

The Auditor-General
Audit Report No.44 2003–04
Performance Audit

**National Aboriginal Health Strategy
Delivery of Housing and Infrastructure
to Aboriginal and Torres Strait Islander
Communities Follow-up Audit**

Aboriginal and Torres Strait Islander Services

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of Australia 2004

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Canberra ACT
27 April 2004

Dear Mr President
Dear Mr Speaker

The Australian National Audit Office has undertaken a performance audit in the Aboriginal and Torres Strait Islander Services in accordance with the authority contained in the *Auditor-General Act 1997*. Pursuant to Senate Standing Order 166 relating to the presentation of documents when the Senate is not sitting, I present the report of this audit and the accompanying brochure. The report is titled *National Aboriginal Health Strategy Delivery of Housing and Infrastructure to Aboriginal and Torres Strait Islander Communities Follow-up Audit*.

Following its presentation and receipt, the report will be placed on the Australian National Audit Office's Homepage—<http://www.anao.gov.au>.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Oliver Winder'.

Oliver Winder
Acting Auditor-General

The Honourable the President of the Senate
The Honourable the Speaker of the House of Representatives
Parliament House
Canberra ACT

AUDITING FOR AUSTRALIA

The Auditor-General is head of the Australian National Audit Office. The ANAO assists the Auditor-General to carry out his duties under the *Auditor-General Act 1997* to undertake performance audits and financial statement audits of Commonwealth public sector bodies and to provide independent reports and advice for the Parliament, the Government and the community. The aim is to improve Commonwealth public sector administration and accountability.

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Abbreviations/Glossary

AACAP	The ATSIIC/Army Community Assistance Program is a cooperative program between the Army, Department of Health and Ageing and ATSIIC. AACAP uses the Australian Army to provide infrastructure assistance to remote Indigenous communities and has an emphasis on environmental health outcomes.
ANAO	Australian National Audit Office
ARHP	Aboriginal Rental Housing Program
ATSIIC	Aboriginal and Torres Strait Islander Commission
ATSIIS	Aboriginal and Torres Strait Islander Services
BBF	Building a Better Future: Indigenous Housing to 2010
CDEP	Community Development Employment Projects. ATSIIS Program to promote Indigenous employment and economic development.
CHIP	Community Housing and Infrastructure Program
COAG	Council of Australian Governments
Commonwealth outcomes and outputs framework	The Commonwealth's outcomes and outputs framework was first introduced in the 1999 Budget. The framework has two basic objectives: to improve agencies' corporate governance and enhance public accountability.
Community housing	Community housing is rental housing managed by a community organisation and/or its representatives to meet that community's objectives.
Community infrastructure	Community infrastructure encompasses infrastructure such as water, sewerage, power, roads etc, where funding is provided to community organisations and/or representatives. The provision of ATSIIS funding for community infrastructure also requires coordination of essential service delivery with agreements with state and territory governments.
CPM	Contracted Program Managers (NAHS program)
CSHA	Commonwealth State Housing Agreement
DEST	Department of Education, Science and Training

DEWR	Department of Employment and Workplace Relations. Formerly the Department of Employment, Workplace Relations & Small Business (DEWRSB).
DFaCS	Department of Family and Community Services
DoHA	Department of Health and Ageing. Formerly the Department of Health and Aged Care (DHAC).
DoFA	Department of Finance and Administration
DPM&C	Department of Prime Minister and Cabinet
EnHealth Council	The EnHealth Council, a subcommittee of the Public Health Partnership Group is responsible for providing national leadership on environmental health issues. The Terms of Reference of the Council are outlined in the National Environmental Health Strategy Implementation Plan.
Environmental Health	Those aspects of human health determined by physical, chemical, biological and social factors in the environment.
HIA	Health Impact Assessment. The NAHS Health Impact Assessment methodology was developed by ATSI (then ATSI) in the early 1990s to assist ATSI and the Contracted Program Managers (CPMs) to target communities with the greatest environmental health needs. It was designed to evaluate potential NAHS projects in an objective manner.
HIPP/ HIPP Scheme	Health Infrastructure Priority Projects Scheme.
Indigenous	An Aboriginal or Torres Strait Islander
NAHS	National Aboriginal Health Strategy
NAHSWP	National Aboriginal Health Strategy Working Party
NEHS	National Environmental Health Strategy. The purpose of the Strategy is to enhance environmental health management by providing a framework that encompasses environmental health.

NRF	National Reporting Framework. Endorsed by the Housing Ministers Advisory Council in 2003. It is based on the objectives of BBF and assists the states/territories to plan and report against specific BBF outcomes.
NSF	National Strategic Framework for Aboriginal and Torres Strait Islander Health.
OATSIH	Office for Aboriginal and Torres Strait Islander Health. OATSIH was established in 1994 (in the then Department of Human Services and Health).
OEA	Office of Evaluation and Audit (established under Section 75 of the Aboriginal and Torres Strait Islander Act 1989 as amended).
STEP	Structured Training and Employment Project (an element of DEWR's Indigenous Employment Policy).

Summary and Recommendations

Summary

1. The National Aboriginal Health Strategy Program (NAHS program), managed by the Aboriginal and Torres Strait Islander Services (ATSIS), provides funding for capital housing and infrastructure projects to improve environmental health conditions, generally, to remote Indigenous communities. The NAHS program is delivered as an element of ATSIS' Community Housing and Infrastructure Program (CHIP). The objective of the CHIP is to increase the number of Aboriginal and Torres Strait Islanders with access to adequate housing, infrastructure and municipal services. Both the NAHS program and the CHIP have a focus on delivering services and facilities to address specific needs of Indigenous communities.

2. ANAO Audit Report No.39 of 1998–99, *National Aboriginal Health Strategy—Delivery of Housing and Infrastructure to Aboriginal and Torres Strait Islander Communities*, assessed the Aboriginal and Torres Strait Islander Commission's (ATSIC) management of the NAHS program in providing housing and related infrastructure to Aboriginal and Torres Strait Islander communities, and identified areas where program administration could be improved. The report made seven recommendations for improvement and ATSIC agreed to all seven recommendations. The then Department of Employment Workplace Relations and Small Business (DEWRSB) agreed to one recommendation concerning cooperative effort for Indigenous employment and training.

3. Commencing 1 July 2003, ATSIS is an independent Executive Agency within the Immigration and Multicultural and Indigenous Affairs portfolio.¹ Under the new structure ATSIS provides a range of policy, program and administrative services to ATSIC; while ATSIC (the Board of the Commissioners and Regional Councils) will set national and regional policies and priorities for programs to be delivered by ATSIS. For the purposes of this report, the NAHS program will be referred to as being an ATSIS program from the period commencing 1 July 2003.

¹ The Prime Minister of Australia issued an Administrative Arrangements Order on 28 May 2003 to create a new Executive Agency within the Indigenous Affairs portfolio. The Administrative Orders were set out in two separate documents—the Administrative Arrangements Order of 28 May 2003 and the Ministerial Directions to the CEO, dated 1 July 2003.

Key Findings

4. Table 1 summarises the progress that ATSIS has made in implementing the recommendations from the previous audit report with references to the paragraphs in this report that set out the ANAO's findings.

Table 1.1

Implementation of previous recommendations

Previous ANAO audit recommendations	Progress
<p>Recommendation 1 (Program Monitoring)</p> <p>The ANAO recommends that ATSIC:</p> <ul style="list-style-type: none"> (a) further develop the criteria for assessing, monitoring and reporting state/territory and local government support for Indigenous housing and infrastructure; and (b) summarise and analyse relevant data on the support for NAHS projects at the state/territory and national levels to assist in reviewing its performance in increasing commitments from state and territory governments to those projects. 	<p>Partially Implemented (Para. 2.4)</p>
<p>Recommendation 2 (Benchmarking Performance)</p> <p>The ANAO recommends that ATSIC benchmark NAHS program management arrangements, including project planning and project management costs, for the delivery of housing and infrastructure to Aboriginal and Torres Strait Islander communities to assist in the achievement of better performance.</p>	<p>Implemented (Para. 3.3)</p>
<p>Recommendation 3 (Performance Targets)</p> <p>The ANAO recommends that ATSIC set an appropriate performance target or targets for NAHS employment and training outcomes to assist it in its monitoring and evaluation of performance and management of the program.</p>	<p>No Longer Relevant (Para. 4.4)</p>
<p>Recommendation 4 (Program Monitoring)</p> <p>The ANAO recommends that ATSIC collect and analyse project data on the financing of employment and training, and review, at the state/territory and national levels, ATSIC's and other agencies' financing of employment and training in NAHS projects to better target areas of highest priority.</p>	<p>Implemented (Para. 2.16)</p>
<p>Recommendation 5 (Stakeholder Relationships)</p> <p>The ANAO recommends that ATSIC, in its negotiations with other Commonwealth and state/territory agencies for the Year 2000-2003 round of new NAHS projects, identify and agree with those agencies, at the national level, a sound basis for funding and cooperative effort for Indigenous employment and training.</p>	<p>Implemented (Para. 6.3)</p>

Previous ANAO audit recommendations	Progress
<p>Recommendation 6 (Stakeholder Relationships)</p> <p>The ANAO recommends that ATSIC, for projects which have identified employment and training opportunities, include in its project management arrangements the preparation of a project employment and training plan, agreed with all relevant funding agencies.</p>	<p>Implemented (Para. 6.12)</p>
<p>Recommendation 7 (Reporting Program Performance)</p> <p>The ANAO recommends that ATSIC estimate the costs of NAHS outputs, consistent with the requirements of accrual budgeting, to assist in more efficient and effective resource use.</p>	<p>Partially Implemented (Para.5.3)</p>

5. The previous audit report found that 'ATSIC's analysis and reporting of performance information for NAHS was not adequate and that ATSIC should further develop the criteria for assessing, monitoring and reporting its performance'.² In addition to assessing ATSI's progress in implementing the recommendations of the previous audit, this follow-up audit examined ATSI's performance reporting of the NAHS program.

