONDAS—In respect to your performance audits on the scheme, has it been beneficial to the CDEP scheme?

Ms Golightly—I would hope so.

Mr Meert—We have to say yes because it is on our performance indicators!

Mr DONDAS—I should ask Mr Brown whether he thinks it has been beneficial.

Mr Meert—All I can say is we have put out a report which, if nothing else, has started listing some debate over some major issues in a very important program area. So, from that point of view, for us it has been worthwhile to have a committee such as this pick it up and take the debate further. ATSIC have agreed to the recommendations and they have already alluded to the fact that they have made changes. So, in our broad sense of improving public administration—

Mr DONDAS—You have been successful.

Mr Meert—I would say we have. But the test of the pudding is in the eating. So when we do the follow-up, we will see.

Ms Golightly—We are looking at that.

Mr DONDAS—We heard earlier today that the ATSIC CDEP scheme has now been broken away, split in two, with the Torres Strait islanders who have their own CDEP program which has been given to the Torres Strait Island Regional Development Authority. Have you done an audit at this stage on the TSRA?

Ms Golightly—No, not at all.

Mr DONDAS—One has not been called for, or it is not time yet? Because TSRA actually started in 1994, as I understand it.

Ms Golightly—Yes, they did.

Mr DONDAS—They have now been handling the scheme for 18 months or thereabouts.

Ms Golightly—Yes, I am not sure exactly when they took over the CDEP side.

Mr DONDAS—When will an audit be done on the TSRA CDEP scheme?

Mr Meert—It is a complex question because, basically, we set up a strategic audit plan every year where we look at all portfolios and our resources. We are getting into that phase of doing our new strategic audit plan now.

Mr DONDAS—But if you were doing it for the CDEP on the mainland, it was all part of the program for a national audit and because the scheme has been now separated into two distinct packages, why would you not also audit the second distinct package which is the TSRA?

Mr Meert—It depends, because the lessons out of the first would apply to the other scheme possibly as well and we really would expect management to pick up the lessons in that and apply it to the other

scheme. It comes back to this performance information, performance loop. My expectation would be that you learn from your activities, you learn from your mistakes, you learn from your better practice. The thing is to disseminate it. If you pick up a lesson in one program, you really should look at the risks that your other similar programs face and review that program to make sure that your administrative practices cope with it. We cannot do that for management. We can only identify areas where improvements can be made. But I would say you should look at this in terms of TSRA.

Mr DONDAS—So in fact you have not been asked to do it as yet?

Mr Meert—No.

Mr DONDAS—And what would trigger a request?

Mr Meert—You just have. Your request is now noted for our strategy.

Mr MAREK—With that in mind, is there not state or federal legislation—or is it not in the charter or whatever ATSIC has—saying that they should have on a 12-monthly basis independent audits or audits into the people who have their fingers in the public till? To give a bit more of a preamble, where I used to work in a coalmine, each accountant or manager was audited mandatorily every 12 months so that the head sharangs in the CRA knew where the money was going and that there were not any mistakes. Do you have that in ATSIC or is it as Mr Dondas has just found out, that it is only when somebody asks for one? Is that right or wrong?

Ms Golightly—There are any number of different types of audit. I think that one of the things that has come out of this hearing is that there are different levels of audit, too. There are the audits that the community organisations, as incorporated bodies, must have under their own legislation and then there are the audits that the ATSIC administration is subject to. Like any other Commonwealth agency, it has a number of layers of review, including audit. Even within audit, they have their equivalent to an internal audit set-up, the Office of Evaluation and Audit. This is slightly different because it reports straight to their minister whereas other internal audits report to management. So that is one level.

The other level is the external audit—the Australian National Audit Office. Again, there are two types of audits. There is the financial statement side where the actual expenditure of money and the receipt of money is verified once a year—that is for the whole agency—and that is reported in the ATSIC financial statements in their annual report. So they put their financial statements in there along with the audit certificate they get on those financial statements.

The other audits we do are the performance audits and they are done on a plan which is decided by the Auditor-General. He takes into account requests, he takes into account risks that we have identified through our other audits through our knowledge of the organisation, through changes in policy that affect the—

Mr MAREK—In Woorabinda, whose responsibility would it have been to go in there on a 12-monthly basis to ensure that the system was working properly? Could they run for two or three years and not

be questioned?

