HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON ABORIGINAL AND TORRES STRAIT ISLANDER AFFAIRS

Reference: Review of Attorney-General's report No. 26: CDEP phase 2 audit)

DARWIN

Tuesday, 22 April 1997

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 A.C. Smith
Mr Lloyd	

Matter referred:

Review of the Auditor-General's audit report No. 26 1996-97—Performance audit—Community Development Employment Projects Scheme—Phase two of audit—Aboriginal and Torres Strait Islander Commission.

WITNESSES

HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON ABORIGINAL AND TORRES STRAIT

ISLANDER AFFAIRS

Review of the Auditor-General's report No. 26 of 1996-97: CDEP phase 2 audit

DARWIN

Tuesday, 22 April 1997

Present

Mr Dondas (Acting Chair)

Mr Lloyd   Mr Tony Smith

Mr Quick

The committee met at 10.13 a.m.

Mr Dondas took the chair.

McDOUGALL, Mr Ross, Acting Deputy State Manager, ATSIC, PO Box 40670, Casuarina, Northern Territory 0810

De LUCA, Mr Joe, Quality Assurance Officer, ATSIC, PO Box 40670, Casuarina, Northern Territory 0810

ACTING CHAIR—This morning we are talking about the ATSIC CDEP inquiry. We welcome you now and turn briefly to the committee's review of the Australian National Audit Office's phase 2 audit of the administration of the CDEP scheme. I now invite ATSIC to make an opening statement in relation to this CDEP inquiry before members ask questions.

Mr McDougall—The CDEP scheme has been operating in Australia since about 1977. It was introduced to a small number of communities—I believe it was six—as a pilot project to try to overcome the lack of employment opportunities in very remote Aboriginal communities throughout Australia. Since then, the scheme has expanded considerably to include less remote areas and some urban situations where there is also perceived to be an employment problem.

Whilst there are a number of difficulties with the scheme, generally the scheme provides Aboriginal people in particular locations with the only means of meaningful employment available to them, and quite often they are in situations where it is extremely difficult, if not impossible, for mainstream employment opportunities to exist. The CDEP scheme does provide an employment outlet for people in those situations and, at the same time, contributes towards the improvement of conditions within the community by doing community services. Whilst there are some problems, I think the general consensus amongst Aboriginal people in the scheme is that they want it to continue.

ACTING CHAIR—Earlier in the year a review was carried out, and I understand that some members of the Northern Territory CDEP program attended the meetings. Now do you consider the CDEP's role to be clearly defined? Do you consider that regional office plans under your purview are linked satisfactorily to your office's plans? Are you satisfied that you have the resources to carry out the designated role?

Mr McDougall—Over the 20 years that the scheme has been in operation, there has been a bit of blurring of some of these plans. In the Northern Territory, specifically—and I can really only use that example—we are currently in the process of developing plans for each of the 49 CDEPs in the territory. There has been a contract let to an organisation, KPMG, to carry out that work.

Basically, I think there are two reasons we are using KPMG. Firstly, we didn't really have the resources within ATSIC staff and, secondly, I believe that it's a good idea to get an independent organisation to give us a fresh look at those plans. So I think that by having someone independent, so to speak, it means that we are getting a different perspective. They're meant to be three-year plans, and it's hoped that they'll be finalised before the end of this calendar year.

Mr QUICK—What was the cost of that review?

Mr McDougall—About $470,000.

Mr QUICK—How many people are involved in the review by KPMG?

Mr McDougall—I'm not sure of the exact number, but I believe it would be around eight to 10 people—some are based in Adelaide and some are based in Darwin. The Adelaide people, I think, are doing the southern part of the Northern Territory and the Darwin based people from KPMG are doing the northern section of the Northern Territory.

Mr QUICK—So you don't have the expertise within ATSIC in the Northern Territory to undertake the review?

Mr McDougall—I think that we have the expertise. We have some very fine staff. However, we just physically do not have the time to be able to meet our existing workload and also carry out this detailed planning exercise. So it's really just a lack of sufficient staff numbers. Recently, our salary allocation was reduced, along with other government agencies, and that's put even more strain on our staff resources, so we have had to outsource it.

As I said previously, I think there is also an advantage in having an independent organisation look at them. Quite a number of our staff have been involved in CDEPs for a long time, and I guess occasionally you tend to not see the forest for the trees. I think it's good to have a fresh view, and hopefully that will be reflected in the quality of the plans that come out.

Mr QUICK—So what is your total administrative budget for the administration of ATSIC in the Northern Territory? You're spending half a million dollars on a planning review. To me, that seems a hell of a lot of money. There are virtually 10 people at $47,000 a year.

Mr McDougall—A lot of the costs are associated with travelling, which is quite expensive.

Mr QUICK—I realise that.

Mr McDougall—Our administrative budget, without the exact figures in front of me—this is only an estimate—in terms of salary in the Northern Territory is about $7½ million. Our other admin in the Northern Territory is probably a similar amount because one of the costs we have is providing staff housing in remote locations, and that adds a burden to our administrative costs. So it is probably around $14 million, give or take a bit.

