



Parliament of the
Commonwealth of Australia

Review of the
Auditor-General's
Audit Report
No. 26, 1996-7
Phase II of Audit

**Community
Development
Employment
Projects Scheme**

**Aboriginal and
Torres Strait
Islander
Commission**

House of Representatives
Standing Committee
on Aboriginal and
Torres Strait Islander Affairs
June 1997

The Parliament of the Commonwealth of Australia

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- Phase II of Audit**

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on Aboriginal and Torres Strait Islander Affairs

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Foreword

The Committee is pleased to present its report on its review of the Australian National Audit Office's Audit Report No 26 of 1996-97, on its Phase Two audit of the efficiency and effectiveness of the administration of ATSIC's Community Development Employment Projects Scheme.

We foreshadowed this report in our report on the Phase One audit, tabled in December 1996. Some of our conclusions there were necessarily tentative given that the Phase One audit was more limited in its coverage. We note with pleasure that the Government has in effect agreed with the Committee's recommendations stemming from its review of the Phase One audit.

The CDEP Scheme has contributed significantly to the economic and social well-being of Aboriginal and Torres Strait Islander peoples over the 20 years since it commenced. In many, more remote, areas CDEP projects are the main sources of employment for indigenous people. At the same time, large amounts of monies are expended under the Scheme, underscoring the need for effective and efficient administration. Reviews and audits, such as that carried out by the ANAO, play an important role in ensuring effective outcomes.

The Committee considers the ANAO recommendations to be fair and appropriate and acknowledges the progress made by ATSIC towards their implementation. In focusing on administrative processes and procedures, there is, however, a need not to lose sight of the needs and aspirations of the organisations receiving funding as well as individual CDEP participants. They will not have quite the same appreciation of some of the audit terminology, such as the performance information distinction between 'outputs' and 'outcomes'.

It needs to be borne in mind that the ANAO's audit has not extended to a more fundamental questioning of whether the Scheme's organisation and form remains as appropriate today as in earlier years when it was far more modest in size. The Committee notes with interest an independent review of the CDEP Scheme recently requested by the Expenditure Review Committee of Cabinet which is expected to make recommendations to enhance the Scheme's outcomes.

We are grateful to officers from ATSIC Central Office, Northern Territory Office and Cairns Regional Office, as well as ATSIC's Office of Evaluation and Audit and the ANAO, for their assistance, by way of both oral and written evidence to the inquiry.

Lou Lieberman MP
Chairman

June 1997

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GLOSSARY

ANAO	Australian National Audit Office
ATSIC	Aboriginal and Torres Strait Islander Commission
CDEP	Community Development Employment Projects
OEA	Office of Evaluation and Audit
PPIR	Project Performance Information Report
PPR	Program Performance Report

List of Committee Recommendations

Recommendation 1: The Committee recommends that ATSIC take all necessary steps to ensure that the outcomes of the Performance Information Review are implemented within the planned 1998/99 time frame.

Recommendation 2: The Committee recommends that priority be given to ensure that all CDEP organisations in all States and Territories have the opportunity to avail themselves of community CDEP planning funds.

Recommendation 3: The Committee recommends that ATSIC keep its staffing profiles under constant review and undertake a re-assessment of staffing levels at each level of administration as part of its work review study.

Recommendation 4: The Committee recommends that greater priority be attached to educating the communities in receipt of CDEP funding on the need for a greater focus on outcomes and performance measurement.

Recommendation 5: The Committee recommends that ATSIC seek to encourage a greater use of audiovisual and other such technologies in reports furnished by CDEP communities.

Recommendation 6: The Committee recommends that both ongoing monitoring and 'point-in-time' assessment be made compulsory elements of quality assurance of Regional Office project administration.

Recommendation 7: The Committee recommends that ATSIC carry out an appraisal of the changes introduced consequent upon its review of grant procedures and terms and conditions of grants.

Recommendation 8: The Committee recommends that ATSIC publish an up-to-date account of Commonwealth and State training programs available to CDEP participants and, in doing so, advise on whether co-ordination across Departments at both levels of Government needs to be improved.

Recommendation 9: The Committee recommends that the findings of the review of the CDEP Scheme requested by the Expenditure Review Committee be referred to it for further consideration in conjunction with other review outcomes.

Recommendation 10: The Committee recommends that ATSIC undertake periodic assessments of how their current model of administration is performing and whether there might be advantages in adopting an alternative model.

Recommendation 11: The Committee recommends that ATSIC undertake a number of pilot schemes involving the contracting out of administrative tasks and responsibilities as part of its assessment of its current model of administration.

Recommendation 12: The Committee recommends that when ATSIC raises serious management failures in communities receiving ATSIC funding with the responsible regulatory agency, it also seek advice from the relevant Attorney General.

Recommendation 13: The Committee recommends that ATSIIC put in place procedures to monitor and review the implementation of the ANAO's Phase Two report recommendations.

Chapter 1

Introduction

Background

1.1 The Australian National Audit Office (ANAO) has now completed its two phase audit of the operations of the Community Development Employment Projects (CDEP) Scheme, administered by the Aboriginal and Torres Strait Islander Commission (ATSIC). The aim of the audit was to examine the efficiency and administrative effectiveness of CDEP operations, highlighting good practices and suggesting improvements where needed.

1.2 The Phase One audit, undertaken in 1995, examined the operations of the Scheme in the ATSIC Central Office, Queensland State Office and Cairns Regional Office. The ANAO concluded that the greatest impact on bringing about improvement to the CDEP administration would be achieved by providing a report to Parliament on Phase One of the audit and deferring the examination of other offices (Phase Two) until 1996.

1.3 As a result of Phase One, the ANAO made 16 recommendations which it considered would lead to significant improvements in the administration of the Scheme. The ANAO tabled its report on Phase One in October 1995.¹

1 *Audit Report No. 6, 1995-96, Community Development Employment Projects Scheme - Aboriginal and Torres Strait Islander Commission.*

1.4 The Committee undertook a review of the findings, conclusions and recommendations in the Phase One report and put forward 10 recommendations of its own.² As it was anticipated that the Phase Two report would provide additional information and recommendations, the Committee decided to defer final conclusions on some of the issues raised in the Phase One report until after it had had the opportunity to examine the Phase Two report.

1.5 The objective of the ANAO Phase Two audit was to review progress made with the implementation of the Phase One recommendations and examine more broadly the efficiency and effectiveness of ATSIC Central, State and Regional Offices in their administration of the CDEP Scheme. The Phase Two report was tabled in Parliament on 11 February 1997.³ The report identified a number of aspects of ATSIC's administration of CDEP in need of improvement and contained 17 recommendations aimed at facilitating such improvements.

1.6 The ANAO took account of three other reviews which had commenced since the completion of its Phase One Report, namely an ATSIC Office of Evaluation and Audit (OEA) internal audit report issued in July 1996; an OEA evaluation of the CDEP Scheme focusing specifically on the outcomes of the Scheme; and the Special Audit initiated by the Federal Minister for Aboriginal and Torres Strait Islander Affairs in April 1996 which examined relevant financial records of all

2 *Review of Auditor-General's Audit Report No. 6, 1995-96 Performance Audit, Community Development Employment Projects Scheme – Aboriginal and Torres Strait Islander Commission, December 1996.*

3 *Audit Report No. 26, 1996-97, Community Development Employment Projects Scheme - Phase Two of Audit, Aboriginal and Torres Strait Islander Commission.*

organisations for which grants had been proposed for 1996/97 to establish whether applicant bodies were fit and proper bodies to receive public funding. In preparing its Phase Two report, the ANAO also took into account the discussions of the Committee in relation to Phase One.