Ms Golightly—It would be hard to imagine that. I am not personally familiar with Woorabinda's case.

Mr MAREK—That is fine.

Ms Golightly—I am not exactly sure, either, of the way that Woorabinda is set up legally in terms of which legislation applies and which does not. But I assume that there was the Queensland government as well as the Commonwealth, that is two players, and ATSIC has its monitoring processes—and they are continuous—so there should have been reports coming back.

Mr MAREK—I have found out one thing so far with this inquiry and in relation to Woorabinda—and I do not want to harp on this point because like you said it is probably not too much to do with you, but I want to put it on the record. Woorabinda is an Aboriginal settlement, as you may well know. It looks as though it draws funding from federal ATSIC, state ATSIC and DEET, and from state government and federal government grants. It gets money from so many different areas to go into the community, and they cannot control it. They do not know where it is going and we do not seem to have a system of auditing this Aboriginal community. I think we need to have audits put in that run on a 12-monthly basis on these particular communities.

Ms Golightly—Yes. I think what you are seeing is—

CHAIR—Can I just add a subquestion to what Mr Marek just said?

Ms Golightly—Yes.

CHAIR—We need to examine whether it is possible to achieve some form of consistency and minimum performance on the audits because it seems to me that you have got a number of different audits with different—

Mr Meert—I just want to give you an example, Mr Chairman. If you put a materiality limit on the financial statements you may not pick up a \$2 million leakage. If you put a five per cent materiality limit on a \$350 million program, you will not pick it up. The other thing is that you will not necessarily pick up systemic management issues. What you are looking for is the basic monitoring of performance to give you a clue when something goes wrong. So you start off with your risk assessment. You look at your program and you say, 'Where are my key risks?' Then you develop a risk management plan which includes performance information where you track the performance of a program against key indicators. Then you complete the loop. You then have to analyse the data, feed it back to the source in terms of whether you have got a better practice that you have identified or are you going wrong against the targets; do you need to fix it up? You need to draw on the lessons. You need to do more than just the financial statement; you do need to have a look at the systemic arrangements as well to say, 'Hey, there's a weakness there; hey, everyone, have a look at these issues.'

Ms Golightly—Indeed. The financial statements are usually drawn up only once a year although there is quarterly financial information provided to ATSIC—but you are looking historically. By then something has already happened; it is gone.

Mr MAREK—We are trying to fix it so that it does not happen.

Ms Golightly—What you need—and this is what John Meert is trying to say—are indicators that alert you ahead of time to potential problems and then a commitment to following up the action that needs to be taken. Those indicators need to be developed with a framework in mind of what is the risk to the whole scheme as well as to a particular community. That is not just CDEP, that is any grant, any program in the whole service. That is something that is dealt with in depth in the phase 2 audit.

Mr MAREK—You were just talking of figures there. From the information supplied to me today I can say that when the CDEP scheme was fully suspended at Woorabinda they had a debt structure of approximately \$1.6 million in December 1994. It really concerns me that we were not checking up. Why were we not trying to help these people? Then when it was all done and dusted they ended up with a debt structure of about \$2.4 million—and they have had to take a loan over 12 years. The community owes all this money and it is going to take them over 12 years to pay it off to the body they borrowed it from. The community really needs help.

Mr Meert—The other issue of significance on that is that even in that particular isolated problem in Woorabinda, what lessons did you draw out of it and how can you avoid a situation like that occurring again?

Mr MAREK—That is why we are here today and that is what we are trying to find out.

Mr Meert—I am just saying from a management's perspective that that is where you need to draw on the lessons to say, 'We need to put these additional measures in place to avoid a repeat of that particular problem.' No matter how bad that original one was—I am certainly listening to what you are saying—it is really, for management, a matter of where you move on to. I appreciate that you are coming in to do that as well but really management needs to pick that up also.

Mr MAREK—I would like to get some sort of identification or some program put in place. Woorabinda comes due for local government elections again in March. The council was suspended and they had an administrator put in. In March next year they have elections again—and the whole problem could start again. ATSIC is currently trying to get Woorabinda up and going with CDEP again, but I have some grave concerns that things just are not in hand.