Conclusion

6. The ANAO concluded that ATSI has fully implemented four of the seven recommendations of the previous audit.

7. Recommendation 1 of the previous audit is partially implemented. The ANAO considers that ATSI has developed effective internal processes for monitoring funding support of agencies to community housing and infrastructure projects funded by the NAHS program. However, ATSI does not report to stakeholders against the stated program objective to increase commitment and support for infrastructure projects.

8. Recommendation 7 of the previous audit is partially implemented. The previous audit report considered that ATSI should report using more detailed output and cost information to make certain that NAHS reporting complies with the Government's accrual budgeting expectations. This follow-up audit found that, while ATSI estimates the cost of housing and infrastructure outputs and uses these estimates for program planning and management of the NAHS program, the information is not included in reports on the performance of the NAHS program to external stakeholders.

² ANAO Audit Report No.39, 1998–99, *National Aboriginal Health Strategy—Delivery of Housing Infrastructure to Aboriginal and Torres Strait Islander Communities*, Canberra, p.16.

9. The ANAO found that Recommendation 3 of the previous audit is no longer relevant. In assessing the status of Recommendation 3, the ANAO took into account the following considerations raised by ATSIIS. At the time of the previous audit, the NAHS program reported program objectives, specified resources and five performance indicators, including a performance indicator for employment and training. From the commencement of NAHS Round 2 in 2000, employment and training objectives were retained at the project level but employment and training performance indicators were removed at the program level. This reflects ATSIIS' view that external performance information under the new Commonwealth outcomes and outputs framework should focus on elements that directly contribute to the performance of the output and respective output group.

10. More broadly, the ANAO considers that the current level of aggregation of NAHS program reporting makes it difficult to identify the particular contribution that the NAHS program makes in improving services to Indigenous communities.

11. The NAHS program is a sub-program of ATSIIS' Community Housing and Infrastructure Program (CHIP), which, in turn, is part of Output Group 3—Improvement to Social and Physical Wellbeing. Elements of CHIP contribute across several outputs and the performance measures used by ATSIIS are not specific to measuring NAHS program outcomes; rather, they report on the aggregated performance of activities/sub-programs under the CHIP. The current level of aggregation of ATSIIS' performance reporting of the contribution of CHIP elements does not easily allow external stakeholders to identify the contribution of sub-programs such as the NAHS program to the performance of outputs.

12. In 2002–03, NAHS program capital projects represented 45.1 percent, or approximately \$91.3 million, of the total grants and other funding support provided by ATSIIS for infrastructure and housing. In consideration of the significant contribution of the NAHS program to the CHIP, the ANAO suggests that ATSIIS, at the next available opportunity, consider ways to improve the external performance reporting of the NAHS program. This would allow stakeholders to better understand the contribution of the NAHS program to the performance of outputs and would supplement the higher-level aggregated information currently provided in the annual performance reporting.

13. The ANAO made no further recommendations in this follow-up audit.

ATSIS' response

14. ATSIS' response to this follow-up audit can be found in full at Appendix 3. A summary of ATSIS' response is below:

The audit findings in respect to progress in implementing the recommendations of the 1999 NAHS Audit are considered fair and reasonable and therefore accepted by ATSIS.

Furthermore, the audit findings and observations will be useful in improving aspects of the next round of NAHS projects which are scheduled to commence in 2004–05 financial year.

Audit Findings and Conclusions

1. Background

This chapter provides a description of the NAHS program, recent developments in the frameworks relating to the delivery of housing and infrastructure to Indigenous people, findings of the previous audit, and the objectives and methodology for this follow-up audit. Figure 1.5 illustrates the structure of this report.

The National Aboriginal Health Strategy and the delivery of housing and infrastructure

1.1 The National Aboriginal Health Strategy (NAHS) was launched by the Commonwealth Government in 1990.³ The Strategy was intended to supplement state and territory government funding by providing essential services and community infrastructure and priority housing to improve primary healthcare services and environmental health conditions in Indigenous communities. Figure 1.1 below illustrates NAHS project approvals and expenditure since 1995.

1.2 An evaluation of the NAHS in 1994 criticised the limited coordination of NAHS funding and the extent to which ATSIC's funds made any significant impact on Indigenous environmental health needs.⁴

1.3 As a result of the evaluation, the primary healthcare component of NAHS was passed to the Office for Aboriginal and Torres Strait Islander Health (OATSIH)⁵ to deliver. ATSIS retained delivery of the housing and infrastructure component for delivery of environmental health benefits but made several changes to the delivery of the program.

1.4 The ATSIC Board established the Health Infrastructure Priority Projects (HIPP) Scheme in 1994–95. The HIPP Scheme was established as a national pilot under the Community Housing and Infrastructure Program (CHIP), in order to provide for better program and project delivery of large-scale housing and infrastructure projects to achieve the NAHS objectives.

³ The National Aboriginal Health Strategy Working Party's (NAHSWP) final report, *A National Aboriginal Health Strategy* was presented to the Joint Ministerial Forum in 1989. Funding for NAHS commenced in December 1990. A more detailed narrative of significant events is available online at: <www.healthinfolnet.ecu.edu.au/html>.

⁴ National Aboriginal Health Strategy Evaluation Committee. *National Aboriginal Health Strategy: an evaluation*. Canberra, 1994. p. 3. Available online at: <www.health.gov.au/oatsih>.

⁵ Currently part of the Department of Health & Ageing portfolio.

1.5 The HIPP Scheme encompassed several key features upon which the NAHS program delivery arrangements are based. These included: identifying environmental health impacts in the project identification stage; triennial funding of projects; outsourced program and project management to provide project monitoring and assessment of project design and construction; and inclusion of employment and training as an element of program funding.

Figure 1.1

NAHS project approvals between 1995–96 and 2003–04

NAHS Round	Number of projects	Amount (\$Million)	Infrastructure (\$Million)	Housing (\$Million)	Project Mgmt (\$Million)
HIPP Round 1 (1995–96 to 1998–99)	29	69.8	35.2	27.7	6.9
HIPP Round 2 and NAHS Round 1 (1996–97 to 1999–00)	120	291.7	102.4	162.2	27.1
NAHS Round 2 (2000–01 to 2003–04)	132	327.5	78.9	212.6	36.0
Total	281	689.0	216.5	402.5	70.0

Source: AT SIS supplied data.

Key features of the AT SIS NAHS program

1.6 The NAHS program is delivered as an element of AT SIS’ CHIP. According to AT SIC’s *Community Housing and Infrastructure Policy for 2002–2005*, the CHIP provides funding for Indigenous Community Housing, Community Infrastructure, Municipal Services, National Aboriginal Health Strategy projects and program support activities.⁶

1.7 AT SIC comments, in its 2002–03 Annual Report, that the NAHS program is the single largest element of the CHIP funding. In 2002–03, NAHS capital projects represented 45.1 percent of the total grants and other funding support provided by AT SIS for infrastructure and housing.⁷

1.8 In addition, the total value of NAHS projects approved in the period since 1995 is \$689 million, which has funded 281 projects during two rounds of NAHS over the same period. A total of \$402.5 million has been provided for

⁶ AT SIC, *Community Housing and Infrastructure Program Policy for 2002– 2005*, Canberra, p.15.

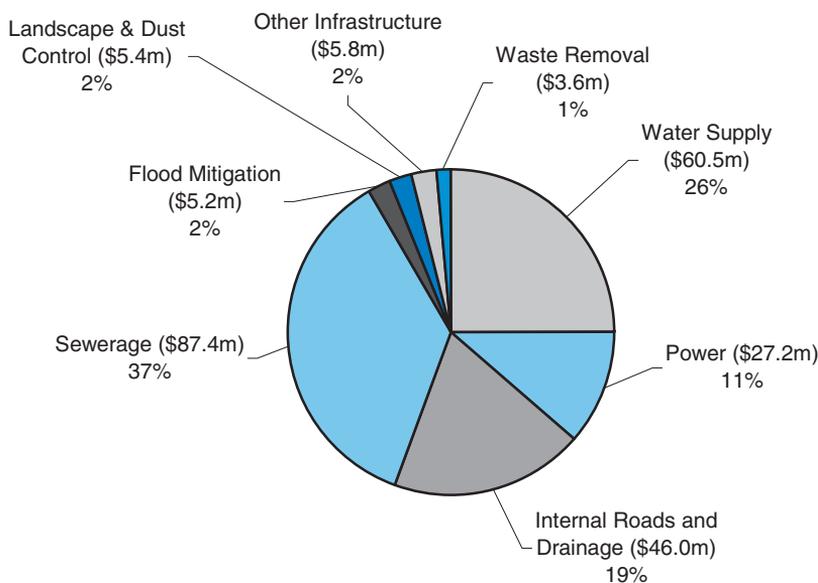
⁷ AT SIC, *AT SIC 2002–03 Annual Report*, Canberra, p.154.

housing and \$216.5 million for infrastructure. A total of 1437 houses have been constructed; 2063 houses have been renovated; and 207 sites have had essential services connected. The current average NAHS project value exceeds \$2 million.⁸

1.9 Figure 1.2 below illustrates the value of NAHS projects approved by type of infrastructure provided since 1995–1996. The figures include apportionment of NAHS project management costs by infrastructure type.

