

Management of the Regional Network

Department of the Prime Minister and Cabinet

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Canberra ACT
28 September 2018

Dear Mr President
Dear Mr Speaker

In accordance with the authority contained in the *Auditor-General Act 1997*, I have undertaken an independent performance audit in the Department of the Prime Minister and Cabinet. The report is titled *Management of the Regional Network*. 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 to the Parliament.

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

Yours sincerely



Grant Hehir
Auditor-General

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

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Summary and recommendations

Background

1. On 2 March 2015, the Department of the Prime Minister and Cabinet (PM&C or the department) operationalised its Regional Network (the Network). Unlike the previous state-based model, the Network consists of 12 geographic regions and two support branches. The Network was expected to 'simplify reporting structures and enable decisions to be made closer to the people and communities that are impacted'.¹
2. The Network is expected to play a central role in achieving the department's purpose of 'improving the lives of Indigenous Australians', and is responsible for the delivery of Indigenous affairs policies and programs and engagement with Indigenous communities. The intent of the model was that intelligence gathered by the Network could be fed to policy areas located centrally in the Indigenous Affairs Group within PM&C to support continual improvements to policy and program design. The Network's strategic activities are: stakeholder collaboration; policy advice and coordination; contract management and delivery; enhancing internal capability; event coordination; support and advice; and monitoring and implementation.
3. The Government has allocated \$1.93 billion for Indigenous-specific programs in 2018–19, with an intended focus on the priority areas of school attendance, employment and community safety. This allocation includes \$1.24 billion for the Indigenous Advancement Strategy (IAS), which is distributed through grants administered by officers in the Network. In 2018–19, the Network's budget is \$68.77 million to support the delivery of Government's Indigenous affairs priorities.

Rationale for undertaking the audit

4. The Network operates as an important on-the-ground presence for the Australian Government — to oversee the delivery of government programs and to engage with local communities. It is fundamental to the Government's 'commitment of doing things "with", not "to" Indigenous people'.² The Network is also a key mechanism for liaison with other Australian Government and state government departments that operate in similar arenas.
5. The audit was proposed following the ANAO's performance audit of the IAS (Auditor-General Report No. 35 of 2016–17). The IAS audit found that opportunities for community involvement in early rounds of the strategy (conducted during 2014 and 2015) had been limited, and recommended that administrative arrangements be revised to allow greater opportunity for the Network to work in partnership with Indigenous communities and deliver local solutions. The IAS audit also found that reports to the Minister provided a 'reflection of activity within the regions, but do not meaningfully report on the performance of the regional network'.³

1 The Department of the Prime Minister and Cabinet, *Annual Report 2014–15*, PM&C, Canberra, 2015, p. 147.

2 Turnbull, M, 2018, 'Closing the Gap report 2018', speech, presenting the Closing the Gap Prime Minister's Report 2018 for tabling in the House of Representatives, Canberra, 12 February.

3 Auditor-General Report No. 35 2016–17, *Indigenous Advancement Strategy*, p. 34.

Audit objective and criteria

6. The objective of the audit was to assess whether the department effectively manages the Regional Network. To form a conclusion against the audit objective, the ANAO adopted the following high level criteria:

- Was the Regional Network designed to support the achievement of the Government's policy objectives?
- Is the Regional Network operating as designed?
- Does the department effectively monitor and report on the performance of the Regional Network?

Conclusion

7. The effectiveness of the department's management of the Regional Network is mixed.

8. The design of the Network aligned to the Government's policy objectives. The department engaged with a variety of stakeholders and the final design of the Network was influenced by these consultations.

9. The department's governance arrangements are largely effective. PM&C has established an appropriate committee structure, and there is alignment between the key planning documents. The department's management of Network risks is partially effective.

10. The full potential of the Network to facilitate the design and delivery of local solutions to local problems by leveraging its understanding and connection to communities is not being maximised. The department, through the Network, has not effectively embedded arrangements to coordinate with key stakeholders, input into policy is inconsistent, and Network officers have limited authority to make decisions that impact on local Indigenous communities.

11. The department has established appropriate reporting arrangements. Performance monitoring is compromised by shortcomings in the performance measurement framework and the department has not evaluated the performance of the Network.

Supporting findings

Design of the Regional Network

12. The design of the Network aligned to the Government's objectives. The implemented Network met some of the agreed objectives, such as establishing a single network and appointing senior personnel. At that time, it did not incorporate other key elements, including devolved decision-making and effectively establishing the leadership role of the Network in remote communities.

13. When designing the Regional Network, the department drafted two implementation plans: the Network's structure; and the Commonwealth leadership role. The Network structure was in place by March 2015, and the principles for the leadership role were endorsed in October 2015.

14. The department consulted with a range of stakeholders including staff, an experts group, Australian Government departments and all state and territory governments. Changes to the proposed approach resulted from these discussions.

Governance arrangements for the Regional Network

15. The department has established appropriate executive structures to support the operations of the Regional Network.

16. There is consistency and alignment between the department's Corporate Plan, Divisional Plan for the Regional Network and the Branch Plans. The Regional Blueprints, and other relevant plans, are aligned with and address the Government's priorities of employment, education and community safety.

17. The Regional Network's management of risks has been partially effective. Branches have not documented their approach to risk as required. Under the new risk arrangements there will be a broader range of risks captured at the divisional level.