1.7 The ANAO decided to confine its Phase Two audit to a review of ATSIC's administration of the Scheme. It did not extend its inquiry to cover the administration of projects by CDEP communities themselves as it was aware that the OEA would be approaching CDEP organisation co-ordinators and participants for the purposes of undertaking its evaluation of the CDEP Scheme. However, it should be noted that it did seek views on the quality of services provided by the Cairns Regional Office of ATSIC from three Aboriginal community organisations in the course of undertaking its Phase One audit. These discussions indicated that the organisations considered that ATSIC staff were generally very helpful in all aspects of paperwork required by the CDEP procedures although there were concerns over the number of forms which needed to be completed. The ANAO had indicated in its Phase One report the need for ATSIC to provide more advice and feedback to communities to overcome this concern.⁴

1.8 The ANAO's Phase Two report was referred to the Committee by the House on 4 March 1997.

⁴ See *Audit Report No. 6, 1995-96, p. 47.*

The Committee Process

1.9 The aim of the Committee's inquiry was to follow up the implementation of its recommendations stemming from its inquiry into the ANAO Phase One report, and to examine and review the ANAO's Phase Two report and recommendations and ATSIC's response to these. It was not the objective of either the current or previous inquiry to examine the effectiveness of the CDEP Scheme in its entirety.

1.10 The Committee canvassed views quite widely in preparing its review of the ANAO's Phase One report. Three public hearings were held - in Canberra and Cairns. It took evidence, and received submissions, from ATSIC's Central Office, Queensland State Office and Cairns Regional Office, the OEA and the ANAO. A private citizen gave evidence as well. It also received from the Department of Finance a description of how the CDEP Scheme is funded.

1.11 Against this background, the Committee did not consider it necessary to publicise its inquiry into the Phase Two report and only one public hearing was held (Canberra, 14 May 1997). Evidence at this hearing was taken from ATSIC's Central Office, the OEA and the ANAO. Informal discussions were also held with ATSIC's Northern Territory Office and Cairns Regional Office.

The Community Development Employment Projects Scheme⁵

1.12 The objective of the CDEP Scheme is to create a range of employment opportunities for Aboriginal and Torres Strait Islander people, in particular those living in remote and rural communities where there are no, or limited, alternative employment prospects. CDEP specifically provides communities, or interest groups within communities, the means to undertake community development activities designed and valued by the community or group, and involves the employment of community members. In addition to community development, significant benefits of the Scheme include skill acquisition, enhanced social cohesion, and the building of personal and community confidence and self-esteem.

1.13 Activities funded include housing, road maintenance, artefact manufacture and horticulture. The development of businesses and other income generating projects are optional objectives for each CDEP.

1.14 Participation in CDEP requires that unemployed members of the community elect to forego their entitlements to Job Search and Newstart allowances. ATSIC provides a grant to the community to enable it to undertake community-managed activities and pay wages to participants at least equivalent to the allowances foregone. Community organisations responsible for the management of projects also receive amounts to cover the costs of administration and capital items required to carry out work projects.

5 A more detailed account of the Scheme can be found in ATSIC's 1995/96 Annual Report. The Committee's report on the Phase One audit also provides some further detail on the history, funding and administration of the Scheme.

1.15 The Scheme was originally introduced in 1977 in response to direct requests from Aboriginal communities who recognised the need to combat the debilitating effects of entrenched unemployment. The program has grown over the years to become the largest single program administered by ATSIC. In 1995/96, the number of communities participating in CDEP was 274 and the number of participants was 28,422. Expenditure in that year was \$330 million, of which approximately 63 per cent could be offset against potential expenditure by the Department of Social Security. CDEP expenditure in 1995/96 accounted for 33 per cent of ATSIC's total program budget.

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

- (a) Regional Offices: provide support and advice to Regional Councils and responsible for day-to-day administration and monitoring of the Scheme;
- (b) State Offices: provide direction to Regional Offices and ensure administration of the Scheme of a high standard;
- (c) Central Office: provides overall direction, oversees administration on national basis, and responsible for policy development.

1.17 The main areas of Central Office involved in CDEP are the CDEP Administration Section, the CDEP Finance Sub-Section and the Employment Policy Section.⁶

1.18 An overview of the CDEP process is provided in Appendix 3. This sets out the roles of all the players, including CDEP participants, community organisations and Regional Councils. It also summarises the accountability framework for the CDEP Scheme and identifies the main elements of ATSIK's grant monitoring and reporting process.

6 ATSIK, *Submissions*, p. S59.

Chapter 2

Committee's Review of Phase One Audit Report

2.1 The Committee is pleased to note that ATSIC has generally agreed with its recommendations stemming from its review of the ANAO's Phase One audit report and that action is in train to address them.⁷ The Committee also welcomes the Government's commitment to the continuing improvement in the efficiency and effectiveness of CDEP program management and delivery.⁸ Accordingly, comment below is limited to just a few observations.

2.2 The issues surrounding five of the recommendations are discussed in more detail in Chapter 4. These are:

- (a) that the OEA conduct in 1997/98 an impact study on the effectiveness of the devolution process (Recommendation 1): see paras 4.18-4.19 and 4.24;
- (b) that an analysis of the benefits to communities participating in the CDEP Scheme be undertaken (Recommendation 3): see paras 4.61-4.71;
- (c) that a detailed assessment be carried out of the extent to which the quality assurance package is being used in Regional and

7 See *Submission No. 2*, pp. S20-3 and the Government's Response to the Committee's recommendations stemming from its review of the Phase One audit (reproduced at Appendix 5).

8 Government's Response to the Committee's recommendations stemming from its review of the Phase One audit.

State Offices of ATSIC (Recommendation 6): see paras 4.48-4.51;

- (d) that ATSIC introduce effective measures to ensure that information provided to them by CDEP organisations is assessed and evaluated and that appropriate and timely feedback is provided (Recommendation 8): see para 4.58; and
- (e) that ATSIC develop an action plan with target dates to monitor and measure its responses to the ANAO's Phase One report recommendations (Recommendation 10): see para 4.93.

2.3 In response to the Committee's recommendation that ATSIC undertake an evaluation of the effectiveness of training initiatives and programs (Recommendation 4), ATSIC has developed a training strategy based on a questionnaire to Regional Managers seeking their assessment of their effectiveness. The strategy involves the development of an interactive training package for project staff and CDEP managers.⁹

2.4 The Committee welcomes this action but would echo the caution of the ANAO:

ATSIC needs to ensure that their methodology is sound and to bear in mind that surveys are not always the most appropriate way of obtaining information.¹⁰

2.5 The Committee's Recommendation 7 was that examples of good practice be distributed widely through all levels of ATSIC

9 See Attachment B to the Government's Response to the Committee's recommendations stemming from its review of the Phase One audit.

10 *Submissions*, p. S50.

administration. The Committee is pleased to note that ATSIC has a range of mediums available for the dissemination of such information. Mr Aspinall, Regional Manager of the Cairns Office, has advised that the Current Issues Bulletin and Lessons to be Learned Circulars are proving to be effective in providing this information to widely dispersed Regional Offices. He has also added that the examples in these publications have been included in in-house training and associated procedural planning.¹¹

¹¹ *Submissions*, p. S56.

Chapter 3

Overview of Audit Report

3.1 In undertaking its Phase Two investigation, the ANAO found that ATSIIC had made significant progress in addressing its Phase One recommendations, particularly in the following areas:-

- (a) clarification of roles and responsibilities at each level of administration;
- (b) implementation of the computer-based participant schedule management system (CDEP Manager) at the Regional Office and community level;
- (c) Regional Office staff complying with CDEP grant administration procedures, analysing performance information and providing support and assistance to the community organisations in the majority of cases examined;
- (d) community plans being developed and monitored appropriately;
- (e) use of the CDEP quality assurance package at a number of State and Regional Offices; and
- (f) provision of training to Regional Office staff in a number of key operating areas.