Ms Golightly—There may not even need to be—I do not know the details of that case—a new process; it may have been that the processes that were in place, or are in place now, were not working.

Mr ENTSCHE—I am just taking up briefly on what Mr Dondas has said on the audits and the TSRA. We are involved in another inquiry at the moment with regard to separating the TSRA from this ATSIC funding. Given that there are a couple of communities up there already in trouble with CDEP programs, it would help us in our deliberations to know what extent of autonomy we are going to be talking about, if we

have some sort of an independent assessment on their ability to manage this.

Ms Golightly—Yes, I hear what you are saying. As John was saying, the principles that we are applying—for what is good management practice and what is not—would apply to TSRA.

Mr ENTSCHE—The TSRA are telling us that they have better processes in place than ATSIC does, and they are not having the same sort of problems—although there are, I must admit, a couple of communities up there that have a really serious problem with their CDEP program. It would be very useful for us to have that information, to help us make a decision on that, and maybe that is something that we can look at.

CHAIR—And take on board.

Mr TONY SMITH—Is it part of your charter to investigate the cost per unit of effort? What is the cost to get one person on CDEP? Do you look at that?

Ms Golightly—Not on as detailed a basis as tracking every cent, no. At this level, because we have not done a time and motion type of study, we will not be able to provide a comment on that.

Mr TONY SMITH—Should there be one?

Ms Golightly—Possibly, but I would say that ATSIC is probably in a better position to do so, in terms of their knowledge of what goes into it, than we are—at that level of detail. We have tried to look at the scheme as a whole, to see if there are any obvious areas where there is duplication or big gaps. Once you have hit that, then you can look at whether every minute of the day that is going into processing CDEP documents or applications is costing five minutes as opposed to 10 minutes—that sort of thing.

Certainly, the other part of performance information is not only indicators about how a community is going in terms of success or otherwise: ATSIC needs performance indicators which say what their administration is adding to this scheme. There are the two sides. ATSIC is supporting the communities in delivering the scheme, so you need to know whether the scheme itself is working in the communities—outcomes types of information—but you also need to know how efficient and effective the support is that ATSIC itself is providing with its administration. We have definitely looked at that in phase 2. We have not gone as far as dollars and cents, but we were looking for measures of that success.

Mr TONY SMITH—I found the latter part of what you said quite interesting. The determination of the cost per program might give some idea of how well those programs were going in the individual places; but, again, it might be a fair sort of effort to do that.

Mr Meert—It depends how you do it. If you were doing an audit of that, for example, you would have to decide on what it is you wanted to look at. I possibly would not go down to individuals, but what I might look at is some aggregated data by region. The other thing you would have to look at is demographics, variation in locations. I do not imagine you could average out a figure—well, you could, but I do not know if it would tell you anything particularly. It would be interesting to map the cost, and then you could get your

averages.

Mr TONY SMITH—You could put your discounting for regionalisation and demographics and other factors in there. Do I detect that one could be able to see that there could be a program called CDEP which was delivered more directly? In other words, the financial viability of the scheme could very much be determined by how much it cost to be delivered. Is there a way of looking at whether it can be delivered much more directly? I am sorry for being so verbose.

Mr DONDAS—He is a lawyer.

Mr Meert—I am just trying to think of the answer.

Mr TONY SMITH—If we were to take ATSIC out of the equation and we looked at CDEP being funded directly through communities right at the bottom, for example, one would think that would be a much cheaper delivery.

Mr Meert—I do not think we could answer it, simply because there is a policy that sets up ATSIC's role. Again, I would be stepping outside of our mandate if I were to answer.

Mr TONY SMITH—You could, however, identify the administration cost from the top.

Mr Meert—The first thing we would do is ask ATSIC whether they know the cost, because you could have a reasonable expectation that an agency would know that to at least a degree. If not, then we could certainly have a go at getting that data.

Mr TONY SMITH—Thanks for that. I looked at some of the key findings. Perhaps I should take you first of all to this flow chart, which you probably have not seen. Having regard to some of the evidence you heard about the chart and what you now see, has that disturbed your comments in relation to recommendation 8? Are you at all minded to shift from recommendation 8, having regard to that chart?