The Regional Network in operation

18. The Regional Network engages with a large number of key internal and external stakeholders, but has not developed or implemented a communication framework or protocols that embed this engagement in practice. As acknowledged by the Indigenous Affairs Group Executive Board, the absence of an overall engagement framework and plan risks key stakeholder confusion and consultation fatigue.

19. The department's delegation framework supports the Government's objective to have senior Network staff making local decisions. In practice, Network officers have limited decision-making authority, with the Minister for Indigenous Affairs approving the majority of funding decisions.

20. The Network was designed to actively engage with and gather intelligence from Indigenous communities. However, the Network has inconsistent input into Indigenous policy and program development and the value of the Network is not being effectively leveraged. The Network's progress against the strategy to improve its linkages with National Office is mixed, with five of the ten components not commenced.

21. The department has established adequate support for Regional Network officers. Guidance is generally clear and staff have access to a range of training options. The department has commenced a number of strategies to identify and develop capability in the Network, but this work is incomplete. The department has taken initial steps to address the issue of operating on dual ICT systems.

Performance reporting and evaluation

22. The department's performance measurement framework for the Regional Network is partially effective. The Network's performance measurement criteria are mostly relevant, but they are not reliable or complete.

23. The Regional Network has appropriate reporting arrangements for the ongoing administration of the Regional Network. There is extensive reporting that covers the operations

and performance of the Network. Reporting would be enhanced if the performance measurement framework was improved.

24. The department has not evaluated the performance of the Regional Network, but it commenced a review of the Network in early 2018 — the Recalibration Project. The department has implemented one-off processes to incorporate lessons learnt into ongoing Network operations, but continuous improvement processes are not systematic and feedback or lessons learnt do not always inform processes.

Recommendations

Recommendation no.1
Paragraph 3.33 The Department of the Prime Minister and Cabinet appropriately document, monitor and report against strategic and operational risks for the Regional Network.

Department of the Prime Minister and Cabinet response: *Agreed*

Recommendation no.2
Paragraph 4.15 The Department of the Prime Minister and Cabinet implement an effective internal and external stakeholder engagement and communication framework for the Regional Network.

Department of the Prime Minister and Cabinet response: *Agreed*

Recommendation no.3
Paragraph 4.28 The Department of the Prime Minister and Cabinet embed processes to ensure the knowledge of the Regional Network is appropriately leveraged in the development of Indigenous policies and programs.

Department of the Prime Minister and Cabinet response: *Agreed*

Recommendation no.4
Paragraph 5.14 The Department of the Prime Minister and Cabinet ensures that the performance criteria for the Regional Network is fit-for-purpose, relevant, reliable and complete.

Department of the Prime Minister and Cabinet response: *Agreed*

Recommendation no.5
Paragraph 5.35 The Department of the Prime Minister and Cabinet implement a systematic approach to capturing lessons learnt and feedback received by the Regional Network and incorporating the information into ongoing operations to improve processes and performance.

Department of the Prime Minister and Cabinet response: *Agreed*

Summary of entity response

25. The draft report was provided to the department, and a section of Chapter 4 was provided to the Minister for Indigenous Affairs as an extract. A summary of the department's response is below and the full response is at Appendix 1.

The Department welcomes the Audit's findings which will support ongoing work to improve the effectiveness of the Regional Network.

The establishment of the Regional Network, formalised in March 2015, has been central to the Department's approach to addressing Indigenous disadvantage across Australia. The Regional Network represents a major change to the Department's structure and operation, and continuously improving the way the Network operates remains a priority.

The Department accepts all five recommendations, noting that actions have been already taken or are underway that implement improvements consistent with those recommendations. These actions include revisions to risk management and communications processes, and the recalibration process currently underway.

Key learnings for all Australian Government entities

26. Below is a summary of key learnings, including instances of good practice, which have been identified in this audit that may be relevant for the operations of other Australian Government entities.

Program implementation

- The Government's objectives for a program should be embedded in its design and structure, as well as throughout program implementation, governance structures, risk management and performance monitoring. The Regional Network was designed to meet the Government's objective of connecting with and targeting community level service delivery, but was not fully implemented as designed. As a result, the value of the Network has not been maximised.

Program design

- When designing the Network the department consulted with a range of stakeholders, which is good practice. When re-designing a long-running program it is important to consult effectively with key stakeholders to benefit from the experience of others and understand cultural context, challenges and opportunities. Consultation, when appropriately targeted, can result in useful information that better informs program design and implementation.

Policy/program design

- A strong interaction between an entity's policy and delivery functions is necessary to ensure lessons learnt from previous program implementation and policy design are incorporated into the design of new policies or programs.

Performance and impact measurement

- When designing a performance measurement framework, performance indicators and targets should be suitable for the program or function, relevant, reliable and complete, and have an appropriate balance between quality and quantity.

Audit findings

1. Background

Introduction

1.1 In September 2013 responsibility for most Indigenous policies, programs and service delivery transferred to the Department of the Prime Minister and Cabinet (PM&C or the department) through Machinery of Government changes. The changes involved the transfer of over 1,600 policy, program and support staff from eight separate entities, primarily from the former Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA).⁴

1.2 The Machinery of Government changes included the transfer of FaHCSIA's network responsible for implementing Indigenous programs⁵, along with regionally-based staff from other agencies. At the time of the changes the network comprised 800 staff in six state and territory offices⁶, 21 Indigenous Coordination Centres, six Regional Operations Centres and individual communities.