3.2 However, the ANAO considered that the efficiency and effectiveness of ATSIIC's administration of the Scheme could be further improved through a number of means. In total, it made seventeen recommendations, all of which were endorsed by ATSIIC. The ANAO's

recommendations are reproduced in Appendix 6. The recommendations concern the following broad areas:-

- (a) the implementation of operational planning and reporting processes which clearly identify the value added by each level (Central, State and regional) of administration as well as the value of key tasks critical to the success of the CDEP Scheme:
- There were found to be no formal mechanisms for the reporting and review of progress against operational plans.
 - While the operational plans of Central and State Offices were found to be linked, Regional Office plans were not linked to either Central or State Office CDEP plans.
 - In the majority of cases, there were no clear links between strategies and performance indicators, while, in some instances, strategies had not been identified for all aspects of an office's objectives.
 - Priorities had not been established for specific tasks in any of the operational plans examined.
 - Staffing models had not been used to decide on the allocation of staff resources to offices.
- (b) the development of appropriate performance measures to assess adequately the efficiency and effectiveness of the Scheme:
- Project-specific performance indicators were found to be not always relevant to the objectives of individual CDEP projects

and inadequate for the purpose of compiling aggregate regional, State or national program performance information.

- The development of targets and the undertaking of benchmark analysis have been recommended in order to permit the measurement of improvements in the performance of CDEP projects over time.
 - In the case of administrative performance measures, most indicators were found to be statements of strategy rather than measures of actual performance and the suite of indicators developed did not measure all parts of the various objectives.
- (c) the reviewing of the performance reporting framework to ensure that it provides meaningful information on the effectiveness of the Scheme and useful feedback to community organisations:
- State Evaluation/Overview Reports and the National Program Performance Report could be further improved to provide a more comprehensive indication of whether the Scheme's objective's have been achieved.
 - Regional Program Performance Reports needed to be expanded to permit a clearer understanding of how CDEP is benefiting communities and a more meaningful analysis at the State and national levels.
- (d) ensuring that a risk management approach is taken in relation to determining the appropriate level of monitoring activity for each community organisation:

- Inconsistencies in the allocation of 'scrutiny assessment ratings', used in determining schedules of in-depth reviews of CDEP projects, were found to have hindered the development of schedules based on a risk management strategy.
- There was considered to be scope for further improvement in relation to the analysis of the performance information provided in the Periodic Financial Statements and Project Performance Information Reports submitted by community organisations. The Funding Procedures Manual also needed to be revised to emphasise the requirement that appropriate follow-up action and feedback on the results of analysis be undertaken.
- The standard of management and recording of field visits was found to vary across regions. It was often unclear whether follow-up identified in field visit reports had been implemented.
- Results of spot checks were also not always documented.

(e) clarifying procedures relating to reviews:

- The basis for developing schedules of reviews varied between offices. They have not always been based on a risk management approach. No formal mechanisms existed to ensure that review recommendations were being appropriately actioned.
- In the majority of cases, the findings of reviews were not being analysed at either the State or Regional Office level to identify common issues or better practices.

(f) enhancing management information systems:

- Some concerns were raised in relation to the implementation of Phase One of the computer-based participant schedule management system (CDEP Manager). Phase Two needed to be implemented without unreasonable delay.
 - A Post Implementation Review of the InSight computer-based grant administration system made a number of recommendations to improve its effectiveness. These needed to be acted upon as soon as possible, particularly the recommendations in relation to training. There was also considered to be scope to enhance InSight further.
- (g) adopting an approach to quality assurance which includes ongoing monitoring together with a 'point-in-time' assessment:
- A combination of the two approaches to quality assurance currently in use, namely ongoing monitoring of project administration and independent 'point-in-time' assessments of project administration, should lead to improved efficiency and effectiveness.
- (h) focusing training efforts on Regional Office staff to ensure that they have a good understanding of procedures:
- Further training was warranted to ensure that staff had a good understanding of current procedures, especially in relation to key activities. Further training in the use of InSight and some attention to training in relation to CD-ROM were also recommended to maximise the benefits of their use. The updating and wide dissemination of the Staff Training Handbook were also recommended.

3.3 The ANAO Report noted that while its comments related specifically to CDEP, there would be benefit in ATSIC applying the principles discussed in relation to planning, reporting, performance information and project monitoring across all programs.

Chapter 4

Analysis of Audit Report

Introduction

4.1 As already mentioned, the ANAO found that ATSIC had made a lot of progress in addressing its Phase One report recommendations. At the same time, it identified a number of areas where the efficiency and effectiveness of ATSIC's administration of the CDEP Scheme could be further improved. All together, its Phase Two report contained 17 recommendations for improvement.

4.2 The areas in which the ANAO has identified scope for further improvements fall under three broad headings and the Committee has chosen to structure its analysis accordingly (although it should be noted there is considerable cross-over between the first two of these areas):

- operational planning and reporting processes;
- performance information; and
- project monitoring.

Operational Planning and Reporting Processes

ANAO Findings

4.3 The ANAO found that ATSIC had undertaken considerable work to improve its operational planning since the release of its Phase One report:

...operational plans have been developed for Central Office and for the majority of States and Regional Offices visited. The emphasis had been on clarifying roles and responsibilities.¹²

4.4 In the case of reporting on progress against operational plans, the ANAO found that mechanisms had in the past been more ad hoc and informal in nature although it was aware that Central Office intended to introduce a six-monthly reporting process for State CDEP Support Units in 1996-97 on progress against the operational plan.¹³

4.5 These improvements notwithstanding, the ANAO identified a number of issues in relation to operational planning and reporting processes which needed to be addressed as part of the next phase of development (ANAO Recommendations 1 and 2 refer), including:

- developing links between operational plans at Central, State and Regional Office level to clearly identify the value added by each level of administration to achieving the CDEP objective;
- establishing links within operational plans so that strategies are in place to identify the means by which objectives will be achieved and appropriate indicators are developed to measure the level of achievement against the objective;
- establishing an appropriate performance information framework;
- setting priorities so that ATSIC's resources are focussed on critical business activities;
- developing an appropriate staffing model which takes account of the workloads of each level of administration; and
- reporting against plans in a coordinated way so as to provide an overview of progress taking into account the information needs of all relevant areas of ATSIC and key stakeholders.¹⁴

12 ANAO, *Submissions*, p. S3.

13 ANAO *Audit Report No. 26, 1996-97*, p.18.

14 ANAO, *Submissions*, p. S3.

Committee Comments

4.6 The ANAO's Recommendation 1 concerns the need to put in place better-linked operational plans at the three levels of ATSIC CDEP administration, with strategies and performance measures as well as priorities clearly identified. Its Recommendation 2 addresses the need to implement formal mechanisms to review and report on progress against operational plans. A key dimension of this is an assessment of performance, measured in terms of both an office's administrative performance in managing programs and the program outcomes obtained. (Performance is considered in more detail in the next Section.)

4.7 In agreeing with the first recommendation, ATSIC accepted that:

...there is a need to further enhance and strengthen the links between Central, State and Regional Office operational plans to more clearly demonstrate how each of the three levels of the administration are to contribute to the overall objectives for CDEP.¹⁵

4.8 ATSIC has already taken a number of steps to address the issues raised. Its operational planning processes for 1997/98 were well advanced by the time evidence was being taken from ATSIC in mid-May. A conference involving all CDEP State Support Unit Officers and officers from Central Office was convened in March, at which the following issues were discussed:

- program performance measurement, including revised performance indicators for 1997/98 (discussed in the next Section);

¹⁵ ANAO Audit Report No. 26, 1996-97, p. 17.