Figure 1.2

Value of NAHS projects approved by type of infrastructure (1995–96 to 2003–04)



Note: Data includes apportionment of NAHS Project Management Costs

Source: ATSIC Annual Report 2002–03.

⁸ *ibid*, p.162.

Program Features

1.10 Key features of the NAHS program⁹ administered by ATSIIS are summarised below.

- Funding for NAHS projects is determined after consideration of community need, management capacity of the grantee to maintain funded assets, environmental health impact assessment and availability of alternative funding sources. ATSIIS uses a Health Impact Assessment Methodology¹⁰ to assess need against these items.
- Funding under NAHS is provided predominantly for capital items, including priority housing, major repairs and renovations, water supply, sewerage, power, internal roads and dust control and for service delivery costs such as program and project management costs.
- Projects funded under NAHS are currently managed by two private-sector engineering and construction firms, Contracted Program Managers (CPMs), which are engaged on a state-by-state basis. A community based Indigenous organisation is usually the grantee for each NAHS project. The roles of CPMs, grantees and project managers are summarised in Appendix 1.
- The housing and infrastructure must comply with state and local council guidelines and requirements, and with guidelines established by ATSIIS.¹¹
- Projects generally run over several financial years.
- A strong emphasis is placed on local employment, training and skills development within Indigenous communities, with ATSIIS issuing guidance to CPMs in developing and implementing training and employment.

⁹ ATSIIC, *Community Housing and Infrastructure Program Policy for 2002–05*, Canberra, p.43.

¹⁰ The Health Impact Assessment Methodology was developed by ATSIIC in the early 1990s to assist ATSIIC and the Contracted Program Managers (CPMs) to target communities with the greatest environmental health needs.

¹¹ As a result of work under the *2000 Council of Australian Governments' (COAG) Framework*, and the implementation of the *National Framework for the Design, Construction and Maintenance of Indigenous Housing*, housing and related infrastructure must be 'sustainable', in other words appropriate for the location and the environment in which it is used.

Commonwealth expenditure on Indigenous housing and infrastructure

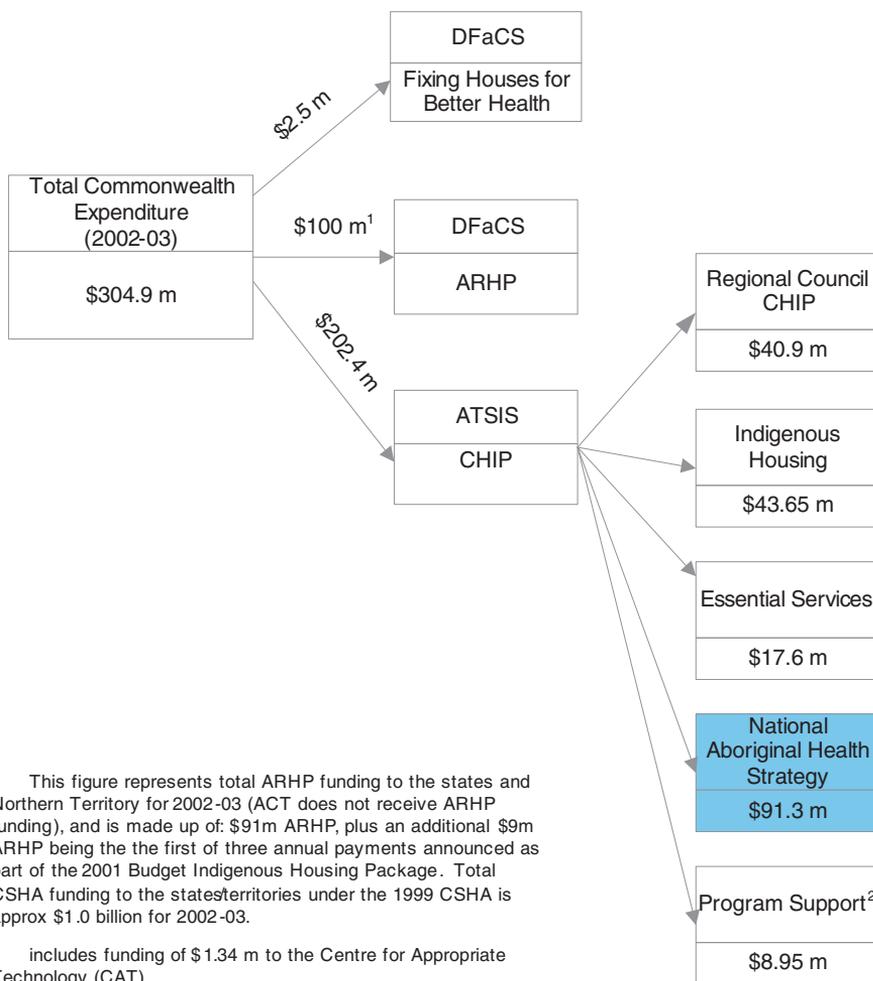
1.11 CHIP and the NAHS program form only one component of the Commonwealth's total contribution to housing and infrastructure for Indigenous people. The current arrangements at the Commonwealth level for the delivery of Commonwealth housing and infrastructure programs are depicted in Figure 1.3 below.

1.12 At the Commonwealth level, ATSI and the Department of Family and Community Services (DFaCS) are the main sources of Commonwealth funding for Indigenous housing. DfaCS administers the Commonwealth State Housing Agreement (CSHA). The CSHA provides assistance through the Aboriginal Rental Housing Program (ARHP).¹² The framework for the planning, coordination and delivery of Indigenous housing programs, including the ARHP, is found in Indigenous Housing Agreements negotiated between the Australian Government, state/territory governments and ATSIC.

¹² ARHP funding is directed towards construction and purchase of housing, maintenance and upgrading of housing stock, and funding of strategies to enhance the housing management capacity of Indigenous communities, for example, training in asset and tenancy management.

Figure 1.3

Commonwealth expenditure for Indigenous specific housing and infrastructure programs (2002–03)



¹ This figure represents total ARHP funding to the states and Northern Territory for 2002-03 (ACT does not receive ARHP funding), and is made up of: \$91m ARHP, plus an additional \$9m ARHP being the the first of three annual payments announced as part of the 2001 Budget Indigenous Housing Package. Total CSHA funding to the states/territories under the 1999 CSHA is approx \$1.0 billion for 2002-03.

² includes funding of \$1.34 m to the Centre for Appropriate Technology (CAT)

Source: ANAO analysis; based on ATSiS and DFACS data.

The previous audit

1.13 A performance audit of ATSIC's NAHS program was undertaken by the ANAO in 1998–99.¹³ The objective of that audit was to form an opinion on ATSIC's management of the NAHS program in providing housing and related infrastructure to Aboriginal and Torres Strait Islander communities, and to identify any areas where program administration could be improved.

1.14 The audit focussed on ATSIC's administration of the program, including the use of contracted private sector program and project managers that:

- identify and rank housing and infrastructure needs; and
- design and implement projects to address environmental health problems.

In particular, the audit addressed ATSIC's use of the purchase-provider model in NAHS environmental health construction projects and the three-way relationship involving the public, private and community sectors.

1.15 Overall, the audit found that:

- ATSIC's then new methodology for identifying housing and infrastructure needs allowed for better targeting of the program to address major environmental health needs in priority communities;
- limited management information restricted ATSIC's ability to review and report its achievements in obtaining support from state/territory agencies for NAHS projects, including trends in the financing of employment and training in NAHS projects;
- ATSIC had not benchmarked its program arrangements to provide suitable quantitative data to assess the cost-effectiveness of its use of the private sector to deliver individual projects; and
- ATSIC should develop its performance indicators for assessing, monitoring and reporting on NAHS performance to improve stakeholders' ability to understand ATSIC's role in the delivery of housing and infrastructure for environmental health purposes.

¹³ ANAO Audit Report No.39, 1998–99, *National Aboriginal Health Strategy—Delivery of Housing Infrastructure to Aboriginal and Torres Strait Islander Communities*, Canberra.

1.16 As mentioned previously, the report made seven recommendations for improvement. ATSIC agreed to all seven recommendations. The then Department of Employment Workplace Relations and Small Business (DEWRSB) agreed to one recommendation concerning cooperative effort for Indigenous employment and training.

Recent developments since the previous audit

1.17 In the period since the original audit, funding for projects under NAHS Round 2 commenced in 2000–01 and will conclude mid-2004. NAHS Round 3 will commence with tenders for the program management function in mid-2004.

Progression of key frameworks

1.18 Figure 1.4 illustrates the progression of key policies and frameworks in the area of environmental health and Indigenous housing and infrastructure since the original ANAO audit.

1.19 Since the commencement of NAHS funding in 1990, there has been activity to develop frameworks relating to Indigenous environmental health. More recently, this activity has focussed on achieving improvements in service delivery management practices to enhance health outcomes.