Mr Meert—In terms of the chart, if I were having a look at this, I would like to have that policy development and procedural development reporting expanded just to see what it means. You have got to get behind it to know what it means. In terms of data, it is one thing to collect data; it is another thing to do the analysis on it, draw some conclusions about what it means and then do something with it. For me, I would like to see what happens to it.

Ms Golightly—That was the point of recommendation 8.

Mr Meert—It does not change that.

Mr TONY SMITH—In fact, without being facetious, does the chart not confirm the recommendation?

Mr Meert—The need for it.

Mr TONY SMITH—Yes, the recommendation is a valid one. May I make some further very quick observations. There were previous internal and external reviews of the scheme, and I thought you said something about there being recommendations being made that have still not been implemented.

Ms Golightly—At the time of the audit.

Mr TONY SMITH—Yes, here it is. It says, ‘In many cases the concern raised by these reviews were yet to be fully addressed.’ These were previous reviews.

Ms Golightly—Yes.

Mr TONY SMITH—So, again, have those matters been attended to and what are those matters in particular?

Ms Golightly—I would have to find the specific parts in the report, but basically many of the recommendations that were made as a result of our audits were consistent with what had been recommended in previous reviews. Some of those reviews were much more broad ranging, so they had other recommendations as well. But, in addressing the recommendations of this report, ATSIIC would have also been addressing some of the recommendations of those previous reviews. From that point of view, the topics that we were interested in in this audit, I think, would have been addressed.

CHAIR—Is it likely that in your next report 2 that you will be recommending some mechanism to monitor the implementation?

Ms Golightly—Of our recommendations?

CHAIR—Of recommendations on that.

Ms Golightly—In fact, that was a point being made of this phase 1 report; if you are going to have numerous reviews then do something about it and have some way of following that up. I understand, for example, that there are now much more formal mechanisms in place to follow up office and evaluation recommendations, whereas that did not exist when we did this audit. So that is just an example of the type of progress that has been made.

CHAIR—So, foreshadowing that it may be possible for this committee in its deliberations in preparing a report to give some focus to the problems of the past, the fact is that some very important recommendations have not been implemented, either totally or at all, and there needs to be some system whereby an alert is raised—because it hasn’t been—rather than have to wait for another audit.

Ms Golightly—That is right, yes.

CHAIR—Did you want to comment?

Mr Meert—I was just going to say that an audit may be considered a periodic check, but an audit

should not supplant normal management processes.

CHAIR—Exactly.

Mr Meert—The best audit is one that confirms that everything is going well, so you can't just rely on the audit to pick up or to take over from normal management practices.

CHAIR—Exactly.

Mr TONY SMITH—I note your comments in paragraphs 15, 16 and 17, pages xiii and xiv. I take it that 15 focuses on a lack of monitoring. In a broad sense—and perhaps it may not be fair to ask you this question—disasters like Woorabinda ought not to happen, ought they? Allowing for this five per cent—and I am not commenting on the process here—I am saying that if 15 has been fully followed and carried through, Woorabinda would not have happened.

Ms Golightly—I can't comment on Woorabinda itself, but you are right in saying that these monitoring processes are designed to pick up the early identification. What 15 is saying is that there is a monitoring process in place which is aimed at picking up problems early so they can be redressed before a major disaster occurs. What we found at this time, at phase 1, was that some of those processes which ATSIC had developed were not actually being applied.

Mr TONY SMITH—Do you nominate particular projects in your report?

Ms Golightly—No, but the report was based on projects that were examined in the Cairns region.

Mr TONY SMITH—Right. I saw Cairns mentioned. And particular programs in Cairns?

Ms Golightly—Yes.

Mr TONY SMITH—All right. Again, 16 really goes to your recommendation 8, does it not?

Ms Golightly—Partly. There are two levels of feedback that we see. The monitoring and the information that is provided by communities to ATSIC we expect to be analysed and feedback given to the community. That is what 16 is talking about. Recommendation 8 includes that but is extended to all levels within ATSIC—feedback back to the regional offices themselves and to state offices.

Mr TONY SMITH—That is good—I am right then. Paragraph 17 I found disturbing. It says that field visits involving substantial resource use were not documented. When you say 'substantial resource use' what are you talking about there?