Mr TONY SMITH—That is generally for—

Mr McDougall—That is ATSIC's operation.

Mr TONY SMITH—In the Northern Territory?

Mr McDougall—In the Northern Territory. About $14 million to administer somewhere in excess of $200 million worth of programs.

ACTING CHAIR—Purely for CDEP?

Mr McDougall—No, that is the entire ATSIC operation.

Mr QUICK—So one-28th of that is being spent in this planning review. One would hope it is going to be crash hot and will answer all the questions you need to have answered.

Mr McDougall—The terms of reference for the planning review have been done, so we are certainly hoping that, for the outlay of that money, we will get a good product.

Mr QUICK—Are other states doing something similar?

Mr McDougall—I am not sure. I honestly do not know. I think they are planning to, but the Northern Territory is just a couple of steps ahead of some of the other states at the moment.

Mr QUICK—One would assume that, if it is costing you close to half a million dollars, Western Australia would be in excess of that and Queensland would be even greater, because of their size. So you are looking possibly at $3 million or $4 million to have a state by state review of CDEP.

Mr McDougall—To put it in perspective, if that is what it costs to do it across the whole of Australia, we are looking at spending $3 million in order to ensure that $350 million is being spent effectively. So I think, as a percentage, it is a very small outlay.

Mr QUICK—That is why I would like to get it on the record. As I said to you this morning, there are perceptions and perceptions. We need to get some of these things on the record so people can argue chapter and verse. A lot of people are arguing from hearsay and we don't have actual figures.

Mr TONY SMITH—How much is spent on CDEP in the Northern Territory?

Mr McDougall—We have approximately 6,500 participants in the Northern Territory. The figures I have here break it up by each of our regions. In the Northern Territory for the 1996-97 financial year, there was approximately $61 million spent on the CDEP wage component and approximately $18 million on the capital and recurrent component of CDEP.

Mr TONY SMITH—What is the actual cost to ATSIC of administering that program in the Northern Territory?

Mr McDougall—Our administrative cost, including salary, in the Northern Territory is somewhere in the order of $14 million, but that is to administer our entire—

Mr TONY SMITH—Yes, as you said before. But can you break it down?

Mr McDougall—It is a bit difficult to break down the amount of time spent. I guess the easiest thing to look at is the percentage CDEP is in terms of dollars in relation to our entire program. It would be somewhere in the order of a bit more than a third of our total time.

CHAIR—So you say about $5 million?

Mr McDougall—Probably, but that is a bit loose. It is a guesstimate because it is very difficult. If you take an individual project officer in a regional office, it is difficult to say whether he or she spends 50

per cent of their time or 30 per cent of their time on that. It varies a bit. I think it would be reasonable to say that they are spending somewhere between one-third and one-half of their time on CDEP, depending on the individual office.

Mr TONY SMITH—So the wage component of CDEP is a work for the dole type of scheme, with people basically getting paid in conjunction with their Social Security payment? They get a bit more than basic wage, don't they?

Mr McDougall—Back when the scheme first started—and I was involved in CDEP at Wiluna, which was one of the original ones—what happened was that we got the details on individuals who were eligible for CDEP and we then did a calculation based on their unemployment benefit entitlement. So obviously it would depend on whether they had a spouse and how many dependent children they had. We then did a calculation, which was very time consuming and created a lot of work.

Nowadays, the arrangement is that we get details on a participant and then we average. In the Northern Territory, because we are in a remote location, they add on a small component which people on unemployment benefits get because of the higher cost of living in the Northern Territory. We pay an average amount. I think it is $187 per week per participant. So it is averaged out—rather than getting specific details—and it looks at whether a person is single or whether they have three dependants or four dependants. So it has simplified the calculation of the wage component considerably.

Mr TONY SMITH—The areas where problems have arisen in the past have been where people have come off the program because they have been sent to gaol, have moved and so forth. The problem has been with the identification of that having occurred. We have all heard about phantom workers all over the place. Have you been aware of that practice yourself and, if you have, what steps were taken to monitor that practice and ensure it did not continue?

Mr McDougall—I have been aware of it. From my experience over a period of well in excess of 20 years, I believe that in the vast majority of cases it is really due, at a community level, to an oversight. It is not done deliberately to defraud anybody.

It can occur with people spelling names differently. A number of Aboriginal people have names that are quite difficult to pronounce and obviously people spell them differently. I am aware of one instance in Western Australia where an Aboriginal person was registered on the electoral role five times because of the spelling. I think the person's name was Shilling and it was spelt with an 'Sh', a 'Th' and so on. The person was actually registered five times. People try to assist others get on the electoral role and they spell their names differently.

We now have a computerised CDEP management system which brings up any similar spellings, particularly if there is the same birth date. So by crossmatching names, similar spellings and birth dates, we are now able to pick it up very quickly. In fact it is done at the community level. They enter the details at the community level and they are now starting to pick it up.