- ATSIK's new Program Performance Monitoring and Reporting system (PPMR) (also discussed in the next Section); and
- ANAO Phase Two report recommendations, particularly the need to ensure that objectives and strategies identified in the operational plans of the three levels of administration are linked.¹⁶

4.9 ATSIK has also held meetings with both Regional Office managers and State Office representatives to ensure a commonality of approach to the operational planning process.¹⁷

4.10 The Committee was pleased to hear that ATSIK has worked closely with the ANAO in undertaking this exercise. For example, the ANAO were invited to come to the meeting of the Central Office and State Office representatives to give their views on the operational planning process and to clarify issues as necessary.¹⁸

4.11 ATSIK has advised that operational planning, mechanisms for reviewing and reporting progress against those plans and ways of ensuring that appropriate feedback on performance is provided to various levels of administration are being considered as part of the Performance Information Review, which is being conducted jointly by ATSIK and the Department of Finance.¹⁹ This review will also consider the selection of performance indicators. The review is part of an

16 ATSIK, *Submissions*, p. S26.

17 ATSIK, *Transcript*, p. 28.

18 ATSIK, *Transcript*, p. 116.

19 ANAO *Audit Report No. 26, 1996-97*, pp. 17 and 19.

assessment being carried out by the Department of Finance of the quality and clarity of existing objectives and performance information across all Departments. In its submission, ATSIC has advised that it is planned that the outcomes of the review will be implemented in the 1998/99 year.²⁰

4.12 Mr Tucker of ATSIC summed up progress as follows:

We have looked at all the program areas.²¹ The program areas have completed their internal assessments of program objectives and performance indicators. We are in the process of examining these internal assessments. We will do that in consultation with the Department of Finance. We intend to address issues in relation to the linkage between...plans (at each level of ATSIC administration), program objectives and performance reporting as part of the outcomes of the review.²²

4.13 The Committee was encouraged that close links were found to exist between Regional Office operational plans and Regional Council plans for the offices visited by the ANAO in carrying out its audit.²³ It also welcomes the fact that enhancing the planning capacity of Regional Councils to achieve improved outcomes has been identified by ATSIC as one of its priorities for the period ahead.²⁴ Of course, the overall success of the CDEP Scheme depends equally on the community organisations in receipt of CDEP funding having effective operational planning mechanisms in place.

20 ATSIC, *Submissions*, p. S26.

21 OEA, *Transcript*, p. 51.

22 ATSIC, *Transcript*, p. 35.

23 ANAO *Audit Report No. 26, 1996-97*, p. 12.

24 ATSIC, *Submissions*, p. S64.

4.14 To this end, the former Government provided \$16.5 million over four years for enhancements to the CDEP Scheme, with a central component being improvements to planning. It would appear, however, that there is still some way to go before the benefits of this funding can be fully realised:

The uptake of Operational Planning funds by communities has been slow to start. The process of implementing an integrated planning process has required extensive education and training at community level...Care has been taken to ensure that the process has not been forcefully imposed as another bureaucratic requirement stimulated as a top down response to audit requirements.²⁵

4.15 ATSIC has allocated these funds through a variety of means, including planning conferences involving Regional Councils, State and Local Government representatives and CDEP organisations. These conferences have aimed at increasing awareness of the advantages of planning amongst Regional Councils and CDEP organisations.²⁶ The Committee endorses this approach.

4.16 The Committee accepts that there should not be undue haste in disbursing these funds. However, it was concerned at the apparently slow uptake of funding in some States. For example, while all CDEP organisations in New South Wales had received funding assistance as of the end of May, only 15 organisations in Western Australia and 16 organisations in Queensland had received such funding.

4.17 While the most desirable path is to seek to lessen the risks of community organisations getting into difficulties with their CDEP grants,

25 ATSIC, *Submissions*, pp. S66-7.

26 ATSIC, *Submissions*, pp. S66-7.

the Committee also endorses the assistance ATSIC commonly provides to community organisations whose CDEP projects are in suspension:

Very often, those that we have suspended for whatever reason, are given the opportunity and very often the resources to sit down and do some planning and address those issue which have led to the suspension.²⁷

4.18 One aspect of the ANAO's recommendations dealing with operational planning that the Committee feels deserves further attention is the recommendation that ATSIC develop and apply an appropriate model for the allocation of staff resources. In a similar vein, the Committee recommended in its review of the ANAO's Phase One report that the OEA conduct in 1997/98 an impact study on the effectiveness of the devolution process – with the responsibility for the CDEP program administration being devolved more from Central Office to State and Regional Offices – resulting from the Daffen Review²⁸.

4.19 In its response to this Phase One report recommendation of the Committee, ATSIC stated that it had written to the OEA seeking advice as to whether an impact study would be undertaken in 1997/98. However, it noted that, in response to an ATSIC bid for extra funds to enable further expansion of the Scheme, the Expenditure Review Committee of Cabinet had requested a wide-ranging independent review of the CDEP Scheme. The review is expected to be completed by October 1997. It will include an examination of the economic and social outcomes of CDEP, and make recommendations to enhance the Scheme's outcomes, including the opportunities for participants to move

27 ATSIC, *Transcript*, pp. 38-9.

28 Daffen, P., *Salary and resources Distribution Review: Towards the Year 2000*, 1994.

into mainstream employment. The review will take account of all previous reviews of the Scheme, including the OEA's evaluation of the performance of the program.²⁹ Against this background, it would appear that an impact study is on hold.

Committee Conclusions

4.20 The Committee regards these two ANAO recommendations as being of key importance in ensuring the efficiency and effectiveness of ATSIK's administration of the CDEP Scheme. It therefore welcomes ATSIK's acceptance of the need for improved operational planning processes and the close consultation it is having with both the Department of Finance and the ANAO in the framing of these. If the Scheme is to be well-managed, it is essential that each level fully understands its role in the administration of the Scheme. This will ensure a sharper focus, improved accountability, as well as reduce the risk of duplication and activities being overlooked. The clear enunciation of objectives, strategies to be followed to address those objectives as well as indicators to assess the degree to which objectives are being met are equally essential.

4.21 Managers need to ensure that formal mechanisms are in place for the reporting of progress against operational plans as well as the reviewing of objectives, strategies and work priorities on a regular basis – as recognised by the ANAO in their Recommendation 2. Such mechanisms can help ensure that planned activities are undertaken in accordance with identified priorities and ensure that any remedial action

29 ATSIK, *Submissions*, p. S23 and *Transcript*, pp.27 and 41.

is taken in a timely fashion. By providing performance information, they are also important for the purposes of performance assessment and feedback.

4.22 Implementation of the Performance Information Review outcomes within the planned 1998/99 time frame will be a challenge as it will need to take account of other reviews under way³⁰, some of which stand to have a significant bearing on planning processes, including the review requested by the Expenditure Review Committee.

Recommendation 1: The Committee recommends that ATSIC take all necessary steps to ensure that the outcomes of the Performance Information Review are implemented within the planned 1998/99 time frame.

4.23 The Committee was pleased to note that significant monies had been channelled to community organisations to aid their operational planning processes since the time of its report on Phase One. However, the progress has not been even.

Recommendation 2: The Committee recommends that priority be given to ensure that all CDEP organisations in all States and Territories have the opportunity to avail themselves of community CDEP planning funds.

4.24 The Committee welcomes the review of the CDEP Scheme requested by the Expenditure Review Committee. While the Committee acknowledges the uncertainty faced by ATSIC given this and other reviews under way, ATSIC should not put the question of the allocation of staffing resources entirely to one side. The 1997/98 operational

30 See Appendix 4 for a list of reviews presently under way.

planning process under way, with one key focus being on the need to ensure that the objectives and strategies for each of the three levels of ATSIC administration are linked, will, for example, throw some light on the appropriateness or otherwise of current staffing profiles. The Committee also welcomes the Commission-wide work review study which ATSIC has recently initiated. This study will determine benchmarks in relation to staffing numbers and classification levels required to perform ATSIC's core business functions and analyse the specialised skills required by staff to undertake these functions.³¹ The Committee is of the view that this study should also re-assess resources required at each level of administration.³²

Recommendation 3: The Committee recommends that ATSIC keep its staffing profiles under constant review and undertake a re-assessment of staffing levels at each level of administration as part of its work review study.