1.3 In December 2013 the Prime Minister requested that the Minister for Indigenous Affairs outline a new approach for the Australian Government in delivering services to remote Indigenous Australians that is fairer and better aligned to the Australian Government's priorities. It was considered that the current arrangements were failing to deliver benefits due to unclear or unachievable priorities and the poor engagement of communities in design and delivery.

The Regional Network

1.4 The Government decided to restructure the network, moving from a state-based model to a regional model from 2014–15, to reflect patterns of culture, language, mobility and economy. The changes were expected to 'simplify reporting structures and enable decisions to be made closer to the people and communities that are impacted'⁷, as well as to drive outcomes in the Government's three priority policy areas: school attendance, employment and community safety. The intent of the model was to support active engagement with communities and for intelligence gathered by the Network to be fed to centralised policy areas to support continual improvements to policy and program design.

1.5 On 2 March 2015, the Regional Network (the Network) was operationalised. The Network is expected to play a central role in achieving the department's purpose of 'improving the lives of

4 Other transfers included from: the Attorney-General's Department; the Department of Broadband, Communications and the Digital Economy; the Department of Education, Employment and Workplace Relations; the Department of Health and Ageing; the Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education; the Department of Regional Australia, Local Government, Arts and Sport; and the Department of Sustainability, Environment, Water, Population and Communities.

5 Previous iterations of the Network have included the regional offices of the former Aboriginal and Torres Strait Islanders Commission, established in 1990. In 2004, the regional offices were replaced by the Department of Family and Community Service's Indigenous Coordination Centres.

6 The six State and Territory offices were New South Wales/Australian Capital Territory; Northern Territory; Queensland; South Australia; Victoria/Tasmania; and Western Australia.

7 The Department of the Prime Minister and Cabinet, *Annual Report 2014–15*, PM&C, Canberra, 2015, p. 147.

Indigenous Australians'⁸, and is responsible for the delivery of Indigenous affairs policies and programs and engagement with Indigenous communities. The Network's strategic activities are: stakeholder collaboration; policy advice and coordination; contract management and delivery; enhancing internal capability; event coordination; support and advice; and monitoring and implementation.

1.6 The Network consists of 12 geographic regions, as shown in Figure 1.1, and two support branches. Each region is led by a Regional Manager who is responsible for driving outcomes within their region. As at 30 June 2018, the department advised there were 552 Network officers, including: 254 staff across eight capital city offices; 238 staff across 26 regional or remote offices; and 60 staff across 40 communities. The department also advised that as at 31 March 2018 the Network had a visiting presence in just over 380 communities across Australia.

Figure 1.1: Regional Network map, as at August 2018



Source: Department of the Prime Minister and Cabinet.

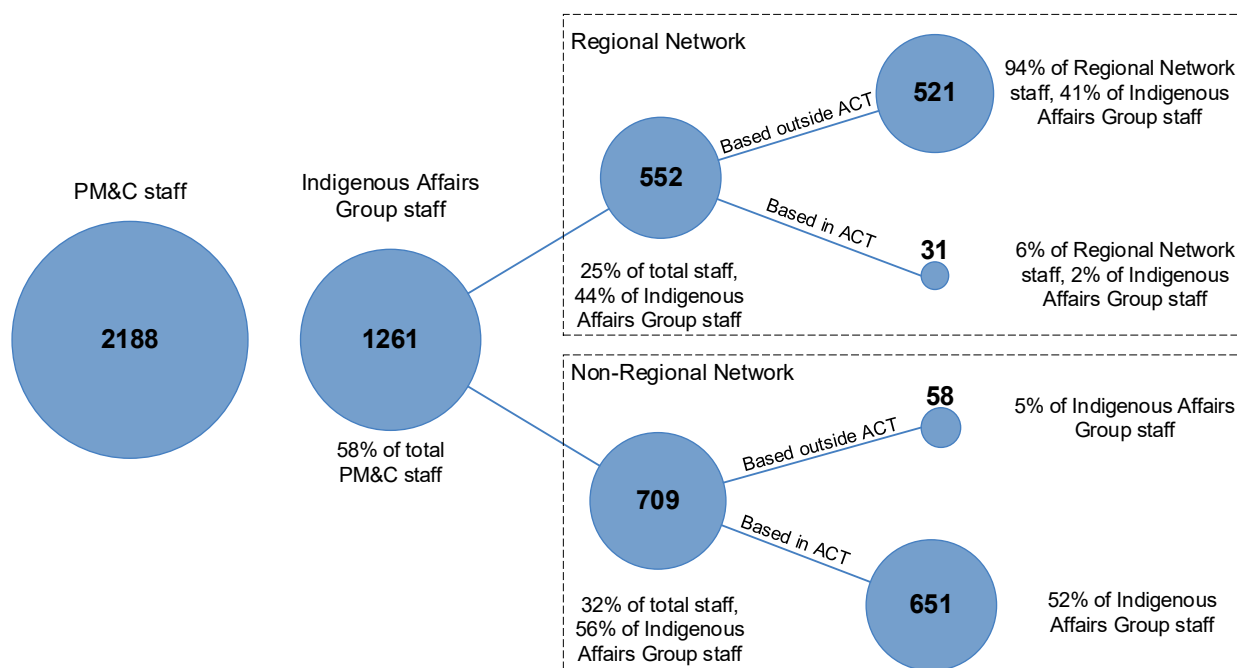
8 The other two purposes are: supporting the Prime Minister, as the head of the Australian Government, the Cabinet and portfolio ministers; and providing advice on major domestic policy, national security and international matters.