For example, you may have a community with 300 or 400 participants. They enter the details into the computer system at the community level and it will identify if they are trying to enter a name twice. It won't allow them to. So it has certainly tightened up that ghosting, I guess you would call it, or phantoms.

The other thing that occasionally happens is that a person will be on the CDEP in a particular community and then move to another community. They arrive at the new community and then register for CDEP at the new community, and they have not been crossed off the old one.

Mr QUICK—So you do not have an identifier?

Mr McDougall—What happens now is that, when the CDEP schedules come in on the computer from the communities, they are crossmatched to each other. So if a person is picked up as being on two or more CDEPs, we immediately send out a questionnaire to find out where the person really should be registered. We will only allow the name to be on one schedule at any one time.

Mr QUICK—So you do not have a CDEP identifier number—such as 'Harry Quick, 1727' and that number goes with me. Would that be a sensible thing to do with the transience of the population? It is not going to take much more time and effort but, if in the great scheme of things, it means you have a national identifier—

Mr McDougall—I think we have now almost completely eliminated the problem by crossmatching the name with similar spellings and birth dates.

Mr TONY SMITH—Can't they just register under a false name?

Mr McDougall—No. Because when a person goes on to CDEP, they submit an application form to do that. On that, the person has to produce something like a driver's licence, a bankbook or a piece of information that identifies who they are and then that has to be certified as being sighted. The licence number and so on is written on the form.

Mr TONY SMITH—We heard about the many rorts of people with several identities, particularly with Aboriginal names as you said before with the spelling factor. I tend to think that the suggestion of Harry's is not a bad one—if you have a number a bit like a tax file number.

Mr McDougall—I guess we have all heard stories about the number of people going to Social Security and being registered and going around to individual offices collecting their cheques—and Social Security does issue a number to people. By issuing a number—whilst there might be some merit in that—if you have somebody who is determined to rort the system, then I guess there is a possibility that that could happen.

Mr TONY SMITH—Have people been prosecuted? Have definite culprits been identified?

Mr McDougall—From my experience, and I must say that my experience is in the north of Australia, it is generally not the individual Aboriginal participant on the CDEP scheme who is deliberately trying to defraud. They will be registered at one community, they will then move to another community and register over there and they do not see that they have to say, 'I've left you and I'm over here.' They feel it is really up to the administration of the individual CDEP community to put them on and take them off.

Mr QUICK—What difference would it make if, for example, six people left one community and went to another and the community were minus six? What financial benefits would they gain through inadvertently

not notifying somebody?

Mr McDougall—They would still continue to be paid for those six people.

Mr QUICK—At what rate?

Mr McDougall—At $187 a week. But the way the scheme operates is that, if you are on a CDEP, you can do a couple of things. You can go to another CDEP scheme and get counted there, but our system now with the computer crossmatching will not allow us to pay two places at the same time.

Mr QUICK—What do you mean by computer crossmatching?

Mr McDougall—When the participant schedules come in, each—

Mr QUICK—What if they move interstate?

Mr McDougall—They are crossmatched at state level and national level.

Mr TONY SMITH—Provided they register for CDEP again.

Mr McDougall—Yes. If they register for CDEP again, they will get picked up as trying to be put on a second time at another community somewhere in Australia.

Mr QUICK—Say, six people decide to go from Tennant Creek to Port Hedland and then get a job working at Dampier and are fully employed. The six are still there, aren't they?

ACTING CHAIR—Not necessarily, because those people who are running CDEP programs in the bush have vacancies, and they will fill them up with their local people straightaway.

Mr McDougall—In a lot of communities, there is a waiting list. We have frozen them for, say, 100 positions, and if five people leave to go to Port Hedland, there are five other people sitting there who want to work and they will soon say, 'Those people have left. We'll have their jobs.'

Mr QUICK—You mentioned you have 49 CDEPs in the Northern Territory.

ACTING CHAIR—Not enough.

Mr QUICK—What is the smallest and what is the largest number of bodies?

Mr McDougall—I could flick through all these papers.

Mr QUICK—The reason I am asking is that—

Mr McDougall—You just want numbers, not names.

Mr QUICK—For example, is the smallest 16 and the largest 47?

Mr McDougall—The smallest is around about 50. The largest is up around the 400 mark.

Mr QUICK—I am looking at recommendation 4, which says:

. . . that ATSIC review the program performance reporting framework to ensure reporting is meaningful and reliable and that it facilitates analysis of information to determine whether the program has met its performance objectives and targets efficiently and effectively.

Typical bureaucrat speak. One of the problems we have found is how you devise a reporting mechanism for the smaller ones. It is usually geared to the larger ones where you have the 400s, but how relevant is that for the 50s? What sorts of changes have you made to ensure the reporting is:

. . . meaningful and reliable and that it facilitates analysis of information to determine whether the program has met its performance objectives and targets efficiently and effectively?