Performance Information

ANAO findings

4.25 While acknowledging improvements in performance information in use since the completion of its Phase One report, the ANAO concluded there was a need for ATSIC to address a number of issues (ANAO Recommendations 3-7 refer). It highlighted the need to develop:

- appropriate outcome measures of performance at both the community and national level. In particular, appropriate and consistent indicators needed to be developed in conjunction

31 ATSIC, *Submissions*, p. S63.

32 See also paras 4.74-4.82 below.

with communities so that, taken together, they would provide an assessment of the achievements of the CDEP Scheme at a national level;

- a suite of indicators which allow ATSIC to determine whether the administration support provided to communities will lead to improved outcomes for CDEP;
 - ⇒ what contribution each level of administration has made to the achievement of the objective;
 - ⇒ whether activities are being undertaken in the most cost effective manner;
 - ⇒ whether resources are being directed to the highest priority tasks; and
- ongoing internal reporting mechanisms which allow managers to assess progress towards completing tasks.³³

Committee Comments

4.26 As alluded to in the previous Section, performance needs to be measured in terms of both the efficiency and effectiveness of ATSIC's administration of the Scheme – i.e. requiring indicators of an office's administrative performance (covered in Chapter Four of the ANAO's Audit Report) – and the overall effectiveness of CDEP projects under that office's jurisdiction – i.e. requiring community-based performance information (discussed in Chapter Three of the ANAO's Audit Report).

4.27 ATSIC has advised that indicators of both outcome and administrative performance for 1997/98 are being developed as part of the joint ATSIC/Department of Finance Performance Information Review, outcomes of which will be implemented in the 1998/99 financial year.³⁴ ATSIC has used Department of Finance and ANAO performance

33 ANAO, *Submissions*, pp. S3-4.

34 ATSIC, *Submissions*, p. S27.

information principles as a basis for deriving improved performance indicators for each of their program areas.³⁵ In developing performance indicators and performance information, it has had lengthy discussions with the ANAO to draw on their expertise.³⁶

4.28 Mr Miller, the Director of Evaluation and Audit, OEA, has also elaborated upon the role the OEA has played in this exercise:

We have got an officer on a working group which is assisting ATSIC's overall program performance review, so to that extent we are participating. We are also providing advice regularly in terms of our audits and evaluations that we are doing. I think I reported in my submission to you that we have got three trial performance reviews of three small ATSIC programs going now. I have started to see the early drafts of those reports, and I think things we are going to be able to say there will also help ATSIC in its overall performance assessment reporting process. So we are working in a range of ways to try and assist the development.³⁷

4.29 It is still too early to form an assessment of the benefits which may stem from the revised approach to performance indicators and performance information stemming from the ANAO's recommendations as the performance indicators developed since the audit will be fed into requirements for grants which are made available to funded organisations in 1997/98. However, the Committee was encouraged to hear of signs of benefits 'on the ground'. To quote Mr Brown of ATSIC:

Probably one of the best things that have come out of it is the growing awareness amongst our own field staff and staff generally of the need for performance information. It has put in train an education process and created improved awareness of the need for performance measurement and that will be an ongoing process. Certainly, for the immediate term, it resulted in a

35 ATSIC, *Transcript*, p. 35.

36 ATSIC, *Transcript*, pp. 28-9.

37 OEA, *Transcript*, p. 51.

simplification of the performance indicators which we are putting into our automated systems, making it far more accessible and easier for interpretation of our field staff who are responsible for selecting performance indicators for the respective projects that they are working with.³⁸

4.30 Mr Brown also stated that they had detected a greater level of interest in performance measurement by the Regional Councils – which have the important role of managing the CDEP budgets for their regions.³⁹

4.31 For the individual project, ATSIC has sought to keep performance indicator requirements as simple as possible. The suite of performance indicators has been divided into mandatory and discretionary sub-sets:

In other words, if they do not apply to the particular type of project in that type of location, we are not asking for them...They can select, from discretionary performance indicators, those that they feel apply best to their projects and their particular situation.⁴⁰

4.32 The Committee notes that ATSIC has developed a revised Program Performance Monitoring and Reporting system, to be implemented in the latter part of 1997:

Considerable progress has already been made to improve ATSIC's performance reporting systems following the implementation of the Ernst and Young Report. Strategies to further enhance performance reporting will be examined as part of the Performance Information Review, and with the development

38 *Transcript*, p. 29.

39 *Transcript*, p. 29.

40 ATSIC, *Transcript*, p. 30.

and implementation of Phase Two of the automated Program Performance Monitoring and Reporting System.⁴¹

4.33 Of relevance to administrative performance reporting, ATSIIC has introduced a new element of its 'quality assurance package', namely a performance reporting process. This will complement the existing compliance element with effect from July, that is, once operational plans have been re-developed. Under this process, managers at Central, State and Regional levels will be required to report at six-monthly intervals to the Director of Evaluation and Audit as well as to their next in line on the performance of their office against a set of performance indicators. This performance element will aid the identification of problem areas which may require remedial action as well as enable regular feedback to managers on their performance.⁴² The Committee welcomes this development.

4.34 In the case of community-based performance reporting, ATSIIC has in place a requirement for performance reports to be produced at two levels. At the first level, community organisations in receipt of CDEP funding are required to submit Project Performance Information Reports (PPIRs) twice a year.

PPIRs should provide both quantitative and qualitative information on progress against the project objectives and the performance indicators agreed in the Letter of Acceptance.⁴³

41 See ANAO Audit Report No. 26, 1996-97, p 46 and ATSIIC, *Submissions*, p. S28.

42 OEA, *Submissions*, p. S40 and *Transcript*, p. 51.

43 ANAO Audit Report No. 26, 1996-97, p. 31.

4.35 Program Performance Reports (PPRs) form the second level of reporting.

The development of PPRs involves the collation of information provided by the communities (through the PPIRs) together with information provided at all three levels of the administration of the CDEP Scheme. It is intended that each level build on the reports of the previous level and include any additional information on the project/program which may be available.⁴⁴

4.36 The Committee endorses the OEA's pilot project to examine the quality of performance information sought by ATSIC from funded organisations which is presently under way:

The pilot project has involved three of the Commission's smaller programs and has required a detailed examination of project level performance information provided by Regional and State offices and assessing the quality of the performance information sought by the Commission and of the information provided by organisations. The project has also tracked performance information input to the Commission's project management systems to test its reliability.⁴⁵

4.37 The Committee also welcomes the recent decision to require that PPRs be produced twice a year, not once a year.⁴⁶ This brings the reporting process for the two levels into line and should permit more effective monitoring of performance.

4.38 PPIRs are in a standard written form. While ATSIC utilises other technologies, such as ATSIC TV and the quarterly magazine, ATSIC Reporter, officers in ATSIC's Northern Territory Office acknowledged the

44 *ibid.*

45 OEA, *Submissions*, pp. S42-3.

46 ATSIC, *Transcript*, p. 10.

scope to make more use of modern technology in this reporting process.⁴⁷

Committee Conclusions

4.39 Performance needs to be measured with reference to inputs, outputs, processes and, importantly, outcomes obtained. The Committee fully endorses the need for performance measures relating to the overall objectives of the Scheme to be set on the basis of outcomes, not outputs or simply the proper acquittal of monies. Like the ANAO, the Committee acknowledges the fact that the development of appropriate outcome performance measures for a program such as the CDEP is a difficult task. It is therefore pleased to note that the ANAO considers that ATSIC has improved its program performance indicators since 1995/96.⁴⁸ It is also pleased to note that ATSIC has set about the task of further improving its performance indicators and performance measurement by working closely with both the ANAO and Department of Finance and that this is resulting in fairly consistent views on the sorts of indicators required.⁴⁹ It is pleased to hear of flow-on benefits, specifically the growing awareness of, and interest in, the need for performance information on the part of both field staff and Regional Councils.

4.40 The Committee is concerned, however, that the benefits of this greater emphasis on performance measurement will not be fully realised if the communities in receipt of funding are not brought fully on board.

47 *Transcript*, p. 11.

48 *ANAO Audit Report No. 26, 1996-97*, p. 24.

49 *ATSIC, Transcript*, p. 35.

4.41 The Committee would also caution that performance reporting procedures and processes sought from ATSIC, or for that matter from any other Commonwealth Government body, can not be so readily translated to community organisations. For example, distinctions between notions such as 'outputs' and 'outcomes' will not be so readily understood and a significant educational process will be required in order to gain community acceptance.