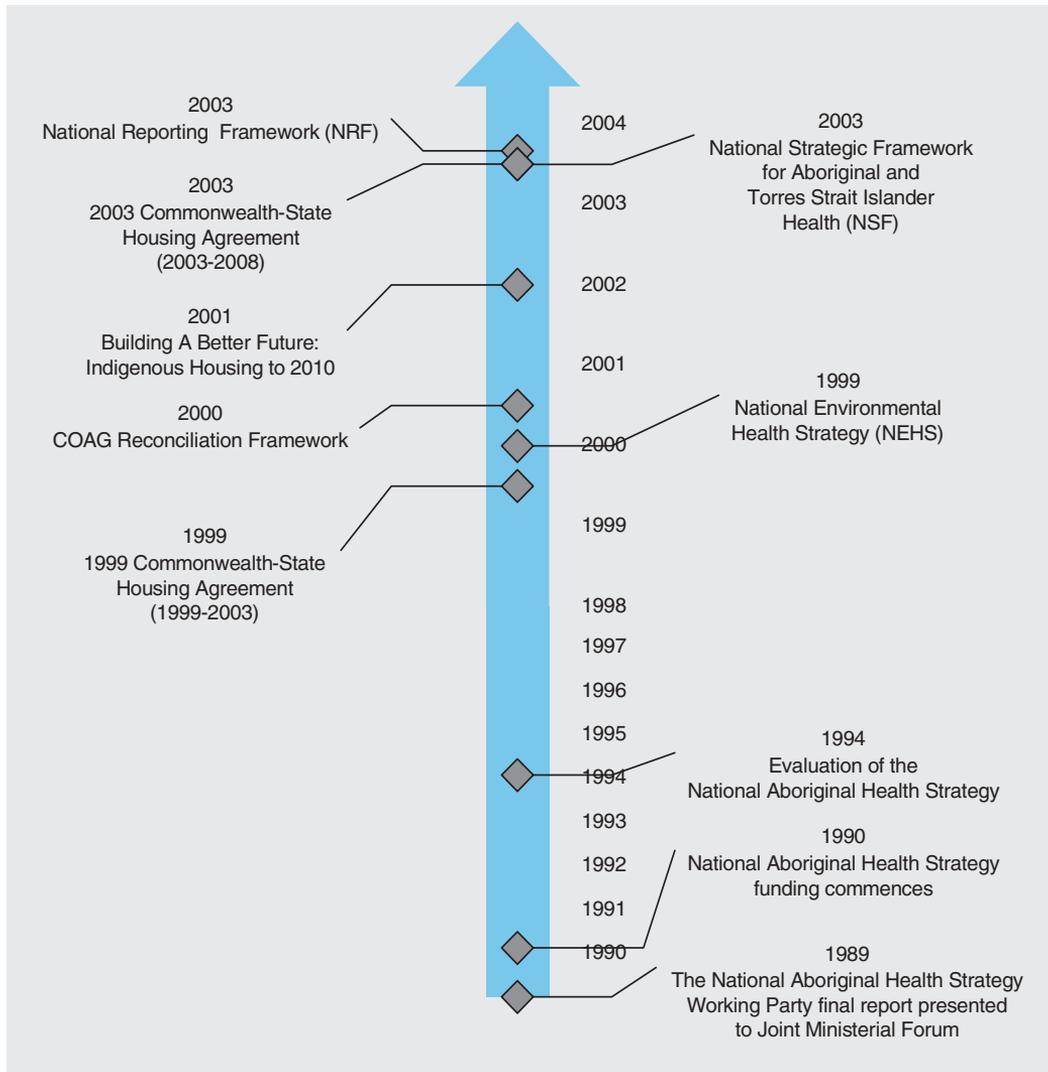
1.20 The 1999 National Environmental Health Strategy (NEHS)¹⁴, while not specific to Indigenous environmental health, observed that the key determinants of Aboriginal and Torres Strait Islander ill health were overcrowded housing, unreliable access to water supplies and sewerage systems, and lack of accessibility to affordable and healthy food.

1.21 The 2003 National Strategic Framework for Aboriginal and Torres Strait Islander Health (NSF)¹⁵ builds on the National Aboriginal Health Strategy (1989). It identifies objectives and action areas for Indigenous environmental health and draws together Commonwealth policy and planning frameworks and state/territory policies and plans within which Aboriginal and Torres Strait Islander health programs are managed.

¹⁴ Department of Health and Aged Care, *The National Environmental Health Strategy*, Canberra, 1999. Also see: Enhealth Council, *The National Environmental Health Strategy: Implementation Plan*, 2000. Available online at: <<http://www.health.gov.au/pubhlth/publicat/enviro.htm>>.

¹⁵ National Aboriginal and Torres Strait Islander Health Council, *National Strategic Framework for Aboriginal and Torres Strait Islander Health: framework for action by governments*, Canberra, 2003. Available online at <<http://www.health.gov.au/oatsih>>.

Figure 1.4
Development of key frameworks



Source: ANAO analysis of agency data.

1.22 Key developments since the last audit to improve the service delivery of Indigenous housing and infrastructure resulted in a new Indigenous housing policy framework. In 2001, the Minister for Family and Community Services, the Minister for Reconciliation and Aboriginal and Torres Strait Islander Affairs and all state/territory housing ministers agreed on a new

housing strategy entitled Building A Better Future: Indigenous Housing to 2010 (BBF).¹⁶ The aim of BBF is to provide safe, healthy and sustainable housing for Indigenous communities.

1.23 Indigenous Housing Agreements are a key component of the BBF Strategy and include elements such as the establishment of an Indigenous housing authority in each state/territory, identification of roles and responsibilities of all parties to the agreement; and pooling or notional pooling¹⁷ of housing funds.

1.24 Agreement on a National Reporting Framework (NRF) was reached in 2003, which is based on the objectives of BBF and assists the states/territories to plan and report against specific BBF outcomes.

1.25 The current Commonwealth State Housing Agreement (CSHA 2003–2008) uses Bilateral Agreements with the States/Territories to specify priorities and outcomes to be achieved in each jurisdiction over the life of the CSHA.

1.26 At a broader level, the 2000 COAG Reconciliation Framework priorities include improving the availability and quality of Indigenous data and reforming delivery of programs to Indigenous communities.

The follow-up audit

Audit Objective

1.27 The objective of this follow-up audit was to assess the extent to which ATSIIS has implemented the recommendations of Audit Report No.39 1998–99, taking into account any changed circumstances and new administrative issues identified as impacting on the implementation of these recommendations.

Audit Methodology

1.28 ATSIIS provided the ANAO with a written statement commenting on progress against the seven recommendations of the previous audit report. The ANAO then assessed ATSIIS' progress in implementing the recommendations

¹⁶ HMAAC Standing Committee on Indigenous Housing, *Australian Housing Ministers' Ten-Year Statement of New Directions for Indigenous Housing. Building A Better Future: Indigenous Housing to 2010*, NSW Aboriginal Housing Office for HMAAC, 2001.

¹⁷ *Pooling of funds* means that all identified housing funds are administered as one program through the Indigenous Housing Authority. *Notional pooling of funds* means that housing funds are identified for planning purposes, but are administered by the relevant funding agency.

by analysing its statement, conducting interviews with relevant ATSI staff in late 2003 and checking relevant documentation.

1.29 The previous audit sought comment from DEWR, now known as the Department of Employment and Workplace Relations (DEWR) in relation to Recommendation 5. As part of this follow-up audit, the ANAO held discussions with DEWR regarding issues relating to Indigenous employment in housing and infrastructure works under the NAHS program. The ANAO also requested written comment from DEWR regarding employment and training matters relating to the NAHS program.

1.30 The ANAO held discussions with staff of one of the private engineering firms, which provides contracted program management functions on behalf of ATSI for the NAHS program.

1.31 The ANAO also held discussions in Canberra with staff of the Office of Evaluation and Audit (OEA).

1.32 The audit was conducted in conformance with ANAO Auditing Standards and cost \$169 000. The ANAO engaged the services of a consulting firm, Pat Farrelly & Associates Pty Ltd, to assist with the audit. Its contribution covered all aspects of the audit.

Follow up processes relating to ANAO audits

1.33 In addition to assessing ATSI's progress in implementing the seven recommendations of the previous audit report, the ANAO examined what processes ATSI has in place to monitor the implementation of the recommendations made in all ANAO audits.

1.34 The ANAO found that, over the past four years, there has not been formal processes whereby the ATSI Audit Committee would regularly review progress in implementing recommendations of ANAO audits.

1.35 With the establishment of ATSI in July 2003, an ATSI Audit Committee has subsequently also been established. Under the Terms of Reference of that Committee, one of the duties and responsibilities of the committee is to:

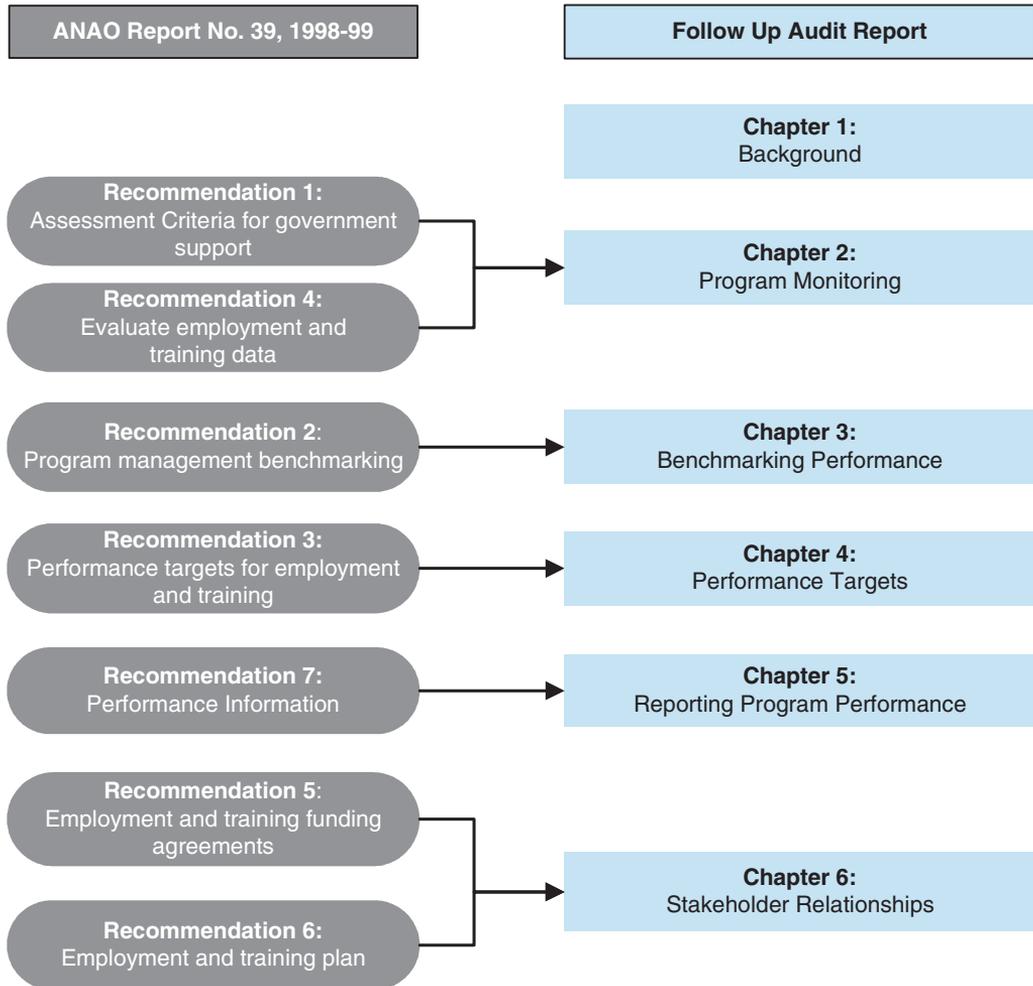
- review management's responses to audit and evaluation findings and monitor implementation of audit and evaluation recommendations.

1.36 At the second ATSI Audit Committee meeting in December 2003, the Audit Committee agreed on a process for monitoring follow-up matters

relating to all ANAO audit reports in accordance with the requirements of Finance Circular No: 1999/02.¹⁸ This process allows the Audit Committee to report on progress made by management in responding to audit recommendations and required follow-up actions and activities.

Report Structure

Figure 1.5



¹⁸ *Finance Circular 1999/02: Follow up of Auditor General Matters* provides an outline of suggested arrangements for Commonwealth entities follow-up of issues and recommendations raised in reports by the Auditor-General.

2. Program Monitoring

This chapter outlines ATSI's implementation of Recommendations 1 and 4 of the previous ANAO audit.

Introduction

2.1 Monitoring refers to processes that provide management with ongoing insight into activities and performance of a program. Good program monitoring systems provide timely and accurate information for management and provide assurance that the program requirements are being met, outcomes achieved, and corrective action is being taken where necessary.

Assessment criteria for government support (Previous Recommendation 1)

Findings of the 1998–99 Audit

2.2 The previous audit considered that the future expansion of bilateral agreements and associated changes in financial arrangements between the Commonwealth and state/territory governments would require ATSI to set criteria for assessing, monitoring and reporting support for Indigenous housing and infrastructure by other levels of government.

2.3 In addition, the previous audit found limited evidence of ATSI's analysis and review of aggregated support across projects at the state/territory and national levels. Such a process would provide management information to enable assessment of program performance against the NAHS program objective of increasing commitment from other governments for NAHS projects.

Recommendation 1 of Audit Report No.39 1998–99

The ANAO recommends that ATSI:

- (a) further develop the criteria for assessing, monitoring and reporting state/territory and local government support for Indigenous housing and infrastructure; and
- (b) summarise and analyse relevant data on the support for NAHS projects at the state/territory and national levels to assist in reviewing its performance in increasing commitments from state and territory governments to those projects.

ATSI agreed with Recommendation 1.

Findings of this Follow-up Audit

2.4 The ANAO found that ATSIIS has partially implemented Recommendation 1 of the previous audit report. Specific findings of this follow-up audit are outlined below.

2.5 In assessing ATSIIS' progress with the implementation of part (a) of this recommendation, the ANAO took into account recent directions in broader policy and program frameworks that relate to the delivery of Indigenous housing and infrastructure and considered the possible influence that these frameworks may have on NAHS program management requirements.

Development of reporting frameworks for monitoring and reporting government support for Indigenous housing and infrastructure

2.6 ATSIIS indicated that the NAHS program objective to increase government support for NAHS projects is an element of ATSIIS' positioning of the CHIP within the range of Commonwealth, state/territory and local government frameworks and services that contribute to Indigenous housing and infrastructure.

2.7 As mentioned in the previous Chapter (Refer Figure 1.4), recent developments in the Indigenous housing policy framework aim to improve the quality of housing related information. 'Building a Better Future' (2001) articulates strategic directions to identify and address unmet housing needs of Indigenous people; improve the role of Indigenous community housing organisations; achieve 'safe, healthy and sustainable housing'; and coordinate program administration. Other important developments include the National Framework for the Design, Construction and Maintenance of Indigenous Housing, which complements regulatory building mechanisms in matters such as health, quality control and sustainability of housing.

2.8 Indigenous Housing Agreements complement the arrangements outlined in the 2003 CSHA Bilateral Agreements and set out outcomes, targets and strategies for the housing needs of Indigenous people. The CSHA also requires that Annual Performance Reports are submitted to the Department of Family and Community Services (DFaCS) to acquit funds. The National Reporting Framework (NRF), agreed in 2003 is based on the objectives of BBF and assists the states and territories to plan and report against specific BBF outcomes.

2.9 In addition, priorities under the 2000 COAG Reconciliation Framework include improving the availability and quality of Indigenous data.

2.10 The ANAO notes that in the period since the previous audit, the development of requirements within such frameworks in the area of Indigenous housing aim to establish reporting processes across

Commonwealth, state/territory and local government and to define more clearly roles and responsibilities in the delivery of Indigenous programs. This direction will influence program coordination and management requirements of elements of the CHIP. In this environment it will be important that information needs for NAHS Round 3 take into account the reporting requirements of the broader frameworks relating to the delivery of Indigenous housing and infrastructure.

Analysis of support for NAHS projects

2.11 ATSIIS indicated that there are typically three categories which describe the support provided by state/territory/local governments for NAHS projects:

- as a capital contribution to expand a NAHS project;
- in formalising or enhancing governments' recurrent support for the operation, management or financing of Indigenous community owned/managed housing and/or infrastructure; and
- in-kind support, such as assistance with incorporation of projects in planning, or other regulatory requirements such as building codes or public health systems.

2.12 The ANAO found that ATSIIS uses internal reporting processes to monitor input from other agencies and jurisdictions at a state and project level. Such information is provided to ATSIIS at NAHS State Program Management Coordination meetings and is included in periodic reports, such as the 'Annual Overview Report', prepared by CPMs for each state. Both provide detail of agency co-ordination and support with regards to the abovementioned categories. These meetings and reports are used by ATSIIS to monitor agency participation in the NAHS program. In addition, it allows ATSIIS to distinguish different types of government support within and between jurisdictions and to monitor consistency of state/territory/local government policies in supporting Indigenous community infrastructure.

2.13 The current processes used by ATSIIS allow adequate co-ordination and support at a program level. However, consideration could be given to providing external stakeholders with an analysis and/or assessment of the coordination and support of state/territory government and other agency contributions to NAHS projects over time. The ANAO considers that the inclusion of such information would provide external stakeholders with information to assess whether ATSIIS was achieving its aim of increasing commitments from other agencies and state/territory governments. This issue is also discussed in Chapter 5, which further examines ATSIIS' performance reporting.

Conclusion

2.14 AT SIS has developed effective internal processes for monitoring funding support of agencies to projects funded by the NAHS program. However, AT SIS does not report to stakeholders against the stated program objective to increase commitment and support for infrastructure projects. Further development of criteria for monitoring and reporting government support is currently being undertaken as part of the 2000 COAG Reconciliation Framework.

Evaluate employment and training data (Previous Recommendation 4)

Findings of the 1998–99 Audit

2.15 The previous audit found that collecting data which identifies the extent of available funding for employment and training at the project level would assist AT SIC to target areas of highest priority for employment and training support. In addition, such data would also assist AT SIC to review employment and training support across NAHS projects.

Recommendation 4 of Audit Report No.39 1998–99

The ANAO recommends that AT SIC collect and analyse project data on the financing of employment and training, and review, at the state/territory and national levels, AT SIC and other agencies' financing of employment and training in NAHS projects to better target areas of highest priority.

AT SIC agreed with Recommendation 4.

Findings of this Follow-up Audit

2.16 The ANAO found that AT SIS has implemented Recommendation 4 of the previous audit report. Specific findings of this follow-up audit are outlined below.

2.17 The ANAO observed that NAHS Round 2 contracted program management arrangements incorporate two-monthly project status reports and final project completion reports. Both of these reports include information relating to employment and training opportunities, even though external bodies provide the funding for many of these outcomes.

2.18 CPMs are required to produce an employment and training project plan. In one training plan that was examined during the audit the ANAO observed that it was proposed that some eight different programs were to provide funding towards the employment and training component of that

particular NAHS project. The agencies involved were from all three levels of government. Accordingly, while the NAHS program may in many cases be the stimulus for a project (including the development of training and employment elements), there is a range of other programs making a contribution towards the training and employment aspects.