If you sent out a 47-page booklet to the group of 50 saying, 'Please fill this out,' it would be totally irrelevant. They can do it on an A4 double sided piece of paper, whereas the 400 group obviously has a complexity and multiplicity of programs and would need to go through the 47-page booklet.

What, as a state office, have you done to introduce that flexibility? The person who is administering the 50 is probably flat chat, does not have the administrative capacity and is saying, 'Here is the state office sending this stuff out again. It's totally irrelevant. If only they did this, that and the other, they would know what we were doing. The field officer has been out.' Whereas the ones with the 400 have enough staff and they can say, 'Susan, you go and do it. This has come in. This is our three monthly checklist, you go and do it.' How have you organised that?

Mr McDougall—When each of the individual CDEPs submit their application for funding each year, they produce work plans, and the work plans detail the activity and the number of people who are proposed to undertake that activity. They also detail what other resources they need to undertake that.

An example would be an organisation that is going to be manufacturing bricks for a building program. Under the brick making program, they might have eight people on it and they might require new shovels or something. They will list the sorts of things they require to ensure they work to that work plan. It depends on the size of the community and how many different work activities they have. Some communities have three or four pretty large activities and others might have 20 smaller activities. I guess what we try to do as an agency is give a fair degree of flexibility about how individual communities use the CDEP for the benefit of their community, so we try not to be too prescriptive about what they can and can't do with it.

Mr QUICK—Basically, we are on about the reporting framework, so you don't send the same standard thing out to a two-teacher school as you do to a 60-teacher school. One would assume that was not the case and you had a little subset of this to go to that two-teacher or three-teacher school because they have a totally different set of problems. What are you doing to encourage group A, the 50-participant group, compared to group B, the 400 group, that is probably based in Darwin—

Mr McDougall—No, some are on the islands.

Mr QUICK—or wherever it is? They are both saying, 'We are happy with this reporting framework.

It meets our needs.' Whoever is in there collating the information says, 'This is sensible because it is meaningful for us.' Then when you pass it up the tree to somebody else—God knows where they are—they actually read it, evaluate it and say, 'This is obviously working for the Northern Territory. Why aren't you doing the same thing in Queensland?' which might have something different.

Mr McDougall—As I said, we have those work plans. The number of work plans they have, to a large extent, is determined by the number of participants in the community. Obviously, a community that has 400 participants is more likely to have a lot more individual activities running than a group of 50, which may have only two or three activities. So the detail of reporting is limited to how many work plans you have operating at any one time.

Mr QUICK—The big thing is to ensure reporting is meaningful and reliable. So how have you changed it in light of the review?

Mr McDougall—One of the other things also in terms of our program performance reporting is that ATSIC has a computer system where we manage our grants. That computer system—the system is called InSight—operates across the whole of Australia. All the offices are linked through the computer system. When a grant is entered into the system, the performance indicators are entered into it for a CDEP based on what the work plans are for that individual organisation. So it is in the computer system and reports can then be generated out of the computer system.

ACTING CHAIR—The ANAO report stated that ATSIC was going to report six monthly starting this year. Are we in the Northern Territory able to comply with that suggestion that the report be every six months, which obviously will alleviate a lot of the rorts and the mismanagement of some of the schemes that have happened in other parts of Australia?

Mr McDougall—Until this year, that program performance monitoring that we have was done once a year. This year it's being done twice a year, and the first lot of reports were due in from the communities in early February—they have to report to us as to whether they are achieving the outcomes that they said they were going to achieve. We then had to, on a regional basis, produce a report, which is then collated into a territory wide or state based report to central office, and that has been done. The last little bit of it was finalised in the last few days.

Mr QUICK—So the Northern Territory's operation will comply with its twice a year reporting?

Mr McDougall—Yes.

ACTING CHAIR—I think that will take a lot of guesswork out of what's happening in some of the communities anyway.

Mr QUICK—Can you give us an idea of what that reporting is? I've never seen one. Does it consist of written documentation, audiovisual—video tapes and photographic evidence—or is it just basically the old standard, boring, tick the box, fill in the space thing?

Mr McDougall—It's a written report. I guess, to a large extent, most of the writing is the exception. Where there is something that hasn't been achieved, we're given an explanation as to the reasons why things

haven't been achieved. If a community says, 'We're going to build four houses,' and they have built four houses, they have achieved what was set out to be achieved. But, if they've only built two of the houses, their reason might be the barge bringing the materials sunk on the way. If there is a reasonable reason, we list those exceptions.

Mr QUICK—It really worries me that in this day and age of modern technology, where the recommendation is to ensure reporting is meaningful and reliable and that it facilitates the analysis of information, we haven't changed from basic paper to some of the audiovisual potential that we have. As I said to you previously about the other matter we had this morning, there is a perception out there that this is a big total failure and we should wipe it off the face of the earth. If we had some of this information, you could actually highlight best practice and say, 'Here it is.'

ACTING CHAIR—You would like some technicolour reporting, Harry?