Ms Golightly—I have not got a specific dollar figure in the report. But to organise a field visit, particularly in regions where there are long distances and difficult areas to penetrate, obviously there is a lot of time and effort going into planning, travelling there and getting back—that sort of thing. Depending on the regions, those staff who are out of the office are sometimes responsible for other programs, not just CDEP.

So it places a big drain on the regional office resources to managed all the ATSI programs in that area. No-one was contesting the point, though, that field visits were important—they all believed they were. But because they took so long they were considered to be very intensive. They wanted to do them.

Mr TONY SMITH—These are the field visits by the regional office?

Ms Golightly—Yes—to the communities to see how they were going, what they needed, what sort of support they needed, what problems they were having.

Mr TONY SMITH—There was just no memorandum of these visits?

Ms Golightly—At the time, in that particular region, they were not preparing a brief.

Mr TONY SMITH—This is Cairns, is it?

Ms Golightly—Yes. They were not preparing a briefing or any sort of write-up on what the purpose of a visit was, what problems or good practices were noted, what follow-up action was needed to be taken. We are not saying the field officers did not know all that and did not actually follow it up. But there was no evidence that that had happened.

Where it becomes particularly important is if there is a changeover in staff or if there is a review of some sort. The new people, the new staff or the review team, cannot take advantage of that knowledge that has been gained from the field visit, so they are starting from scratch again. The other thing is that if follow-up action is identified there is no record of that, so you do not know whether it has actually been undertaken, whether it was effective or not, et cetera. That is where we see the importance of documentation.

Mr Meert—Mr Chairman, it is again this question of the corporate database, isn't it? How effective are they? Is it a good process to adopt or is there a better way of doing things? If it is in somebody's head and they leave, you have lost it. So what we are saying is that you should evaluate programs like this to see what their success is.

We have mentioned this in some other audits, for example, on re-engineering in DSS. What you are trying to do is gather data to look for patterns. You might find some regional office visits are very successful and it would be good for management to find out why, to pick up on that better practice and disseminate it around all the areas so they can pick up on it.

Ms Golightly—I would have to say the recording of field visits is one area that has definitely improved.

Mr TONY SMITH—Right. You probably cannot comment on this because the Torres Strait islands have slipped out of the net, as it were. But, if I may be bold enough to speak for the committee, we did not any real evidence of objectives being fulfilled in the Torres Strait islands with respect to economic infrastructure. Would you ordinarily be looking at that as an outcome? And if that is an object, then if there is no outcome you would be concerned, wouldn't you?

Ms Golightly—Whatever the objectives are, as stated, that is what we look at to see whether there have been outcomes against those objectives. So if it is stated as an objective, we look for it.

Mr TONY SMITH—In the case of a couple of the communities in the Torres Strait mainland, I did not see much of an indication of economic objectives, infrastructure objectives, being realised. I guess that comes from Cairns office as well, does it?

Ms Golightly—Not every community or CDEP project is necessarily going to be able to deliver an economic benefit. It may be more of a social, cultural or education and training type activity. But what we would recommend there is that that focus is reflected in the objective. Do not have an objective which talks about economic indicators, if that is not the reason you have set up a project in that community. Make sure that your stated objective reflects the aim of the project, and then measure your outcomes against that objective.

Mr TONY SMITH—True. I guess that you are not going to have tourists coming into certain areas, but you are in others.

Ms Golightly—Yes.

Mr MAREK—With all that in mind, when we are talking about objectives and those sorts of things, how could it be possible to have the objectives operate, and how could you keep control of them if there are more Aboriginal people on the committee than there are Torres Strait Islanders, and they are both voting to say where the money is going to go? Human nature says that it all goes to the Aboriginal community rather than off to the Torres Strait Island communities. Do you understand what I am trying to say?

Mr Meert—That is a bit like setting up corporate entities. Again, depending upon the legislation that sets up the boards, it goes to the broader issues of corporate governance.

Mr MAREK—In your professional opinion, would it not be fairer to have an equal number of people and then have somebody else making an ultimate decision?

Mr Meert—We have commented in past audits on boards' constitutions—

Mr MAREK—It is a philosophical question.