2.19 The current internal reporting of employment and training elements observed under the NAHS program focuses on the number of days of training and the number of days of employment achieved, irrespective of the funding agency. The reports also provide information on the level of training achieved and the type of work that was undertaken by employees. In discussions with a CPM, it was noted that obtaining funding for employment and training activities involved drawing on whatever program funds were available, and suitable for the individual project and the community's employment and training goals. The CPM provided examples of several projects in one state where funding available from state agencies was found to provide the best support for that NAHS project. In addition, interagency meetings are held on a regular basis in each state involving DEWR, relevant State agencies, ATSI and the CPM. These meetings are used as an opportunity to update those agencies on any changes to the NAHS program, and the priority attaching to specific projects.

2.20 ATSI advised that it would analyse a range of performance issues, including those related to employment and training under the current second round of NAHS to inform its approach to the next round of NAHS, commencing in 2004. ATSI will undertake an analysis prior to the commencement of the new round, which will be reflected in the program management arrangements for the next round.

2.21 The ANAO considers that it may be useful to have the initial analysis at the state level undertaken by CPMs, and for ATSI to draw out the national implications for the development of Round 3 to assist with reviewing the support for NAHS projects.

Conclusion

2.22 ATSI uses internal program management arrangements to evaluate information relating to employment and training data at the individual project level. ATSI indicated that it is planning to undertake further review of employment and training data as a basis for informing future NAHS program management arrangements.

3. Benchmarking Performance

This chapter assesses AT SIS' performance in implementing Recommendation 2 of the previous audit.

Introduction

3.1 The Government's application of accrual budgeting and reporting within the Commonwealth outcomes and outputs framework increases the focus on output costs and how resources are utilised and applied to program delivery. Benchmarking the delivery of outputs allows agencies to compare aspects of existing performance and identify gaps in performance and provide appropriate information and analysis for management to engage in continuous review and evaluation of business processes.

Program management benchmarking (Previous Recommendation 2)

Findings of the 1998–99 Audit

3.2 The previous audit found that AT SIS did not have suitable quantitative data against which it could assess the cost-effectiveness of its use of the private sector to deliver individual projects.

Recommendation 2 of Audit Report No.39 1998–99

The ANAO recommends that AT SIC benchmark NAHS program management arrangements, including project planning and project management costs, for the delivery of housing and infrastructure to Aboriginal and Torres Strait Islander communities to assist in the achievement of better performance.

AT SIC agreed with Recommendation 2.

Findings of this Follow-up Audit

3.3 The ANAO found that AT SIS has implemented Recommendation 2 of the previous audit report. Specific findings of this follow-up audit are outlined below.

3.4 AT SIS commissioned a third party in 2003 to conduct a review of the NAHS program management arrangements to evaluate management costs, identify potential efficiencies, and assemble data that may be used for future program development. The ANAO examined the report titled *Management Cost Analysis for the Mid-term Review of the National Aboriginal Health Strategy* and found that it includes several suggestions for performance management

improvement and analysis of gaps in performance between ATSIIS and 'better' performers.

3.5 ATSIIS indicated that, as the benchmarking report was issued in July 2003, lessons learnt and recommendations of that report would be considered by ATSIIS prior to the release of tender documentation for NAHS Round 3. In conjunction with the mid-term review, a review was undertaken of the costs and benefits of the *Health Impact Assessment* (HIA) that is used as part of the assessment for prioritising projects. ATSIIS was also reviewing recommendations made on possible improvements to the NAHS assessment and evaluation methodology. The agency indicated that appropriate guidance, concerning program changes, would be evaluated and communicated to prospective CPMs during the tendering process for the next round of NAHS.

Conclusion

3.6 ATSIIS has completed a benchmarking report that analysed NAHS management costs for the delivery of the NAHS program and compared the contracted program management fee structure against a variety of other management programs. ATSIIS advised the ANAO that it intends to complete an analysis in 2004 as part of the planning for the NAHS Round 3 tender process.

4. Performance Targets

This chapter assesses ATSI's performance in implementing Recommendation 3 of the previous audit.

Introduction

4.1 An important component of the Commonwealth outcomes and outputs framework involves setting targets against which current performance can be compared qualitatively or quantitatively.¹⁹ From an accountability perspective, targets help Parliamentarians and other stakeholders to assess whether an agency is delivering what it set out to achieve.

Establish NAHS program performance targets to assist in evaluating performance (Previous Recommendation 3)

Findings of the 1998–99 Audit

4.2 At the time of the previous audit, the NAHS program was a program within ATSI with objectives, specified resources and five performance indicators, including a performance indicator for employment and training. ATSI stated in its 1998–99 Annual Report that this objective measured the 'extent of employment and training provided for Indigenous people in construction and maintenance of housing and infrastructure'.²⁰

4.3 The previous audit found that, while ATSI reported on performance outcomes for employment and training as a performance indicator for 1997–98, ATSI had not established employment and training targets against which a comparison of achievements could be made.

Recommendation 3 of Audit Report No.39 1998–99

The ANAO recommends that ATSI set an appropriate performance target or targets for NAHS employment and training outcomes to assist it in its monitoring and evaluation of performance and management of the program.

ATSI agreed with Recommendation 3.

¹⁹ Department of Finance and Administration, *Performance Management Principles*. Available online at: <www.dofa.gov.au>.

²⁰ ATSI, *ATSI Annual Report 1998–99*, Canberra, p.118.

Findings of this Follow-up Audit

4.4 The ANAO found that Recommendation 3 of the previous audit is no longer relevant in view of the way AT SIS has chosen to report on the NAHS program within the Commonwealth outcomes and outputs framework. Specific findings of this follow-up audit are provided below.

4.5 The ANAO found that, under the design of AT SIS' NAHS program since 1999–2000, employment and training objectives are agreed at the project level during NAHS project planning. AT SIS indicated that from a program perspective, it is difficult to set specific and realistic training and employment targets as the decision on the extent of inclusion of training and employment is a matter for communities and not for AT SIS, or the CPMs. The balance between rapid construction of housing and infrastructure and the longer time necessary to train community members in construction and maintenance skills was also noted in the previous audit.

4.6 The ANAO observed that, during the first round of NAHS which operated until 1999–2000, AT SIS' generic performance indicators for housing and infrastructure included quantified reporting on employment and training on a gender/full-time or part-time basis. However, AT SIS did not include employment and training indicators as part of the external performance reporting arrangements for NAHS Round 2, which commenced in 2000–01.

4.7 AT SIS indicated that it received guidance in early 2000, relating to the then new Commonwealth outcomes and outputs framework, which included that external performance reporting should focus on elements that directly contributed to the performance of the output and respective output group. Consequently, AT SIS removed employment and training indicators from NAHS projects and CHIP projects generally in its reporting under the outcomes and outputs framework.

4.8 The ANAO noted that, while targets for employment and training are not set at the program level, progress in meeting the community agreed employment and training elements is reported to the community, along with other components of the project. The program and project management contracts for NAHS Round 2 require employment and training considerations to be included as part of the planning process. In addition, individual communities receive feedback throughout the course of a project on how the planned elements of the project, including training and employment, are progressing. Reports that are completed by CPMs include information that relates to days of employment and days of training that are provided as part of the project.

Conclusion

4.9 In assessing AT SIS' performance in implementing Recommendation 3, the ANAO took into account that AT SIS removed employment and training as a performance indicator for the CHIP when it implemented the Commonwealth outcomes and outputs framework. While targets for employment and training are not set at the program level, AT SIS has access to CPM reports that provide information on the progress of achieving agreed employment and training elements at the community and project level.

4.10 The ANAO considers that, while employment and training remains an activity of the NAHS program, the current way of presenting external performance reporting makes it difficult to identify the particular contribution employment and training elements make to the NAHS program.

5. Reporting Program Performance

This chapter assesses ATSI's progress in implementing Recommendation 7 of the previous audit. The extent to which ATSI reports on the NAHS program under the current Commonwealth outcomes and outputs framework is also examined.

Introduction

5.1 The reporting of organisational performance is relevant to both internal managers and external stakeholders. Performance information must be structured in ways which show how an agency's outputs and administered items contribute to the achievement of the outcomes sought by government. The purpose is to assist stakeholders and management to draw well-informed conclusions about performance in published and internal documentation, and contribute to sound decision-making.²¹

Reporting on the costs of NAHS outputs (Previous Recommendation 7)

Findings of the 1998–99 Audit

5.2 The previous audit found that NAHS performance information contained in ATSI's 1997–98 Annual Report was not adequate and recommended improvements to ATSI's reporting of NAHS projects. Recommendation 7 of the previous audit was directed towards achieving a higher level of accountability for the sizeable allocation of the NAHS program.

Recommendation 7 of Audit Report No.39 1998–99

The ANAO recommends that ATSI estimate the costs of NAHS outputs, consistent with the requirements of accrual budgeting, to assist in more efficient and effective resource use.

ATSI agreed with Recommendation 7 and noted in their response that:

ATSI has consistently reported the output cost of housing from the Regional Council element of the CHIP program in its Annual Report. There has been a reluctance previously to provide output costing of infrastructure items such as sewerage systems since the output cost in any one year is contingent on the size and complexity of the sewerage systems being undertaken and direct comparisons from year to year are perceived as having limited value. Also, as most projects span 2–3 years it has been difficult costing outputs to any one-year. However ATSI will report specifically on output costing of housing and infrastructure under NAHS in the future.

ATSI will, like all other agencies, embrace the Commonwealth's Accrual Budgeting and Output Costing initiatives.

²¹ Department of Finance and Administration, *Performance Management Principles*.

Findings of this Follow-up Audit

5.3 The ANAO found that Recommendation 7 of the previous audit has been partially implemented by ATGIS. Specific findings of this follow-up audit are outlined below.