4.42 The ANAO also makes this point:

...appropriate and consistent (performance) indicators needed to be developed in conjunction with communities...⁵⁰

4.43 This need is acknowledged by Mr Brown of ATSIC:

I have no doubt that there will be an ongoing process of education required at the project level, because it is a concept which most of them have given lip-service to but they have not been particularly conscientious about providing performance information...

There will be an ongoing process at the community level also, to ensure that the quality of performance information that they provide is of a satisfactory standard.⁵¹

4.44 However, he went on to say that this education process is not scheduled to commence until 1998 and that it will take time to sell the concept in full.

Recommendation 4: The Committee recommends that greater priority be attached to educating the communities in receipt of CDEP funding on the need for a greater focus on outcomes and performance measurement.

50 ANAO, *Submissions*, p. S3.

51 *Transcript*, p. 30.

4.45 The Committee is of the view that not enough use is being made of audiovisual and other such technologies in the community organisation reporting process. These technologies could significantly enhance the information content of reports.

Recommendation 5: The Committee recommends that ATSIC seek to encourage a greater use of audiovisual and other such technologies in reports furnished by CDEP communities.

Project Monitoring

ANAO Findings

4.46 As in the broad areas of planning and performance information, the ANAO also found that ATSIC had effected a range of improvements to both office- and field-based monitoring since Phase One. It suggested a number of improvements, however (ANAO Recommendations 8-17 refer), including:

- ensuring that a risk management approach is taken to determine the appropriate level of monitoring activity for each community organisation. As well, ATSIC should ensure that the results of monitoring activities are documented, including the need for any follow-up and resultant action;
- clarifying the procedures in the ATSIC Funding Procedures Manual in relation to reviews so that a consistent approach is taken; and
- ensuring that the management information system developed to improve grant administration is used to its fullest potential to improve monitoring and reduce the burden for manual processing.

As well as these issues, the ANAO found that ATSIC needed to:

- adopt an approach to quality assurance which includes both on-going monitoring and point-in-time assessment; and

- focus training efforts more specifically towards ensuring that Regional Office staff have a good understanding of the more complex aspects of procedures.⁵²

Committee Comments

4.47 The Committee fully supports the thrust of all the ANAO's recommendations concerning grant monitoring and notes that ATSIC has endorsed them also. It has therefore chosen to concentrate its comments on just a few of the grant monitoring issues raised in the ANAO's report.

Quality Assurance

4.48 The ANAO's Recommendation 16 was that ATSIC adopt a combined approach to the quality assurance of Regional Office project administration, involving both on-going monitoring and a 'point-in-time' assessment. By ongoing monitoring is meant regular monitoring of documentation relating to individual projects using a 'quality assurance checklist' based on the quality assurance package developed by the OEA. Point-in-time assessment, on the other hand, involves independent reviews of selected CDEP project files by senior Regional and/or State Office staff using the QA package.

4.49 The Committee is of the view that this package, introduced by the OEA in 1994, plays a very important role in providing assurances with respect to grant monitoring. (As discussed in the previous Section, a performance element has recently been added to the package.) Its

52 ANAO, *Submissions*, p. S4.

aim is to assist managers to self-test and report on the extent to which compliance with procedures and processes exists.⁵³

4.50 The Committee is therefore pleased to note that ATSIC has addressed this recommendation. It notes that Mr Miller, the Director of Evaluation and Audit, OEA, has stated that previously the QA package was not used as much as they hoped it would be when they issued it (in 1994).⁵⁴ It therefore welcomes the decision by ATSIC's Chief Executive Officer in April 1996 to write to all Regional managers instructing that the completion of the QA package would henceforth be mandatory. It also welcomes the fact that the CDEP and Employment Policy Branch of ATSIC has now written to State Managers (in January 1997) advising of the ANAO's point-in-time quality assurance recommendation.

Committee Conclusions

4.51 The Committee is pleased to note the actions taken to address this recommendation. However, it regards point-in-time assessment as providing an important, indeed necessary, complement to ongoing monitoring.

Recommendation 6: The Committee recommends that both ongoing monitoring and 'point-in-time'⁵⁵ assessment be made compulsory elements of quality assurance of Regional Office project administration.

53 See ANAO Audit Report No. 26, 1996-97, p. 76.

54 OEA, *Transcript*, p. 50.

55 See para 4.48 above.

Risk Management Approach to Monitoring

4.52 The Committee appreciates that ATSIC would like to have more field staff to undertake grant monitoring activities.⁵⁶ This would, however, seem to heighten the need for more attention to be paid to the selection of scrutiny assessment ratings (which assist in determining the frequency with which in-depth reviews of individual CDEP projects are to be undertaken and are based on the amount of funds involved, the management capacity of the organisation concerned and its asset holdings), as recommended by the ANAO (Recommendations 8 and 11 refer).

4.53 The Committee welcomes the steps ATSIC has already taken to address this matter. ATSIC has in recent months issued a number of 'Lessons to be Learned' staff circulars covering identified deficiencies in staff practices in relation to grant procedures. It has also decided to review the assessment process and scrutiny ratings as part of the broader procedures review for the 1998/99 funding year⁵⁷. The new procedures will include a number of enhanced risk management elements.⁵⁸ It has stated that new assessment processes and scrutiny ratings flowing from the review will be implemented by November 1997 and reviews of organisations for 1998/99 will be based on these new ratings.⁵⁹

56 ATSIC, *Transcript*, p. 38.

57 See also para 4.59 below.

58 ATSIC, *Submissions*, pp. S64-5.

59 *Submissions*, p. S28

CDEP Manager

4.54 CDEP Manager is designed to automate CDEP Participant Schedules, and thereby ensure the accuracy of participant schedules and reduce administrative effort. ATSIIC has pointed out that the current incompatibility of software issue raised by the ANAO (part of its Recommendation 13) could not be resolved with the current version of CDEP Manager.⁶⁰ At the time of the ANAO's report, the new version, CDEP Manager Phase Two, was expected to be operational by April 1997⁶¹.

4.55 ATSIIC has advised that acceptance testing of Phase Two has been completed and that the CDEP administration Section has now taken ownership of it. The system is expected to be fully operational by 1 July 1997.⁶² The Committee welcomes this development given the extra administrative burden and scope for data entry error resulting from the current system incompatibility.

InSight Management Information System

4.56 ANAO Recommendations 14 and 15 relate to measures to improve and enhance the InSight system. The InSight system provides ATSIIC staff with computer-based grant administration. Its main purpose is to streamline the approval, monitoring and reporting process for all grants, including CDEP.⁶³

60 *Submissions*, p. S30.

61 *ANAO Audit Report No. 26, 1996-97*, pp. 70-1.

62 *Submissions*, p. S.65.

63 See *ANAO Audit Report No. 26, 1996-97*, pp. 71-5 for further details.

4.57 The Committee regards these as important recommendations as the ANAO, and before it the OEA in their Post Implementation Review of InSight undertaken in June 1996, had identified a number of concerns in relation to the processing of grant applications, project monitoring and reporting (see paras 6.26 and 6.31 of ANAO Audit Report). It is therefore pleased to note that ATSIC has moved to address these concerns.

4.58 One aspect of ANAO Recommendation 15 of note was that InSight be enhanced to identify and maintain a record of follow-up action undertaken and feedback provided to funded organisations as a result of the various monitoring activities undertaken. This is akin to the Committee's Recommendation 8 stemming from its review of the ANAO's Phase One audit report. This recommendation called on ATSIC to introduce effective measures to ensure that information provided to them by CDEP organisations is assessed and evaluated and that appropriate and timely feedback is provided.

4.59 ATSIC has advised that it has set up a review of its grant procedures and terms and conditions of grants. Implementation of an enhanced version of InSight will be phased in from late 1997 to provide full system capability for all grants functions and to address changes flowing from this review.⁶⁴ ATSIC is also looking at options to provide training for project staff on both the use of InSight and the analysis of Periodic Financial Statements which are required to be submitted by community organisations.⁶⁵ (These aspects of training were

64 *Submissions*, p. S30.

