

Audit Report No.8 2012–13

Australian Government coordination arrangements for Indigenous programs

Introduction

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

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

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

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

Audit objective and scope

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

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

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

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

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

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

Audit conclusion

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

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

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

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

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

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

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

Audit recommendations

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

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

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

The Committee's review

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

¹³ ANAO Audit Report No.8 2012-13, p. 26.

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

2.18 The Committee's evidence covered the following issues:

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

The need for effective leadership

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

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

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

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

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

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

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

- 2.22 Participants in the Committee's inquiry agreed with the ANAO's observation that effective coordination was key challenge for Indigenous programs and policies. For example, in a written submission, the National Congress of Australia's First Peoples highlighted challenges that had been faced in progressing action in relation to Indigenous language policy, with administrative arrangements spread across multiple agencies. The Congress noted that this was not an isolated example, and that 'many policies relevant to Aboriginal and Torres Strait Islander Peoples would benefit from greater bureaucratic coordination, streamlining and integration.'¹⁷
- 2.23 At the public hearing on 20 March 2013, the COAG Reform Council provided the Committee with an overview of its most recent performance report on the National Indigenous Reform Agreement 'Closing the Gap' targets. The Council had found that while good progress was being made in some areas, such as reducing child death rates, progress was slow and patchy in other areas, such as reducing adult death rates and increasing school attendance.¹⁸

Collaboration, more than coordination

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

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

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

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

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

collaborative role across Commonwealth agencies.¹⁹ This would require strengthened leadership and shifting:

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

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

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

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

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

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

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

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

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

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

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

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

Indigenous participation in decision-making

- 2.33 In addition to collaboration at the local level and between government agencies, the written submissions received from the National Congress of Australia's First Peoples and the Aboriginal and Torres Strait Islander Social Justice Commissioner both called for greater involvement of Indigenous people in government decision-making.
- 2.34 The National Congress of Australia's First Peoples is an independent, member-owned and controlled national representative body for Aboriginal and Torres Strait Islander Australians, first established in 2010.²⁸ In its submission to the Committee, the Congress summarised its position as follows:
- While we endorse the Auditor-General's recommendations in these reports, we argue that a new and broader approach is required, which embraces genuine engagement with, and active participation of, Aboriginal and Torres Strait Islander Peoples in decision-making processes on issues that affect them, particularly in determining the provision of services and infrastructure in our communities.²⁹
- 2.35 Whilst remaining independent, the Congress was established with support and funding from the Government, and has engaged at senior levels of bureaucratic decision-making.³⁰ A *Framework for Engagement between Australian Government Agencies and the National Congress of Australia's First Peoples* was signed by the Congress and ten departmental secretaries in September 2012, outlining the overarching principles for engagement and protocols for how the Congress would like to engage with the Government. The protocols include factors such as early notice, sharing and providing information, agreed timeframes and common understanding around public announcements.³¹
- 2.36 In its submission, the Congress argued that the principles outlined in the existing framework were equally applicable to its relationship with Ministers and other Parliamentarians as to government agencies, and called for the development of a 'true bilateral relationship' between the Congress and government as 'equal partners'. The submission identified three key elements of such a relationship:

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

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

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

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

- A separate high level agreement between the Congress and Executive Government, enabling it to be 'engaged at the highest levels of government on a broad range of decisions and developments affecting First Peoples', beyond the existing framework for engaging with the public service. As such an agreement would require negotiations with both the Federal Government and the states and territories, it 'may need to progressed through COAG'.
- A 'seat at the COAG table on issues affecting First Peoples', as a way of overcoming a 'continuing barrier to genuine engagement and effective progress on these issues' caused by a lack of Aboriginal and Torres Strait Islander representation within COAG.
- Further bipartisan commitment to the Congress as a national representative body and the 'independent national voice for First Peoples', in order to ensure its sustainability.³²

- 2.37 The submission from the Aboriginal and Torres Strait Islander Social Justice Commissioner centred around the 'Governance' theme of the Commissioner's 2012 Social Justice Report. The report outlined a framework for 'effective, legitimate and culturally relevant' governance, and focused on giving full effect to the *United Nations Declaration on the Rights of Indigenous Peoples*. The key components identified for effective governance in Indigenous communities were 'a foundation of community governance and self-determination; strong organisational governance; and an enabling role to be played by government and other external parties'.³³
- 2.38 The Commissioner referred the Committee to his report's recommendations: for the Government to acknowledge the centrality of effective Indigenous governance to the sustainable development of communities; for the Government to build its own capacity to enable and support effective Indigenous Governance; and for governments to 'properly resource' Indigenous communities to strengthen their contemporary governance structures as part of a 'new relationship between Aboriginal and Torres Strait Islander peoples and governments based on genuine power-sharing and partnership'.³⁴
- 2.39 Matters relating to the internal governance of Indigenous organisations and capacity building within government are further discussed in Chapter 4 on Capacity Development for Indigenous Service Delivery.

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

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

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

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

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

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

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

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

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

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

FaHCSIA's lead agency approach

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

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

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

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

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

and noted that:

Implicit in this is whether the department itself needs greater authority to be able to crack the whip to get particular outcomes

...⁴¹

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Executive Coordination Forum on Indigenous Affairs

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Mainstream service delivery

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

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

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

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

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

provided through mainstream services and programs, rather than Indigenous-specific programs.⁵⁷

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

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

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

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

Spatial distribution of Indigenous expenditure

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Committee Comment

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

A collaborative approach

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

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

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

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

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

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

Recommendation 1

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

The lead agency role

- 2.78 The need for effective leadership in Indigenous affairs is clear, but it is not clear whether FaHCSIA is being fully effective in its lead agency role, despite its best efforts. While the 'soft leadership' approach employed by FaHCSIA has merits, it may not be enough to drive and sustain the changes needed across the Federal Government.
- 2.79 The Executive Coordination Forum on Indigenous Affairs (ECFIA) is the key body used by FaHCSIA to coordinate action at the whole-of-government level. The ANAO's audit found that until recently, ECFIA had been used mostly as a forum to share information. The Committee hopes that recent reforms to ECFIA will enable it to refocus on the nation's critical Indigenous policy issues, providing an opportunity for it to come up with and develop innovative solutions to the challenges facing Indigenous service delivery across government. While the initial signs are promising and should be commended, it is yet to be seen whether the reformed ECFIA will be effective in taking on the more strategic and outcomes focused approach that is needed over a sustained period.
- 2.80 The evidence presented to the Committee has demonstrated that FaHCSIA is committed to Indigenous reforms, has the necessary skills, and is capable of effectively communicating and establishing partnerships with other departments. It is also clear that a great deal of work has been undertaken in the time since the Joint Committee of Public Accounts and Audit's last review of an audit report on government Indigenous service delivery arrangements, tabled in 2009.⁷⁰
- 2.81 Nonetheless, the success or failure of the current arrangements will depend on outcomes. Unfortunately, as shown by the COAG Reform Council's evidence, it is not certain whether the required outcomes are being achieved to make large and sustained impacts on closing the gap in Indigenous disadvantage that were envisaged under the National Indigenous Reform Agenda.
- 2.82 For the necessary outcomes to be achieved in such a complex environment it is essential that there is strong leadership. Such leadership needs to go beyond facilitating good communication and providing convincing arguments, to be capable of driving through real changes on priority issues. In the public sector, this requires a clear leadership mandate and authority to be given to a responsible lead agency and lead minister –

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

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

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

Recommendation 2

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

Spatial data on Indigenous expenditure and outcomes

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

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

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

Recommendation 3

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