1.7 The Network operates in an environment covering remote geographic areas, brokering relationships between multiple parties and interacting with over 250 separate language groups where English may be the second or third language. The activities of Network officers can include: meeting with community stakeholders to discuss local concerns⁹; reviewing the performance of service providers; organising or hosting Ministerial visits; and assisting the community to support children to go to school every day.

1.8 The Government allocated \$1.93 billion for Indigenous-specific programs in 2018–19, with a focus on the priority areas of school attendance, employment and community safety. This allocation includes \$1.24 billion for the Indigenous Advancement Strategy (IAS), which is distributed through grants administered by officers in the Network. In 2018–19, the Network’s budget is \$68.77 million to support the delivery of the Government’s Indigenous affairs priorities.

1.9 The Network focuses on program delivery and stakeholder engagement, while policy decisions are centralised within PM&C’s Indigenous Affairs Group. A comparison of the staffing profile of the Network and Indigenous Affairs Group is represented in Figure 1.2.

Figure 1.2: Staffing numbers for the Department of the Prime Minister and Cabinet, Indigenous Affairs Group and Regional Network, June 2018



Source: Staffing numbers as advised by the department.

9 Individual Network staff usually focus on Indigenous communities within a specified sub-region. This structure allows staff to have an understanding of the local issues in communities and establish working relationships with local stakeholders. For example, the Arnhem Land and Groote Eylandt region has three sub-regions: West Arnhem; Central Arnhem; and East Arnhem and Groote Eylandt.

Rationale for undertaking the audit

1.10 The Network operates as an important on-the-ground presence for the Australian Government — to oversee the delivery of government programs and to engage with local communities. It is fundamental to the Government’s ‘commitment of doing things “with”, not “to” Indigenous people’.¹⁰ The Network is also a key mechanism for liaison with other Australian Government and state government departments that operate in similar arenas.

1.11 The audit was proposed following the ANAO’s performance audit of the IAS (Auditor-General Report No. 35 of 2016–17). The IAS audit found that opportunities for community involvement in early rounds of the strategy (conducted during 2014 and 2015) had been limited, and recommended that administrative arrangements be revised to allow greater opportunity for the Network to work in partnership with Indigenous communities and deliver local solutions. The IAS audit also found that reports to the Minister provided a ‘reflection of activity within the regions, but do not meaningfully report on the performance of the regional network’.¹¹

Audit objective and criteria

1.12 The objective of the audit was to assess whether the department effectively manages the Regional Network.

1.13 To form a conclusion against the audit objective, the ANAO adopted the following high level criteria:

- Was the Regional Network designed to support the achievement of the Government’s policy objectives?
- Is the Regional Network operating as designed?
- Does the department effectively monitor and report on the performance of the Regional Network?

Audit methodology

1.14 In undertaking the audit, the ANAO:

- examined Government and departmental records and systems related to the Regional Network;
- visited the Network regions of Arnhem Land and Groote Eylandt, Eastern New South Wales and the Kimberley and consulted with 79 stakeholders, including IAS grant recipients, community leaders and government representatives;
- invited the 544 Regional Network staff to participate in a survey in March to April 2018 and received 230 responses (42.3 per cent of those invited to participate);
- invited 1943 key stakeholders, including all IAS grant recipients as of January 2017, to contribute to the audit and received 79 responses; and

10 Turnbull, M, 2018, ‘Closing the Gap report 2018’, speech, presenting the Closing the Gap Prime Minister’s Report 2018 for tabling in the House of Representatives, Canberra, 12 February.

11 Auditor-General Report No. 35 2016–17, *Indigenous Advancement Strategy*, p. 34.

- interviewed departmental staff.

1.15 The audit was conducted in accordance with ANAO Auditing Standards at a cost to the ANAO of \$533,000.

1.16 The team members for this audit were Meegan Reinhard, Kelly Williamson, Clyde Muthukumaraswamy and Deborah Jackson.

2. Design of the Regional Network

Areas examined

This chapter examines the Department of the Prime Minister and Cabinet's (PM&C's or department's) alignment of the Regional Network (Network) model to the Government's objectives, and the process for designing the Network and engaging with stakeholders.

Conclusion

The design of the Network aligned to the Government's policy objectives. The department engaged with a variety of stakeholders and the final design of the Network was influenced by these consultations.

Did the design of the Regional Network align to Government objectives?

The design of the Network aligned to the Government's objectives. The implemented Network met some of the agreed objectives, such as establishing a single network and appointing senior personnel. At that time, it did not incorporate other key elements, including devolved decision-making and effectively establishing the leadership role of the Network in remote communities.