5.4 ATGIS indicated that, under NAHS Round 2, projects were approved on the basis of criteria as defined in the CHIP Policy documentation²². In addition, CPMs collect and report on expenditure and performance data in a range of reports that are provided to ATGIS. The ANAO observed that CPMs maintain comprehensive databases on project costs that are used for NAHS program level budget and management decisions.

5.5 The ANAO found that the housing cost data is used in informing trends for future project budgeting. ATGIS indicated that this information would also be used to inform budget requirements for the next round of NAHS.

5.6 ATGIS indicated that the output costing of infrastructure items is dependent on several factors such as: project size, geographical location and climatic conditions, and availability of construction contractors. These factors limit the direct use that can be made of infrastructure cost data for NAHS program planning and monitoring purposes.

5.7 In discussions with one of the CPMs, the ANAO was advised that their organisation's engineering staff provided specialised engineering advice in relation to price estimations for infrastructure projects that assisted ATGIS' planning processes. The cost of previous projects would form part of the consideration for advice on pricing for planned infrastructure projects.

5.8 While CPMs collect and maintain cost data on infrastructure output expenditure, the ANAO did not find evidence that ATGIS used such data to report on the performance of NAHS projects to external stakeholders. This is discussed further under the heading 'External Reporting and Accountability'.

Conclusion

5.9 ATGIS has used cost data for housing construction projects to assist in the planning and management of the current NAHS round of projects. Infrastructure pricing data has influenced planning indirectly in conjunction with specialised engineering advice provided by CPMs to ATGIS. However, ATGIS does not include such data in reports on the performance of NAHS projects to external stakeholders.

²² ATGIS, *Community Housing and Infrastructure Program Policy for 2002-2005*, Canberra.

External Reporting and Accountability

5.10 The focus of external reporting is forecasting performance for a particular year through the Portfolio Budget Statements, and providing an annual report within eighteen-months, that comments on actual performance for that year. Under current annual report requirements issued by the Department of Prime Minister and Cabinet (DPM&C)²³, Commonwealth authorities must include a review of how the agency has performed during that year in relation to the agency's outputs and their contribution to outcomes. The guidelines also state that descriptions of processes and activities should be avoided.

Observations of the 1998–99 Audit

The previous audit found that, overall, 'ATSIC's analysis and reporting of performance information for NAHS...was not adequate. It needs to develop appropriate targets; output and outcome measures; and measures for support by other levels of government.'²⁴

The audit concluded that 'ATSIC should further develop the criteria for assessing, monitoring and reporting its performance...'²⁵

Findings of this audit

5.11 The ANAO reviewed the performance reporting for the NAHS program as reported in ATSIC annual reports between 1998–99 and 2002–03. During that period, annual reports were prepared in accordance with Section 9 of the Commonwealth Authorities and Companies Act 1997 (CAC Act) and Section 72 of the Aboriginal and Torres Strait Islander Commission Act 1989, as amended. The annual reports were also required to comply with the current annual report requirements issued by the DPM&C.

5.12 According to current Finance Guidelines, output groups relate to the business-specific aspects of an agency's operations and enable aggregated reporting of a number of related outputs. An aim of the Commonwealth outcomes and outputs framework is to encourage accountability of agencies by providing reporting on the units of an agency's operations. Therefore, the level of detail in reporting on program versus output performance should contain

²³ Department of Prime Minister and Cabinet, *Requirements for Departmental Annual Reports*, Canberra, 2003. Available online at <www.pmc.gov.au/docs/govt_index.cfm#Requirements>.

²⁴ ANAO Audit Report No.39, 1998–99, op. cit., p.93.

²⁵ *ibid*, p.16.

sufficient information for stakeholders to establish that agency outputs have been delivered.²⁶

5.13 The ANAO's examination of recent ATSIC and ATSI Portfolio Budget Statements found that since 2000, NAHS has been reported as a sub-program under ATSI's Output Group 3—Improvement to Social and Physical Wellbeing and Output 3.3—Community Housing and Infrastructure. The performance information includes quantitative, qualitative and price indicators for Output 3.3. However, the contribution of the NAHS program to the components of Output Group 3 was not stated.

5.14 During the course of this follow-up audit, the ANAO observed a complex relationship between the contribution of CHIP activities and ATSIC's reporting of these activities under the Commonwealth outcomes and outputs framework. ATSIC describes the CHIP as:

...a single program that comprises a number of elements of methods of service delivery to respond to the diverse needs of Aboriginal and Torres Strait Islander communities...²⁷

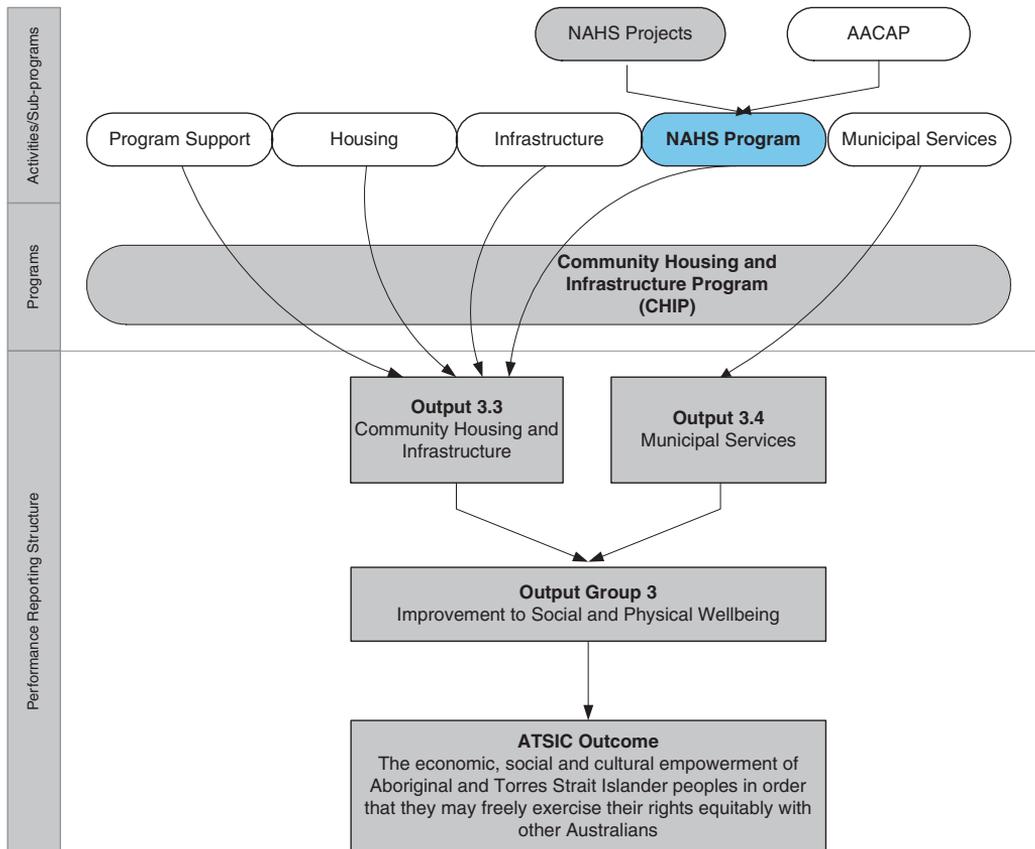
5.15 As illustrated in Figure 5.1, the CHIP elements contribute across several outputs. The ANAO's examination of ATSIC annual reports found that the current level of aggregation of performance reporting on the contribution of elements of the CHIP externally does not contain sufficient descriptive detail and suitable performance measures to allow stakeholders to identify the contribution of sub-programs, such as NAHS. The performance measures used are not specific to measuring NAHS outcomes, rather they report on the aggregated performance of activities/sub-programs under the CHIP.

²⁶ ANAO, Better Practice Guide 2001-02, *Performance Information in Portfolio Budget Statements*, May 2002, p.17.

²⁷ ATSIC, *Community Housing and Infrastructure Program Policy for 2002-2005*, Canberra, p.15.

Figure 5.1

CHIP program structure and contribution to ATSI's output reporting structure



Source: ANAO analysis based on information provided in *ATSI Community Housing and Infrastructure Program Policy for 2002–2005*, pp.15–16 and *ATSI Annual Report 2002–03*.

5.16 As noted in Chapter 4 of this follow-up audit, under the current design of the NAHS program since 1999–2000, employment and training objectives and targets are agreed at the project level. In addition, the ANAO found that ATSI removed training and employment indicators from the NAHS program and CHIP generally, in reporting under the outcomes and outputs framework.

5.17 The ANAO also found that the way in which ATSI reports on the performance of Output 3.3 does not provide performance indicators for reporting against objectives of the NAHS program. The ANAO noted in Chapter 2 of this report that ATSI had not included performance indicators

for reporting against the NAHS objective of increasing the commitments of state/territory support for NAHS projects.

5.18 The ANAO also found that the current level of reporting of financial performance information, such as output costs, provided a broad assessment of the efficiency and cost effectiveness of the NAHS program. The ANAO suggests that the provision of additional financial information on the NAHS program, including cost effectiveness and operational efficiency against the NAHS program objectives (for example, the cost of providing housing and infrastructure for environmental health benefits) would be beneficial for stakeholders wishing to form a detailed view of the NAHS program.

Conclusion

5.19 The ANAO suggests that ATSIIS, at the next available opportunity, consider ways to improve the external performance reporting of the NAHS program under the Commonwealth outcomes and outputs framework. This would allow stakeholders to better understand the contribution of the NAHS program to the performance of outputs and would supplement the higher-level aggregated information currently provided in the annual performance reporting.