Mr Meert—Yes, it is. What we have basically said on constitution management boards in the past is that whoever sets them up should look at those issues. For example, with regard to such issues as financial equity, conflict of interest, and the balance on the committee, whoever sets up these boards needs to carefully weigh up—

Mr MAREK—So, one would consider that more work, or even legislation, probably needs to be put into place to make the voting rights fair, or to deal with the ability of people to stack boards?

Mr Meert—You know that on some boards, you are allowed to have certain numbers of people from

various categories just to address that particular issue. If you do not, then you are really putting your own morals and ethical base down. In the end, it comes to rules that set up the boards.

Mr LLOYD—With the number of divisions and quorums today, it is very difficult for me with some of the questions. Most of my questions have probably been asked, and I have probably missed the ones that have been. Looking back to what Mr Marek was saying: in your charter to examine the financial responsibility, do you look at the allocation of resources? Talking about the make-up of boards between Aboriginal and Torres Strait Islander is outside the parameters of your charter, but the allocation of actual resources and where they go to different groups: is that within what you are doing?

Ms Golightly—I think that the short answer is, probably, no. When you say allocation to groups, if you are talking about allocation to community groups, no. What our mandate covers is whether the processes that were followed in that allocation were the ones that were decided by legislation, or ATSIC itself, whoever the rule-setter is. For example, for CDEP in a region on mainland Australia, the community group puts in an application for funding; the regional office assesses it against criteria set down by ATSIC and makes a recommendation to the regional council whether to approve that application. The regional council then decides whether, indeed, it will be approved. What we look at is not whether the regional council should have approved it, but whether the processes that led to that point have all been followed as laid down in the guidelines.

CHAIR—Would you consider that a change to procedures would have merit if that change would enable some mechanism to be developed which would test regularly, on an annual basis, the allocation of funds by the various components of ATSIC and its regional councils, and the like, to Torres Strait Islanders, to Aboriginal people, and to report and measure the equity of distribution of funds compared with the number of applications for funds received from various groups?

Ms Golightly—The actual allocation of funds is a regional council decision. It is a policy decision so we have not looked at that area at all. I could not comment on the appropriateness or otherwise.

CHAIR—Right, I understand that; it is a good answer, a diplomatic answer. Is it possible, from a professional audit point of view, to develop a mechanism which would evaluate and report on the outcome?

Ms Golightly—From my knowledge, there would already be a system in place which would track how many funds go to Torres Strait Islander communities as opposed to mainland Aboriginal communities. So, ATSIC, I would imagine—although, you would have to check this with them—would be able to track where that money is going.

CHAIR—Right. We might revisit that subject.

Mr Meert—One of the problems with access and equity, is to understand what you mean by access and equity. Again, I suggest that you get some definition of what the equity basis of distribution is because it may not be fifty-fifty. There might be a different basis. If we were doing an audit—

CHAIR—Per capita.

Mr Meert—It might be, yes, but we would want to know the definition of equity in that particular program.

CHAIR—Before you could devise a performance indicator, a tester?

Mr Meert—Yes.

Ms Golightly—I think your problem might be in communities where there are projects which have both Torres Strait Islander and Aboriginal participants in the one project. But, in that case, from the participants schedule, you may still be able to tell how many Torres Strait Islanders versus Aboriginal people.

CHAIR—But, certainly, if the current procedures do not involve that sort of an analysis, it might be a good idea to introduce some form of system to enable that to be produced automatically, as a matter of course. That is as so long as ATSIC continues to have a charter for both Aboriginal and Torres Strait Islander affairs. It may change; who knows?

I would like to get back to the matter of policy. How can you access other agencies state, local and otherwise who, from time to time, share with programs such as CDEP? Could your office help this committee by giving us, in writing, some examples of the obstacles, the inabilities and difficulties that your office has in gaining access to examine all parts of programs involved with Commonwealth funding to CDEP and similar things, because of the participants being from jurisdictions outside of the Commonwealth's direct jurisdiction, say, state and local government? Would you also indicate the steps that could be introduced that would overcome those obstacles and enhance the potential for audit assessment and evaluation?

Mr Myers—We certainly can.

CHAIR—I thank the members of the audit office very much for their patience and their excellent contribution and to *Hansard* for their assistance.

Resolved (on motion by Mr Marek):

That this committee authorises publication of the proof transcript of the evidence given before it at public hearing this day.

Committee adjourned at 5.39 p.m.