2.1 In April 2014, the Government agreed to the regional service delivery approach proposed by the Minister for Indigenous Affairs, including that:

- the National Partnership Agreement on Remote Service Delivery (which was due to expire on 30 June 2014) would not be renewed¹²;
- by 30 June 2014, there would be integration of the networks of the eight agencies moved to the department in the September 2013 Machinery of Government changes;
- by 30 June 2014, a National Director would be recruited to oversee the Network;
- in remote communities, Regional Managers would take a leadership role for implementing programs on behalf of all Commonwealth agencies and be able to exercise local decision-making. This arrangement was to be finalised among the relevant Ministers, piloted in two regions, and an implementation plan provided to the Prime Minister prior to implementation on 1 July 2014; and
- the transition to a regional model would be implemented during 2014–15.

12 The National Partnership Agreement on Remote Service Delivery was a commitment by the Australian, New South Wales, Northern Territory, Queensland, South Australian, and Western Australian governments to address local Indigenous disadvantage. The broad intent of the agreement was to contribute to improved access, range and coordination of services, improved levels of governance and leadership, and increased economic and social participation in 29 priority locations. A 2013 evaluation of the agreement found that there was a tension between addressing service issues and community engagement, and that many stakeholders held the view that greater devolution of decision-making responsibility to regional and local levels would improve the ability of government to be responsive to community needs.

2.2 The Government aimed to enhance the effectiveness and accountability of the network, by implementing the following objectives:

- establishing appropriate points of presence for the network, with senior officers located in each region;
- devolving decision-making and focusing on outcomes against clear benchmarks and indicators;
- targeting effort and funding where sustained outcomes can be achieved in the Government's priority policy areas (schooling, employment and community safety); and
- establishing a National Director and Deputy Director who would be responsible for driving outcomes in the priority policy areas above, supported by Regional Managers who would be accountable for outcomes in their regional areas.

2.3 In March 2015, when the Regional Network was operationalised, several of the above objectives had been adopted, including that:

- the Network was operating as a single network;
- Regional Managers were appointed to each of the 12 regions, establishing points of presence across the country;
- the Indigenous Advancement Strategy (IAS) grant guidelines reflected the Government's priority policy areas (schooling, employment and community safety);
- two Deputy Director positions were created (filled by the Managers of the two support branches); and
- the National Director was in place and responsible for the delivery of the Network.

2.4 Other elements of the Government's design objectives were not implemented by PM&C at that time, including the:

- devolution of decision-making (discussed in Chapter 4);
- establishment of clear benchmarks and indicators to focus on outcomes (discussed in Chapter 5); and
- the Commonwealth leadership role of Regional Managers in remote communities (as discussed in paragraph 2.23 this was endorsed in October 2015).

2.5 The department has not provided advice to the Government about the implementation of the proposed objectives, including that not all the proposed objectives for the Regional Network had been implemented at that time.

Did the department have appropriate arrangements for implementing the design of the Regional Network?

When designing the Regional Network, the department drafted two implementation plans: the Network's structure; and the Commonwealth leadership role. The Network structure was in place by March 2015, and the principles for the leadership role were endorsed in October 2015.

2.6 Prior to October 2015, the department did not have an established project management framework to assist when designing policies or programs.¹³ As such, the following is a description of the process the department undertook to implement the regional model within the 2014–15 timeframe set by Government. The department developed an implementation plan for the structure of the Network and a specific plan for the Commonwealth leadership role of the Regional Managers.

Implementation of the Network structure

2.7 The department developed an implementation plan for the Network in May 2014 and updated the plan in July 2014. The Implementation Plan included milestones and timeframes, governance arrangements, risk management, communication and stakeholder engagement plan, and monitoring arrangements. The transition to the Network was to involve four phases, with the Network operating from 1 January 2015.¹⁴

2.8 The Implementation Plan stated that the Deputy Secretary Indigenous Affairs was the Senior Responsible Officer for the transition to the Network. The Deputy Secretary was to be supported by a Senior Executive Service Working Group and an Executive Level Change Managers Group. The design and implementation of the Network was managed by the Remote Network Design Branch, later renamed the Network Strategy and Operations Branch.

2.9 The department has advised that the transition to the new model was monitored through the Indigenous Affairs Experts Group and the Network Executive.¹⁵ As discussed in paragraph 2.20, the Experts Group largely acted as a consultative group, with some evidence that the group oversaw the transition and discussed potential risks. Senior officers within the Department's Indigenous Affairs Group considered aspects of the Network's design and transition from November 2014. However, the ANAO has seen no evidence of reporting to the Deputy Secretary on the progress of the transition or potential risks to the implementation of the Network.

2.10 In September 2014, the Prime Minister agreed that consultations on the new model should commence, and he approved the final boundaries for the 12 regions in December 2014. In early February 2015, the National Director commenced in the role, seven months after the 30 June 2014 deadline agreed to by Government. The transition to the Network was completed on 2 March 2015,

13 A project management framework is useful to outline the department's expectations for governance arrangements, project management deliverables and documentation (including risk plans and project plans), and should vary depending on the importance or financial value of the program being designed.

14 The planned four phases were: design and announcement (to 31 July 2014); consultation and transition (1 August 2014 to 30 September 2014); consolidation (1 October 2014 to 31 December 2014); and embed (from 1 January 2015).