Mr QUICK—I would. I put it in the record here and now that I think some of our reports in federal parliament should consist of audiovisual representation because that's the way we're going and you can actually sell something and say, 'This CDEP program at Tennant Creek is one of the best in the world.' You could have a 15-minute videotape presentation showing what's been built, what's been changed. You could show some people who wished to espouse views of the befores and afters and those sorts of things. In all organisations, if reporting is going to be meaningful and reliable and give you a better analysis, it should be moved from just this basic 10-page, 126-point, tick yes or no and have three lines to fill in the answer.

Mr De Luca—I think to some extent there are examples where that is occurring. A couple of months ago, there were awards in the Northern Territory and one of the awards was won by the CDEP management in a couple of the communities in the NT. That illustrates that there are items of good practice. It was a physical, pictorial presentation, but it was done in a different environment. The award was won by a couple of CDEP communities in the NT for good management practice. Perhaps that sort of thing needs to be harnessed and communicated. It has been communicated to several offices, obviously, but it would have been beneficial if it was communicated to, say, parties like yourselves.

Mr QUICK—You have Imparja Television here with Aboriginal people being trained in modern technology. Why not use them? You're spending half a million dollars for KPMG, which is based in Adelaide in a 50-storey building. Hopefully, as part of this planning review, someone will have enough vision to say, 'This is a sensible way to go.'

Mr McDougall—There's certainly a lot of merit in what you're saying. We certainly should be making more use of modern technology.

Mr De Luca—There are also two other mediums that are regularly used by ATSIC. The first is ATSIC TV where there are items of good practice reflected, whether it is CDEP or other management practices, and the second is the *ATSIC Reporter*, which comes out quarterly. Whenever there are good things happening, it is also reflected in that magazine, the *ATSIC Reporter*. So that is another reporting mechanism.

Mr TONY SMITH—Just a couple of things, again, basically on oncost administration. Do you own the building here?

Mr McDougall—No, we lease it.

Mr TONY SMITH—So that is built into that budget, I guess?

Mr McDougall—Yes. The situation is the same in all of our regional offices throughout the Northern Territory—that is, we lease the buildings. A couple of them are leased from private people and a couple are leased from Australian Estate Management.

Mr TONY SMITH—Just in relation to CDEP and general administrative costs, the fact that the wages bill is $61 million for the current financial year, are you actually physically drawing those cheques and sending those cheques to the individual participants?

Mr McDougall—No, each of the regional offices administers CDEP in their region. Money is available to each of those regions. When an organisation that is being funded has provided the required reporting, we release those wages on a quarterly basis to the organisation as a lump. It might be an organisation that we pay who has an annual CDEP wage bill of, say, $2 million and then at the beginning of every quarter, provided they've met their responsibilities for the preceding quarter, they would be given half a million dollars. It's the individual organisation that then makes the weekly or fortnightly payments to the individual participants.

Mr TONY SMITH—So, as far as administration is concerned of that amount of money, it's a relatively simple process of releasing X amount of dollars to that community?

Mr McDougall—I wouldn't say that it's simple because the organisation has to meet these requirements in terms of their reporting. Every quarter they are required to provide us with information on expenditure, and now twice a year they have to provide some reports on physical outcomes. If any of that is not forthcoming, we have difficulty releasing the funds. So there is a due process that we have to go through.

The other thing that we also have is those other components. There are the recurrent, which tends to be on a quarterly basis, and the capital. With the capital there is a laid down procurement procedure that must be followed. For an item under $30,000, the organisation is required to obtain a minimum of three quotes. Where it's in excess of $30,000, it's required to get a tender. It has to provide the documentation to us before we can release the funds. For capital, there may be an organisation that might be buying 20 items, so there could be 20 funds released.

Mr TONY SMITH—Are those individual organisations frequently community councils?

Mr McDougall—Quite a number of our CDEP organisations are.

ACTING CHAIR—Or associations?

Mr McDougall—Yes, they all have to be incorporated bodies. We do not release funds to unincorporated bodies. Some of them are incorporated under Commonwealth legislation, but in the Northern Territory it is fair to say the majority are incorporated under the Northern Territory.

ACTING CHAIR—It is almost fifty-fifty, associations vis-a-vis local government.

Mr McDougall—Yes.

Mr TONY SMITH—In relation to the requirements the organisations are meeting and are being required to meet, are Aboriginal people involved in those tasks themselves? Are they employed to be monitoring those tasks?

Mr McDougall—In some communities, the management and operations are totally Aboriginal. They don't employ any non-Aboriginal people. In other organisations there's a mixture. They may employ non-Aboriginal people with specific skills to assist, but all of them try to maximise the number of Aboriginal people involved in the management and running of the CDEP management.

Mr TONY SMITH—With the handling of money process, do they have facilities to train their own people to work in that system?

Mr McDougall—We work fairly closely with DEETYA, and over the years there have been quite a number of training courses to assist with the training of people in bookkeeping and accounting type skills.