6. Stakeholder Relationships

This chapter outlines ATSiS' implementation of Recommendations 5 and 6 of the previous audit concerning stakeholder roles and responsibility in the delivery of employment and training in NAHS projects.

Agreements on the basis for funding of employment and training (Previous Recommendation 5)

Findings of the 1998–99 Audit

6.1 The previous audit recognised there was 'some conflict' between the DEWR (then DEWRsB) preference for longer-term employment and training opportunities and the shorter construction time-frames available in the NAHS projects in a number of communities.²⁸

6.2 The previous audit also found that prioritising NAHS projects for DEWR funding had been addressed by DEWR at state/territory levels, but not at the national level. Taking account of DEWR's limited funding to support NAHS projects, and ATSiC's preference to increase employment and training opportunities, the ANAO considered there was a need for ATSiC to agree with DEWR, at a national level, on the funding available and the likely priorities for project funding each year.

Recommendation 5 of Audit Report No.39 1998–99

The ANAO recommends that ATSiC, in its negotiations with other Commonwealth and state/territory agencies for the Year 2000-2003 round of new NAHS projects, identify and agree with those agencies, at the national level, a sound basis for funding and cooperative effort for Indigenous employment and training.

ATSiC agreed with Recommendation 5.

DEWR agreed with Recommendation 5 and added:

The Department supports this recommendation, and has met with ATSiC to discuss possible departmental support for the 2000-2003 round of NAHS funding. Arrangements have been made for these meetings to occur on a regular basis.

²⁸ ANAO Audit Report No.39, 1998–99, op. cit., p.81.

Findings of this Follow-up Audit

6.3 The ANAO found that Recommendation 5 has been implemented. Specific findings of this follow-up audit are outlined below.

6.4 The ANAO found that, as part of the planning and implementation of NAHS Round 2, ATSI had a number of discussions with DEWR in late 1999 and early 2000. These discussions concerned DEWR policy settings that were perceived to be affecting the achievement of optimum employment and training elements over the construction period of NAHS projects. Appendix 2 outlines more details on DEWR's Structured Training and Employment Projects (STEP).

6.5 A number of options were explored in discussions between the two agencies, with the issue being largely resolved when, in March 2000, DEWR reduced the minimum number of eligible placements for the STEP contract from ten to five.

6.6 In March 2003, an agreement was signed by DEWR, ATSI and the Department of Education, Science and Training (DEST) regarding a joint approach across these agencies in processing program design and delivery. This agreement is now complemented by regular high-level interagency meetings between DEWR and ATSI (chaired at the Deputy Secretary level). DEWR and ATSI have also had NAHS specific meetings to brief DEWR national office on issues relating to the achievement of NAHS employment and training outcomes.

6.7 Currently, employment and funding issues with state and Commonwealth agencies have been progressed at the state/territory jurisdictional level where operational planning and employment and training programs are concentrated. Employment and training issues are agenda items at NAHS interagency coordination meetings that are held regularly at the state/territory level. The ANAO was advised that, at the operational level, considerable assistance for training and employment was available from state agencies.

6.8 An issue identified during the course of this follow-up audit, that concerned ongoing difficulties in relation to NAHS employment and training components, is that STEP is focussed on the potential for sustainable employment opportunities, and not on providing work experience and skills development. Particular issues raised with the ANAO included:

- in the case of NAHS projects at smaller, more remote communities, the completion of accredited training and achievement of long term employment can be difficult;
- to achieve ongoing jobs there is a need to focus on longer term activities such as maintenance and community-based building teams (and for the community to commit to these objectives); and
- under STEP, DEWR prefers to contract directly with the organisation providing the training and employment opportunities, whereas in NAHS projects, often these organisations prefer that DEWR make arrangements through the relevant Community Development Employment Projects (CDEP) organisations.

6.9 The ANAO suggests that the above issues will need to be part of the ongoing considerations by both DEWR and ATSI in the development of their respective programs. At the same time, it will be important for CPMs to continue to pursue opportunities to make sure that NAHS projects benefit from training initiatives of the states/territories.

Conclusion

6.10 ATSI and DEWR have responded satisfactorily to this recommendation. The ANAO considers that an adequate level of cooperation has been established through joint agency agreements and regular interagency meetings to allow both agencies to better identify employment and training needs for NAHS projects.

Employment and training plan (Previous Recommendation 6)

Findings of the 1998–99 Audit

6.11 The previous audit found that training and employment is one aspect addressed in project design reports prepared by project managers, during project planning. The previous audit considered that a broader focus by ATSIC on all funding agencies and agreement by them to employment and training arrangements for each relevant NAHS project would more fully address the need for all stakeholders to have a better understanding of each other's role.

Recommendation 6 of Audit Report No.39 1998–99

The ANAO recommends that ATSIC, for projects which have identified employment and training opportunities, include in its project management arrangements the preparation of a project employment and training plan, agreed with all relevant funding agencies.

ATSIC agreed to recommendation 6, with qualification, and commented that:

In the event that agreement on employment and training by all relevant funding agencies could not be reached at an appropriate stage, ATSIC would continue to seek agreement but would not delay the project until this is achieved.

ATSIC is considering changes to NAHS project planning and scoping processes for 2000–2003, which may provide greater lead-time to achieve secure funding agreements on training inputs.

Findings of this Follow-up Audit

6.12 The ANAO found that Recommendation 6 of the previous audit has been implemented. Specific findings of this follow-up audit are outlined below.

6.13 The ANAO found that ATSISS has issued specific guidance to NAHS project managers on their role in developing and implementing employment and training strategies as part of a NAHS project. As part of the process project managers consider involvement by the community concerned and potential funding agencies. When the employment strategy is completed, the project manager is to obtain written commitment to the strategy from other funding agencies. Once finalised, the employment and training strategy is included in the relevant contract.

6.14 From discussions with representatives of one CPM, the ANAO found that, with projects in the current round of NAHS, there is considerable funding support for employment and training strategies being obtained from state/territory agencies. CPMs convene regular interagency meetings to share information and enhance project and program coordination across agencies. DEWR is a participant in these meetings.

Conclusion

6.15 ATSI's current program management arrangements include the development of, and agreement to, employment and training strategies for relevant projects. The ANAO considers that while employment and training remains an element of the NAHS program these arrangements should be further developed as part of the process leading to the next round of NAHS projects. The apparent growth in the importance of funding from state and territory agencies should be included as a clear element of the guidance provided to project managers for the next NAHS round.

Canberra ACT
27 April 2004



Oliver Winder
Acting Auditor-General

Appendices

Appendix 1: NAHS Program Delivery—Roles

The role of the Contracted Program Manager (CPM) is to:

- monitor project and project manager performance on behalf of ATSIIS and the grantee;
- manage program and project deliverables and report exceptions to ATSIIS for approval;
- manage grantee funds and release funds as required;
- provide program progress reporting for each state/territory to Regional Councils; and
- liaise with other agencies to identify areas of funding support;

The role of the grantee is to:

- provide input on the scope of the project and training and employment requirements;
- work with the CPM to appoint a project manager; and
- provide community approval at key project milestones.

The role of the project manager is to:

- oversee the day to day implementation of the project;
- make sure the project deliverables comply with the organisation's community plan;
- maximise training and employment opportunities in consultation with the community;
- make sure that appropriate technical standards are complied with for construction outputs; and
- plan, in conjunction with the community, the ongoing operation and maintenance of the housing and infrastructure.

Appendix 2: Structured Training and Employment Project (STEP)

STEP is a program element under the Indigenous Employment Policy which was announced by the Commonwealth Government in May 1999. STEP is the DEWR program which can support individual NAHS projects.

The objective of STEP is to achieve more jobs for Indigenous Australians, by providing flexible funding packages of tailored assistance, including structured and accredited training that enables employers to provide long term jobs. Whilst the Government's focus is on increasing employment opportunities for Indigenous Australians in the private sector, STEP funding can also be provided to community and public sector organisations.

STEP project funding is negotiated directly with employers and/or project proponents and can involve the following range of activities:

- job placement, workplace orientation and on the job support;
- mentoring;
- wage subsidy;
- assistance with developing an Indigenous Employment Strategy for an organisation;
- developing cultural awareness training packages;
- marketing initiatives to identify potential STEP projects and/or work;
- pre-employment training; and
- formal accredited training while employed.

Funding is generally provided to the employer/project proponent upon the achievement of predetermined milestones, for example, participant's duration in employment. However, in recognition of STEP's broader objectives, payments may also be made for the provision of other agreed services and activities.

A key focus for the program is a requirement for employers/project proponents to demonstrate the project represents value for money for the Commonwealth government and that there is potential for ongoing employment opportunities for participants under the program.

Appendix 3: AT SIS' Response to this Report



Australian Government

Aboriginal and Torres Strait Islander Services

Chief Executive Officer

CEO 20040084

Mr Steven Lack
Executive Director
Australian National Audit Office
GPO Box 707
CANBERRA ACT 2601


Dear Mr Lack

Thank you for your letter of 17 February 2004 regarding the Follow up Performance Audit of the National Aboriginal Health Strategy.

ATSIS acknowledges the effort and diligence of the audit team in quickly understanding the complex and changing environment in which the NAHS program has and continues to operate.

The audit findings in respect to progress in implementing the recommendations of the 1999 NAHS Audit are considered fair and reasonable and therefore accepted by ATSIS.

Furthermore the audit findings and observations will be useful in improving aspects of the next round of NAHS projects which are scheduled to commence in 2004/05 financial year.

Thank you for bringing this matter to my attention.

Yours sincerely


R B Yates
Deputy Chief Executive Officer

31 March 2004

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