15 The Indigenous Affairs Experts Group is discussed from paragraph 2.20. The Network Executive refers to all the senior officers in the Network, including the National Director, Regional Managers and managers of the support branches.

when the regional boundaries and reporting lines were operationalised. The transition was completed later than the 1 January 2015 date set in the Implementation Plan and the 1 February 2015 date advised to the Prime Minister in December 2014, but during 2014–15, as agreed by Government.

Post-implementation review

2.11 In the July 2014 Implementation Plan for the Network structure, the department committed to conducting a review of the implementation 12 months after the transition was complete. It was intended that:

Findings will be used to inform whether the early implementation stages of the new PM&C Network are making progress towards the objective of a refocussed PM&C Network that spends less time on coordination and more time doing and has a clear focus of working in partnership with Indigenous communities to tailor action and long-term strategies to the Government's priority areas of school attendance, jobs and community safety.¹⁶

2.12 In December 2016, PM&C completed an internal audit on the 'Implementation of the Regional Network'. The objective of the audit was to review the transition to the Network Corporate Operating Model, including the governance and clarity of roles and responsibilities for Network and National Office staff. The audit did not review the effectiveness of the Network's design or whether the Government's objectives have been achieved. The audit concluded that progress had been made against the seven key initiatives of the Network Corporate Operating Model¹⁷ and that the governance processes in place were appropriate.¹⁸

Implementation of Regional Managers as the Commonwealth-lead in remote communities

2.13 In October 2014 the department developed an Implementation Plan: PM&C Regional Managers' Commonwealth Leadership Role and updated the plan four times until January 2015. The plan was superseded in March 2015 by an Operational Guide: PM&C Regional Managers' Commonwealth Leadership Role. The Operational Guide included timeframes and deliverables, issue resolution pathways, governance arrangements, risk management plan, stakeholder engagement and communication plan, and performance indicators. The approach was to be implemented in all regions from October 2015.

16 The Department of the Prime Minister and Cabinet, *Implementation Plan: New Indigenous Affairs Network within the Department of the Prime Minister and Cabinet*, PM&C, Canberra, July 2014, p. 11.

17 The seven initiatives include: defining how the Indigenous Affairs Group operates; governance and decision making; communication and guidance; internal feedback loops; roles and capability; ICT systems to support delivery; and scrutiny, assurance and external feedback.

18 The audit also found that improvements could be made to: communication protocols between National Office and the Network; reporting to support Regional Managers to manage and monitor funding in their region; and reviewing the roles and responsibilities of National Office staff to better understand the interactions and the division of work.

2.14 When developed, the principles for the proposed leadership role in remote communities were:

- (a) Australian Government agencies will be expected to engage early with Regional Managers to ensure activities are complementary;
- (b) Australian Government agencies and providers will be required to seek the agreement of the relevant Regional Manager to spending and servicing decisions that will impact on service footprints, modes of delivery and the sequencing of activities in a remote community¹⁹; and
- (c) in the event of proposed or expected reductions in funding or service levels, Australian Government agencies will be expected to consult only, rather than seek the agreement of, Regional Managers.

These arrangements were intended to support and not override the decisions of the accountable authorities, as it was not proposed that Regional Managers would be given decision-making authority over grants from other Australian Government departments.

2.15 A key mechanism to facilitate the Commonwealth-leadership role was intended to be an inter-departmental committee chaired by the National Director. This committee was established and met three times between June 2015 and Feb 2016. The committee discussed agency feedback on the proposed principles for the leadership role and areas for potential collaboration in specific communities. Following the feedback received at the June 2015 meeting, the principles were amended, and endorsed to be:

- (a) Australian Government agencies will be required to engage early about proposed activities and before making significant program or servicing decisions that will impact on service footprints, modes of delivery and the sequencing of activities in a remote community; and
- (b) Australian Government agencies will be required to consult on any reductions in funding or service levels.

2.16 The Network has taken a lead role when responding to emerging situations in individual communities, and there is some work occurring to ensure programs between Australian Government departments are complementary. The Operational Guide stated that the National Director would report annually to the Prime Minister on the implementation and effectiveness of the Regional Managers' leadership role, which has not occurred.

19 Activities that are within scope will: affect the reach, method, timing and effectiveness of service delivery; affect the supply and maintenance of service infrastructure; and/or will benefit from a place-based or joined up approach to delivery.

Were stakeholders consulted on the transition to the Regional Network?

The department consulted with a range of stakeholders including staff, an experts group, Australian Government departments and all state and territory governments. Changes to the proposed approach resulted from these discussions.

2.17 The July 2014 Implementation Plan for the Network included a stakeholder engagement and communication plan that detailed the key messages, methodology, and outcomes sought from internal and external stakeholders during the transition to the Network.

Internal consultation

2.18 The department's planned approach for internal communication focused on consulting with staff prior to finalising aspects of the Network, and preparing staff for the transition to the new arrangements. PM&C managed this internal consultation in a number of ways, including by all staff meetings, workshops to discuss the proposed model and emails from senior officers. For example, in October 2014 State Managers in all states and territories facilitated discussions with staff about the proposed changes. Feedback received during these discussions related to the proposed regional boundaries, collaboration with National Office, improved ways of sharing learnings and success stories, and future training and support.