Mr TONY SMITH—Which seems to be one area where Aboriginal people have been let down over the years.

Mr McDougall—It is a very difficult area to work in. If you or I were going to be trained as a bookkeeper or an accountant, we would be going to university for three years. It is difficult to run a three-week training course and have the expectation that they're fully trained as a bookkeeper or an accountant. It is farcical really.

Mr TONY SMITH—Just to take up Harry's point, again, on filling out the standard forms and so forth, how are the answers checked? Do people have physical inspections of projects regularly?

Mr McDougall—Yes, our project staff regularly travel to the communities that they're working with.

Mr TONY SMITH—This is one of the things that came out in one of the other inquiries in Queensland. I think there was a lot of difficulty with people inspecting and checking, and it was just quite wholly inadequate. You are satisfied that that process is an ongoing and comprehensive one?

Mr McDougall—We certainly do visit all of the communities across the Northern Territory on a regular basis. I guess some are visited more often than others and, to some extent, it depends on how efficiently the organisation is operating. If you have an organisation that's very efficient, running very well and providing all the returns and reports that we need, and if any visits to the community are showing that there are no dramas, we tend to back off a little bit and concentrate more on the ones that do have problems and need assistance with their field staff.

Mr TONY SMITH—Do you believe that it is important to provide some physical evidence, even photographic evidence?

Mr McDougall—Photographic evidence can be used as a very positive tool. Many years ago I was a community adviser in Apatula and down there we took photographs regularly. There was a big photo album

in the main office on the counter. The community found it a great tool. Occasionally, people would think, 'Things aren't happening here,' and they'd look back in the photo album and see that two years ago they didn't have the workshop and they didn't have the new store and there it was. The photographic evidence showed what wasn't there and what is there now.

It's a great tool, and it can be a very positive thing for people. But, in terms of physical evidence, each year funded organisations are required to produce an audited statement, and part of the audited statement is an audit of their assets. So the auditor is required to physically sight those assets.

Mr QUICK—How meaningful is that? As you say, to the people of those communities, having those assets is a godsend because it enables them to empower a whole lot of people to do a lot of other things, but for some big counter in Canberra who says, 'One shed, two tractors,' there's no meaning at all. As I keep harking back to, there are people who are running an agenda—one tractor and one shed—and they say, 'That's all they've got,' but, if you look at it logically and systematically, there is enormous benefit to a community from one shed and two tractors.

Mr McDougall—In terms of accountability, having been a counter and ticked one tractor and one shed, we were then able to clearly show that we had ensured that the confirmation of those assets did physically exist. That overcomes criticism. I think it's a requirement under the legislation for associations to have it done anyway.

Mr TONY SMITH—We had the experience as a committee—I do not know whether all of us here were in Brisbane recently—where we were told that there had been a program running for three years in the Torres Strait to improve the skills in market gardening. They mentioned the name of the program and we went to numerous destinations on the island and not one of them mentioned this program. We saw absolutely no sign whatsoever of it, and here was a group of senior public servants telling us that they have had this program running for three years. That is the sort of thing that really can happen. Obviously, you have to be able to look out for that.

Mr McDougall—A lot of the information is being fed up from the bottom. You obviously have field officers in locations all around Australia, part of whose responsibility is the physical monitoring of activities in communities that we're funding. They're providing feedback that eventually works its way up the system. So the officers at the most senior levels are basing their information on the information that originated from a field officer at the coalface. Obviously, there is potential somewhere along the line if the field officer is being a bit lax with the truth.

It is physically not possible for the most senior officers to visit every community in Australia. For CDEP alone, there are maybe about 200 CDEP communities. If you visited one every working day, you would not get around them in a year. It would be impossible, and that's just the CDEP communities. There are a lot more organisations that we fund who don't receive CDEP. So we are talking about 1,300 to 1,500 organisations around Australia to be funded. It is just physically not possible for the most senior officers to visit all of those.

ACTING CHAIR—We say $61 million in wages, which basically breaks down to 49 communities that have CDEP. If you do a calculation, it comes out to about $3 million a quarter for 49 organisations. What process do you have in that three-month period in terms of actual to budget? Is there any check made

that they have actually spent the whole amount in that three months? Or if they have only spent 20 or 30 per cent halfway through, do they then have a mad rush to bring people back to the CDEP before that three months finishes and they you give the report? What mechanism do you have in place within that quarter?

Mr McDougall—Not within the quarter. The reporting is at the end of the quarter. However, we have the facility that, when an organisation is experiencing problems in their financial administration, we can alter that reporting period.

We had an organisation that I was responsible for in the Nhulunbuy office that was experiencing difficulty and we put them onto monthly reporting. Part of that was to try to help them improve their financial management because they were then forced into having to look at their accounts every month themselves. They were tending to leave it to the end of the quarter and do it thinking, 'We have to do this because it is going to ATSIC.' Over a period of 12 months, that community has turned it around and we have them back to quarterly reporting now.

ACTING CHAIR—I don't know how far your area covers.