65 *Submissions*, p. S32.

amongst the ANAO's recommendations with regard to training – Recommendation 17.)

Committee Conclusions

4.60 The Committee recognises the importance of the review of grant procedures and terms and conditions of grants being undertaken. Accordingly, it is strongly of the view that the completion of the review should not be seen as an end in itself. The implementation and subsequent assessment phases are equally important⁶⁶.

Recommendation 7: The Committee recommends that ATSIC carry out an appraisal of the changes introduced consequent upon its review of grant procedures and terms and conditions of grants.

Other issues

OEA Evaluation of the Impact of the CDEP Scheme

4.61 One of the Committee's Phase One report recommendations was that ATSIC undertake an analysis of the benefits to Aboriginal and Torres Strait Islander communities who participate in the CDEP Scheme (Recommendation 3). The Committee put this recommendation forward in response to the ANAO's Phase One report recommendation that ATSIC develop performance indicators for the CDEP Scheme which clearly establish a link between program objectives, strategies and outcomes. The ANAO was particularly concerned that the performance information being gathered by ATSIC was geared more towards outputs

66 As recognised by the ANAO – see *Submissions*, p. S53.

rather than outcomes. The Committee felt that such an analysis could establish some clear linkages between the objectives set by communities, the strategies to implement them and the resulting outcomes.

4.62 The Committee is therefore pleased to note that the OEA has now completed an Interim Report on such an evaluation.⁶⁷ The OEA chose to release an interim report on its evaluation partly so that preliminary results would be available in time for the Committee's review of the administration of the Scheme.⁶⁸ The objectives of the study were to:

- (a) determine the employment outcomes of urban CDEP projects;
- (b) identify other benefits through work/participation in urban CDEP projects;
- (c) identify ways in which urban CDEP projects could be improved to achieve benefits for all in the CDEP; and
- (d) determine the non-labour market outcomes of both urban and non-urban CDEP projects.⁶⁹

4.63 The evaluation in relation to the first three objectives was based on a survey of current and ex-participants in urban CDEPs.

67 Office of Evaluation and Audit, *Evaluation of the Community Development Employment Projects Program, Interim Report*, April 1997.

68 *ibid*, p. i.

69 OEA, *Submissions*, p. S41.

4.64 The Committee was heartened by some of the preliminary findings:

The major findings to date show program participants to have derived considerable employment, income, training, and social and cultural benefits from the CDEP program.⁷⁰

4.65 Of particular note, based on a late 1996 /early 1997 survey of urban CDEP participants who had left their CDEPs over the two years to July 1996, 29 per cent had gained mainstream employment. Based on a comparison with an Australian Bureau of Statistics survey of jobseekers, it was also found that urban CDEP participants were more likely to be in mainstream employment after the program than the average Australian jobseeker (29 per cent versus 23 per cent). However, this comparison would seem questionable if some of the 29 per cent of ex-CDEP participants left their CDEPs directly to take up mainstream employment, i.e. if they had not spent a period of time after leaving their CDEPs as jobseekers.

4.66 A strong endorsement of the Scheme is also provided by the finding that:

Compared to unemployed indigenous Australians, CDEP participants (both urban and non-urban) were less likely to be a problem drinker, or to have been arrested in the last five years; in addition, they were more likely to have a stronger sense of cultural identity.⁷¹

4.67 One aspect considered under the third objective of the evaluation was the effectiveness and efficiency of CDEP organisations'

70 OEA, *Submissions*, p. S41.

71 Office of Evaluation and Audit, *Evaluation of the Community Development Employment Projects Program, Interim Report*, April 1997, p. i.

administration of their funded projects. This evaluation therefore complements the ANAO's audit on the effectiveness and efficiency of ATSIIC's administration of the Scheme. The Committee was pleased to see that, generally, there was high satisfaction among respondents with the day-to-day running of the CDEP although low turn-up rates to work was identified as a major issue.⁷²

4.68 While the survey results indicated that more than half of all qualifications held by urban CDEP participants since they left school was obtained through the CDEP, the amount of training information available to CDEP participants was identified as in need of improvement.⁷³

Committee Conclusions

4.69 The Committee is of the view that the findings of the OEA's evaluation should be the subject of careful analysis and reflection. They should aid the identification of outcomes arising from the Scheme. They should also be highly relevant for the review of the CDEP Scheme requested by the Expenditure Review Committee, which, *inter alia*, is to make recommendations to enhance the Scheme's outcomes.⁷⁴ The evaluation should contain pointers to the appropriate mix of objectives – income support, training for mainstream employment and community development – to be fulfilled by the Scheme in both urban and non-

72 *ibid*, p. 7-8.

73 *ibid*, p. 9.

74 ATSIIC, *Submissions*, p. S62.

urban CDEP communities and strategies that should be adopted to meet that mix of objectives.

4.70 The Committee notes with particular interest the observation that:

The majority (of urban CDEP participants surveyed) (57%) felt the way the CDEP could be improved to better their chances of getting an outside job would be the provision of more training or greater mainstream employment orientation in their CDEP.⁷⁵

4.71 The lack of information on training and Commonwealth and State Government programs in this area points to a greater need for better co-ordination across Departments at both levels of Government.

Recommendation 8: The Committee recommends that ATSIC publish an up-to-date account of Commonwealth and State training programs available to CDEP participants and, in doing so, advise on whether co-ordination across Departments at both levels of Government needs to be improved.

Review of the CDEP Scheme Requested by the Expenditure Review Committee

Committee Comments and Conclusions

4.72 As is already clear from points made earlier in this analysis, the Committee views this review as a timely precursor to any possible further expansion of the Scheme. It will be able to draw together the findings of the various reviews recently undertaken or currently under way, including the 1993 review of the CDEP Scheme, 'No Reverse

⁷⁵ Office of Evaluation and Audit, *Evaluation of the Community Development Employment Projects Program, Interim Report, April 1997*, p. 10.

Gear'.⁷⁶ It should complement the ANAO's audit report, which focused on the effectiveness and efficiency of ATSIC's administration of the Scheme. It will also be able to carry forward the findings of the OEA's evaluation of the Scheme.

4.73 The Committee considers it should address such fundamental questions as to whether or not the best-deserving funding proposals are succeeding in getting funding and whether young people are joining when they would be better off remaining in full time education. The Committee would therefore appreciate the opportunity to comment on the findings of this review. (See also para 4.80 below.)

Recommendation 9: The Committee recommends that the findings of the review of the CDEP Scheme requested by the Expenditure Review Committee be referred to it for further consideration in conjunction with other review outcomes.

The Three Levels of ATSIC Administration

4.74 One question which interested the Committee was the issue as to whether the three levels – Central Office, State Office and Regional Office – of ATSIC administration remains appropriate. Specifically, does the State level of CDEP administration represent an efficient allocation of resources?

4.75 Mr Morony of ATSIC referred to the very important aggregation and support role of the State offices. He also maintained there was too

76 *No Reverse Gear. A National Review of the Community Development Employment Projects Scheme, Report to the Aboriginal and Torres Strait Islander Commission, Deloitte Touche Tohmatsu, 1993.*

big a gap to have a direct relationship between Central office and the regions, adding that:

We do not have access to the day-to-day information and a lot of planning with State and local governments happens at the State Office level that is critical to the management of our programs.⁷⁷

4.76 Elaborating on this, Mr Brown referred to their responsibility for the efficiency and effectiveness of the operation of the Regional Offices, and the delivery of programs, within their States. He also cited their role in the management of participant numbers, provision of training for Regional Office staff and CDEP organisations, as well as in connection with State-level issues such as industrial relations issues and the rates paid by CDEP organisations for workers compensation cover.⁷⁸

4.77 Speaking from a Queensland perspective, Mr Aspinall, Regional Manager of the Cairns Regional Office of ATSIC, stated:

I think there are some specific State issues which are extremely useful for a State perspective and a State approach on it. The way in which DOGIT communities are administered is very much a linkage between us and the State Government and their management of the Act.