External consultation

2.19 The department's plan for external engagement included a number of public announcements throughout the transition and to 'consult with Indigenous leaders, relevant experts, stakeholders, Commonwealth agencies and state and territory governments on the new PM&C Network model, prior to finalisation of the model'.²⁰ The Indigenous leaders, relevant experts and stakeholders specifically identified by PM&C's stakeholder engagement and communication plan were the Prime Minister's Indigenous Advisory Council²¹ and the 29 communities previously covered by the National Partnership Agreement on Remote Service Delivery. The Prime Minister requested the department consult with experts and the Indigenous Advisory Council regarding the proposed regional model.

Indigenous experts and leaders

2.20 The Indigenous Affairs Experts' Group met four times between July 2014 and July 2015. The Experts' Group made a number of suggestions on the structure of the new network, and highlighted the importance of improving how the department explains the proposed changes and why the changes are needed.

20 The Department of the Prime Minister and Cabinet, *Stakeholder engagement and communications plan*, PM&C, Canberra, undated, p. 7.

21 The Prime Minister's 12 member Indigenous Advisory Council was established to provide ongoing advice to the Government on emerging policy and implementation issues related to Indigenous affairs. It first met in December 2013.

2.21 The department reported that it also held approximately 100 information sessions during August and September 2014 with key regional stakeholders, including potential IAS applicants.²² The department reported holding information sessions in 80 locations, including four of the 29 communities previously covered by the National Partnership Agreement on Remote Service Delivery. The information sessions focused on providing information on the key principles of the IAS and the upcoming grant funding round, and mentioned the proposed changes to the Network.

Australian Government departments

2.22 A key area for consultation with other Australian Government departments concerned the Regional Managers' Commonwealth leadership role. From June to September 2014 PM&C consulted and shared discussion papers with the then Departments of: Agriculture; Attorney-General's; Defence; Education; Employment; Environment; Finance; Health; Human Services; Immigration and Border Protection; Industry; Infrastructure and Regional Development; and Social Services.

2.23 In summarising the consultations with departments, PM&C noted that the departments approached were supportive of the proposed Commonwealth-leadership role for Regional Managers and identified areas of concern. As a result of the feedback from departments, it was agreed at the June 2015 inter-departmental committee meeting that the principles would be updated to remove the requirement for Australian Government agencies to seek Regional Manager agreement prior to implementing spending and servicing decisions. The changes to the principles were endorsed by October 2015.

State and territory governments

2.24 In October 2014, the department held bilateral meetings with all state and territory governments to discuss the proposed arrangements. The meetings were to discuss the changes to the regional approach, including: the move to regions instead of using state boundaries; the subsequent increase or decrease in PM&C senior executives present in each state or territory; and the role and responsibilities of Regional Managers and the National Director.

2.25 As a result of external consultation, changes were made to some of the regional boundaries. For example, the department had proposed that one of the 12 regions would cover three states in Central Australia, encompassing the Anangu Pitjantjatjara Yankunytjatjara (APY) lands in South Australia, the Ngaanyatjarra Pitjantjatjara Yankunytjatjara (NPY) lands in Western Australia and the Central Land Council areas of Northern Territory. The communities of this tri-state area have several similarities but, on the advice of the Indigenous Affairs Experts' Group and the bilateral discussions with state and territory governments, the final model maintained the state borders in Central Australia rather than creating a tri-state region. Minor changes were also made to the regional boundaries in New South Wales and the Northern Territory.

22 Department of the Prime Minister and Cabinet, *Submission to the Senate Finance and Public Administration References Committee — Impact on service quality, efficiency and sustainability of recent Commonwealth Indigenous Advancement Strategy tendering processes by the Department of the Prime Minister and Cabinet*, 30 April 2015, p. 11 and Attachment G.1.

3. Governance arrangements for the Regional Network

Areas examined

This chapter examines the Department of the Prime Minister and Cabinet's (PM&C's or the department's) arrangements for managing the Regional Network (Network), including executive structures, strategic planning and risk management.

Conclusion

The department's governance arrangements are largely effective. PM&C has established an appropriate committee structure, and there is alignment between the key planning documents. The department's management of Network risks is partially effective.

Areas for improvement

The ANAO made one recommendation aimed at improving risk management.

Background

3.1 As at 30 June 2018 the Network has 552 staff across 12 regional branches and two support branches. The Network was operationalised in March 2015. The Network's staffing profile from April 2015 to June 2018 is provided in Table 3.1.²³ As the table shows, nine regions have seen a reduction in staffing since April 2015.

Table 3.1: Regional Network staffing profile by region and state/territory, April 2015 to June 2018

	April 2015	June 2016	June 2017	June 2018	June 2018 staffing as % of total Network	April 2015 to June 2018 % change
Eastern New South Wales	76	58	62	57	10.3%	-25.0%
Western New South Wales	29	26	31	28	5.1%	-3.4%
Australian Capital Territory and New South Wales	105	84	93	85	15.4%	-19.0%
Arnhem Land and Groote Eylandt	60	49	55	47	8.5%	-21.7%
Central Australia	72	54	59	52	9.4%	-27.7%
Top End and Tiwi Islands	89	74	77	72	13.0%	-19.1%
Northern Territory	221	177	191	171	31.0% ^a	-22.6%
Far North Queensland	35	33	34	31	5.6%	-11.4%

²³ The department advised the ANAO that staffing figures from March 2015 do not reliably identify Network staff due to the structure of the payroll system at the time not aligning to the Regional Network function.