Mr McDougall—As a regional manager, which is my substantive position, it is just East Arnhem Land. But in the position I am sitting in at the moment, I am responsible for the whole of the Northern Territory.

ACTING CHAIR—At the moment we know that, since January and February, there have been lots of men's business all around the territory. In fact, last weekend they told me there were about 1,000 up at Willara, coming from Yuendumu, Papunya and all over the place.

I understand that a lot of communities have a no work, no pay policy—which I endorse, I think it is a very, very good one. They are proud to say, 'If you don't work, you don't get paid.' We are happy with that. What happens if you have these men who have been moving out of their communities and have been doing so for quite a number of weeks? Is there the capacity for them to carry over those funds into the next quarter or, if they haven't spent it, it comes back to you?

Mr McDougall—With the wages component that we provide to communities, it is seen as an entitlement for that community. If the individual community has this no work, no pay policy—which the majority of them do—and if they have funds left over at any particular reporting period, if it is at the end of the quarter, they can make an application that they want to spend it on some other thing. They might have some money saved up because people have chosen not to work and they might want to buy a replacement tractor or something. We would normally approve that.

At the end of the financial year if they have money left over, we have to have that surplus money confirmed by an audit that it actually exists. Then they can make application to use that for some purpose within the community. One of the things we do need to ensure—and the field officers are responsible for this—is that there is no forcing of people not to work in order to make savings. If a person chooses to work, they have to be allowed to work. But if they choose not to work, no-one has to stand there with a big stick and make them work.

ACTING CHAIR—In terms of a John Brown who is on the CDEP program at Aratula, for

example—no work, no pay—and he decides he is not going to work for a month or six weeks because he has other things he wants to do—he can't get back on to the social welfare scheme, can he? He can't go back and apply to get unemployment benefits for that period.

Mr McDougall—No, not normally.

ACTING CHAIR—So the six weeks that John Brown hasn't worked really gets credited back to the town and, if he decides he wants to do some work, he can go and do some overtime to actually catch up.

Mr McDougall—Yes, some communities do that. Because there are always some people, for whatever reason, choosing not to work at any time, you then have a saving. Some communities, because they have operated the scheme for a number of years, have a pretty good idea of how many people at any one time are going to choose not to work. They have a rough idea of the amount of money they will have. So instead of paying $187 a week, which is the base that everything is funded on, those people who are choosing to work might get paid $230 a week.

ACTING CHAIR—Or $500 or $600 for grading roads, for example.

Mr McDougall—That's right. So we try to maintain that flexibility and we try to encourage communities to work out how they operate the scheme for the way that suits their community—because what suits this community over here does not necessarily suit that community over there. So there needs to be that flexibility, rather than saying, 'Everyone has to run it the same way.'

ACTING CHAIR—Let me get back onto the criteria in terms of the Northern Territory. There are no more new CDEP schemes being promulgated. But at the same time, there are old communities now being able to come onto some CDEP programs where other communities have abandoned or abolished them. Is that right?

Mr McDougall—Yes. We've been told that we're not allowed to start up any new ones. However, there have been a couple of instances where a particular community has decided they no longer want to run CDEP so we've allowed another one to start up. So at the end of the day, the cost is no greater. We know we have X number of dollars and, as long as we are not exceeding that, then our interpretation is they're allowed to run.

ACTING CHAIR—What is the criteria in the Northern Territory? For example, we have a CDEP program for a small community—say, some 40 people—and their community, for some reason, expands. People come back to their area, or it could be for a number of reasons. What criteria do they have to go through? Is it easy or difficult to increase their scheme from, say, 40 to 45 members or from 45 to 50 members?

Mr McDougall—It has been quite difficult, because the Department of Finance was a bit concerned about 18 months to two years ago that CDEP seemed to be expanding fairly rapidly. The Department of Finance was concerned about the cost implications. So, in order to restrict this growth, a rule was introduced based on Social Security criteria about people who were eligible for newstart or some Social Security scheme—I can't remember the name of the scheme. It basically meant that the only people who were allowed to come onto CDEP were in the 16- to 25-year age group. So if you had someone who was older than 25,

they were not allowed to come onto it and it created all sorts of problems.

We have abolished this age restriction, but communities are still restricted to a number. You might have a community that has 100 participants. That is their number, it is 100, and they are not allowed to exceed that 100. But we keep making bids to Canberra, saying, 'In the Northern Territory, we reckon we can take up another 300 positions—

ACTING CHAIR—When you say Canberra, you mean ATSIC Canberra?

Mr McDougall—Yes. So ATSIC Canberra then put pressure on the Department of Finance to try and allow us to take on more money.

ACTING CHAIR—I would like to know about those because I have been moving around the community and there have been lots of people saying, 'We would like to increase our scheme, but we can't.' So I would like to maybe come to that later.

Just for the record and the committee members who are here, it is my understanding that those communities that have CDEP have been far better off than those communities which don't have CDEP in the main? Would you agree with that.

Mr McDougall—I think that is probably generally true.