In terms of policy development and policy change in Queensland, it is certainly very useful to have a State perspective. It is a bit difficult for me as a Regional manager to go directly and access State Government.⁷⁹

4.78 Mr Miller of the OEA was also strongly supportive:

I strongly support the need for three levels of administration within the Commission. I do not think that ATSIC would work properly without those three levels. There is an occasional theme that

⁷⁷ *Transcript*, pp. 30, 32.

⁷⁸ *Transcript*, p. 31.

⁷⁹ *Transcript*, p. 22.

State Offices ought to be abolished. I believe that State Offices have a very important general monitoring and performance role, in particular. That is very important for a Commission like ATSIC. Without a State Office performing that role, I do not think ATSIC's accountability would be as good as it is, even though, as you know, I believe it can still improve...Certainly, over the years the resources there have been reduced and the roles have been quite well defined now.⁸⁰

4.79 Mr Meert of the ANAO provided the following guidance:

We tried to address (the issue of the number of layers in an organisation) in a different audit when we did Social Security and our review of their regional staffing model. It really goes to an organisation reviewing its methods, the functions and looking at the best way of providing a service to its clients. Whether three layers is important or is necessary, I cannot answer per se. It really becomes an issue of the overlap and what the responsibilities of the layers are. If you look at most social welfare programs they have various layers - Central Office, State Office and a local office. The CES and even your new Commonwealth service delivery agency have similar layers.⁸¹

Committee Conclusions

4.80 The Committee accepts that the State Offices do have an important role to play. It certainly acknowledges the importance of a lot of the work they carry out in relation to the CDEP Scheme, including in relation to monitoring and undertaking reviews of community organisations and quality assurance. However, as mentioned in the discussion on operational planning further above, the outcome of the current operational planning process, in particular the better linking of Regional Office plans to those at other levels and the clearer identification of the value added by each layer of administration, as well as the Performance Information Review being conducted jointly with the

80 *Transcript*, pp. 48-9.

81 *Transcript*, p. 59.

Department of Finance, should shed some further light on the allocation of staffing resources across the three levels. Recommendations coming out of the work review study and the review requested by the Expenditure Review Committee will also have implications for staffing.

4.81 The CDEP Scheme has evolved rapidly over the twenty years of its existence. Furthermore, technology changes in recent years have also affected administrative processes and procedures. The Committee therefore considers it to be appropriate to take stock of administrative arrangements periodically.

4.82 ATSIC should not be closed to other possible models canvassed by the Committee, for example the contracting out of administrative tasks and responsibilities to State Governments, perhaps on a pilot basis to begin with. As noted by the ANAO, a careful assessment of the likely impacts resulting from the adoption of an alternative model of administration would be required to ensure that service delivery is not compromised.⁸² The Committee notes with interest in this connection the consideration being given by the Western Australina Office of ATSIC to contract out some management and support functions. (See para 4.89 below.)

Recommendation 10: The Committee recommends that ATSIC undertake periodic assessments of how their current model of administration is performing and whether there might be advantages in adopting an alternative model.

82 *Submissions*, p. S52.

Recommendation 11: The Committee recommends that ATSIC undertake a number of pilot schemes involving the contracting out of administrative tasks and responsibilities as part of its assessment of its current model of administration.

Accountability and the Role of Other Agencies

4.83 In its report to Parliament on the ANAO's Phase One audit, the Committee highlighted the fact that it considered that jurisdictional constraints whereby the ANAO, as an independent party, was not usually able to audit non-Commonwealth bodies in receipt of Commonwealth grants was unacceptable.⁸³

4.84 On this issue, the OEA has pointed to ATSIC's limited powers of intervention. Funding is only provided to incorporated organisations, which gives ATSIC some form of protection, but not a guarantee, that grant monies will be spent in a proper way. ATSIC can choose to appoint a grant controller to take control of ATSIC money or suspend CDEP monies if judged necessary. However, ATSIC has no powers over an organisation's management, which is typically the problem in these circumstances.⁸⁴

4.85 The OEA therefore believes the responsibility for taking action to remedy any deficiencies identified in an audit of a funded organisation rests with the agency responsible for administering the legislation under which the organisation is incorporated, such as the Australian Securities

83 See pp. 67-71 of the *Review of Auditor-General's Audit Report No. 6, 1995-96 Performance Audit, Community Development Employment Projects Scheme – Aboriginal and Torres Strait Islander Commission, December 1996.*

84 *Transcript*, pp. 55-6.

Commission or the Registrar of Aboriginal Corporations and relevant State Government agencies.

4.86 The OEA states in its submission that:

In the view of OEA the audit arrangements are satisfactory but the follow up of audits and intervention, if necessary, in the operations of funded organisations is an area which may need further consideration.⁸⁵

4.87 Probing this viewpoint further, the OEA stated that ATSIC has indeed experienced problems sometimes in getting a reaction from the responsible agency when they have brought serious management failures to their attention. Mr Miller pointed out that one factor underlying this unsatisfactory situation may be that these agencies 'are all subject to the stresses of reduced resources in recent years'.⁸⁶

4.88 The Committee notes approvingly that ATSIC has prepared an 'Information Kit for Auditors' in order that auditors be made fully aware of ATSIC's requirements for the conducts of audits and the preparation of audited financial statements that meet statutory requirements and ATSIC's conditions of grants.⁸⁷

4.89 The Committee was also interested to hear that in Western Australia, ATSIC is at the early stages of discussions of the possibility of appointing an umbrella organisation to provide the management and support which seems to be the main element of failure in CDEPs. The

85 *Submissions*, pp. S44-5.

86 *Submissions*, p. S45.

87 *ATSIC, Submissions*, p. S66.

Committee was encouraged to hear that the proposal has emanated from the Aboriginal community.⁸⁸

4.90 The Committee noted with interest the observation by Mr Aspinall, Regional Manager of ATSIC's Cairns Office, that there are a number of joint ATSIC/State Government reviews of the operations of Queensland Aboriginal Councils under way at present.⁸⁹

4.91 Also of relevance, the Queensland Public Accounts Committee and the Commonwealth Joint Committee of Public Accounts are presently reviewing the financial accountability requirements faced by Queensland Aboriginal Councils and Torres Strait Island Councils in their dealings with Commonwealth and State funding agencies. The Committees' Joint Issues Paper No 1 notes that evidence indicates that many of the Councils have failed to meet these financial accountability standards. Furthermore, in 1996, the Commonwealth's Special Auditor assessed two Aboriginal Councils unfit to receive further ATSIC funding.⁹⁰

Committee Conclusions

4.92 The Committee accepts that when problems become evident in a CDEP organisation ATSIC does what it can to try and get the organisation back on its feet. It is concerned to hear, however, that

88 *Transcript*, p. 44.

89 *Transcript*, p. 23.

90 *Review of Financial Reporting Requirements for Aboriginal Councils and Torres Strait Island Councils*, Commonwealth Joint Committee of Public Accounts and Queensland Public Accounts Committee, Issues Paper No 1, January 1997.

serious management failures may not be getting the attention from the responsible regulatory agency that they deserve.

Recommendation 12: The Committee recommends that when ATSIC raises serious management failures in communities receiving ATSIC funding with the responsible regulatory agency, it also seek advice from the relevant Attorney General.

Review of Implementation of ANAO Recommendations

Committee Comments and Conclusions

4.93 ATSIC needs, as a matter of good management practice, to put in place mechanisms to review the implementation of the ANAO's recommendations. The Committee made a similar recommendation in the wake of the ANAO's Phase One report. The ANAO has similarly advocated such a course.⁹¹ ATSIC should also continue working closely with the ANAO as implementation proceeds. The ANAO has indicated that it has in mind a follow-up review of the CDEP Scheme in a year or so.⁹²

Recommendation 13: The Committee recommends that ATSIC put in place procedures to monitor and review the implementation of the ANAO's Phase Two report recommendations.

Lou Lieberman MP

Chairman

June 1997

91 *Submissions*, p. S51.

92 *Transcript*, p. 61.