ACTING CHAIR—In the main?

Mr McDougall—In the main, yes. I think it is just a reflection. From my 25 years of experience, I think generally Aboriginal people prefer to work. It used to be called sit down, because you sat down under a tree and did nothing all day. That was the attitude. People didn't like it because it created a whole lot of social problems. So by introducing work, not only is there money available in the community but the attitude of people changes. They have something to do all day.

ACTING CHAIR—It gives them something to get out of bed for.

Mr McDougall—Yes, and they are being forced, to some extent, to stand up and do things.

Mr TONY SMITH—Is that five days a week?

Mr McDougall—Some communities run it differently. Some work five, some work six, some work five half-days a week. At the end of the day, we are paying on average $187 a week. If you said $10 an hour was a reasonable wage, then you really are only providing enough money for 18 hours. I would not work for 40 hours a week for $187.

ACTING CHAIR—Thank you for answering my question from a territory point of view.

Mr QUICK—Under recommendation No. 8 about staff training, 'scrutiny assessment rating' seems to be mentioned in just about every dot point. What the hell is it and what have you done in relation to it? It says:

. more training and guidance given to relevant staff in relation to factors which need to be taken into account when assigning the scrutiny reference rating;

. for each project, Regional Office staff document the justification for the scrutiny assessment rating given to each community organisation;

. the scrutiny assessment rating is consistent with the information contained on the CDEP Grant Assessment Form . . .

What are we talking about here?

Mr De Luca—Risk management. In any endeavour, Harry, the concept of risk management is used because there is just not enough money to review 100 per cent. So ATSIC has got criteria that it uses based on the level of funds that are given, the management capacity of that organisation and the asset values, in terms of asset holdings, that it has. It jumbles all of that into a basket and comes up with a scrutiny assessment rating—high, low, medium. Based on that scrutiny assessment rating, we then formulate a mechanism which we call major reviews.

Mr QUICK—What training and guidance had to be added to the relevant staff, because obviously ANAO decided that there must have been a deficiency there when people came to actually evaluate the risk?

Mr McDougall—We have a problem by the diverse nature of our organisation. We have staff at about 40 locations throughout Australia and the cost of providing training at those locations can be quite expensive. We have gone through a couple of ways of doing it. The one we are in the middle of at the moment is a process of selecting key people from individual offices and taking them off to be trained—also we have 'how to train the trainer' training—and then we go back and provide more detail on-the-job. I think of all the forms of training, it is on-the-job training that is the most effective. You can have somebody go off to a training course and sit there and stare at a blackboard for a week. But on-the-job, as you come across the difficulties day-by-day, is by far the most effective.

Mr QUICK—So the Northern Territory is doing that reasonably well?

Mr McDougall—That is being done across Australia. There was a meeting in Canberra three weeks ago where they brought these training people into Canberra for the first step in that process. So it is being addressed, but one of the limitations is the cost of doing things.

Mr QUICK—My last quick question is related to recommendation No. 5 about the review of the administrative performance measures. The last dot point is:

. . . that resources are being directed to the highest-priority tasks.

My question as a southerner and as someone who is not familiar with CDEP in this part of the world is whether priorities have changed over the last five years or whether they are basically the same.

Mr McDougall—I think they are basically the same. As Joe was saying, where we are directing our reviewing, we make this assessment of the risk. For an organisation that has experienced difficulties in their administration and that we are putting $6 million or $7 million a year into and that has $10 million worth of assets sitting around, we would see them as a high risk and we would organise to have a detailed review

done of that organisation maybe every 12 to 18 months.

In another organisation where we are putting in a couple of hundred thousands of dollars a year and they have never experienced any problems in their administration and they might have a couple of hundred thousand dollars worth of assets, we would only do a major review of that organisation maybe every four years. We just have not got the physical resources to do a major review of every organisation every year. So we assess them.

Mr TONY SMITH—In plain English then, can you please explain in that recommendation No. 8 what the ANAO actually means?

Mr De Luca—Tony, can you read it out?

Mr TONY SMITH—That is recommendation No. 8, paragraph 5.17.

ACTING CHAIR—It is part of the risk management section.

Mr McDougall—I think what they are trying to say is that the staff should be provided with more training in how to assess the risk in a community—what constitutes financial difficulties in an organisation.

Mr TONY SMITH—What staff would do that?

Mr McDougall—It would primarily be regional office staff—project officers, the ones who are dealing with it on a day-to-day basis. One of the things we are expecting them to do is look at very detailed financial reports. Very few of our project staff are accountants or bookkeepers but we expect them to be fairly strong in that area. That is what they are on about. So the staff have the skills to make sure that the assessments they are doing are correct and accurate.

ACTING CHAIR—Thank you, Mr McDougall and Mr De Luca, for giving us your time this morning. At some particular stage, you will receive a copy of what you have had to say this morning. Thank you for your cooperation.

Mr McDougall—Thank you.

Committee adjourned at 11.17 a.m.