	April 2015	June 2016	June 2017	June 2018	June 2018 staffing as % of total Network	April 2015 to June 2018 % change
Gulf and North Queensland	19	16	20	20	3.6%	5.3%
South Queensland	50	40	37	38	6.9%	-24.0%
Queensland	104	89	91	89	16.1%	-14.4%
South Australia	48	49	50	49	8.9%	2.1%
Victoria and Tasmania	32	28	28	26	4.7%	-18.7%
Greater Western Australia	62	52	43	43	7.8%	-30.6%
Kimberley	38	36	42	39	7.1%	2.6%
Western Australia	100	88	85	82	14.9%	-18.0%
Support branches and Executive	43	44	35	39	7.1%	-9.3%
Sub-total	653	559	573	541	98.0%	-17.1%
Inoperative staff ^b	16	25	19	11	2.0%	-31.2%
Total in Regional Network	669	584	592	552	100.0%	-17.5%
Total in Indigenous Affairs Group	1378	1552	1446	1261	N/A	-8.5%
Total in PM&C	2323	2141	2276	2188	N/A	-5.8%

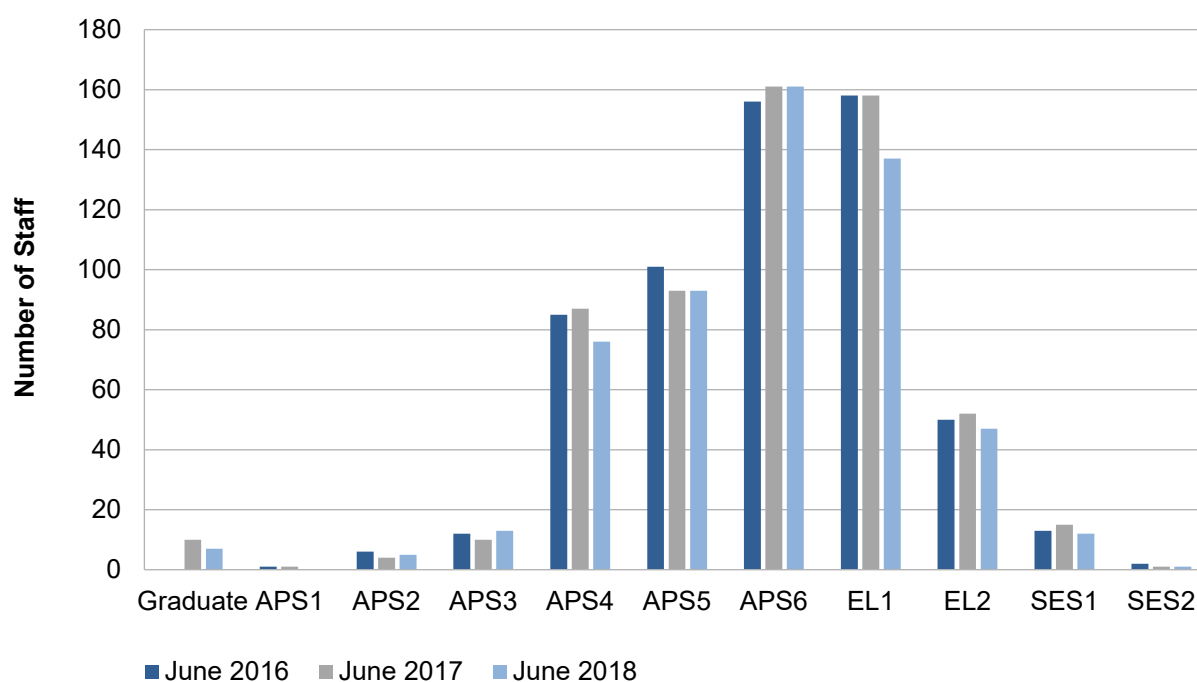
Note a: Due to rounding, the percentage of staff in the Northern Territory does not equal the percentage of staff in the three relevant regions combined.

Note b: Inoperative staff are staff no longer assigned to a permanent position and may include staff on long service leave, maternity leave, leave without pay and secondments.

Source: ANAO analysis of departmental data and publicly reported figures for the department and Indigenous Affairs Group.

3.2 The Network's staffing profile by classification from June 2016 to June 2018 is provided at Figure 3.1. As the figure shows, most levels have seen a reduction in staffing since June 2016.

Figure 3.1: Regional Network staffing profile by classification, June 2016 to June 2018



Note: The classification levels are: Graduate; Australian Public Service (APS) levels 1–6; Executive Level (EL) levels 1–2; and Senior Executive Service (SES) Band 1–2. This data is a headcount of the number of employees, not full time equivalent positions.

As discussed in paragraph 3.5, in April 2018 a second SES Band 2 position was created for the Network.

Source: ANAO analysis of PM&C staffing data for June 2016, 2017 and 2018.

Were executive structures established to support the operations of the Regional Network?

The department has established appropriate executive structures to support the operations of the Regional Network.

3.3 The Network is one of seven divisions in PM&C's Indigenous Affairs Group (IAG). The 12 regions are each led by a Regional Manager. Regional Managers report to the National Director. The National Director and Regional Managers are supported by two branches: Engagement and Development, based in Canberra; and Delivery Support, based in Canberra and Darwin.²⁴

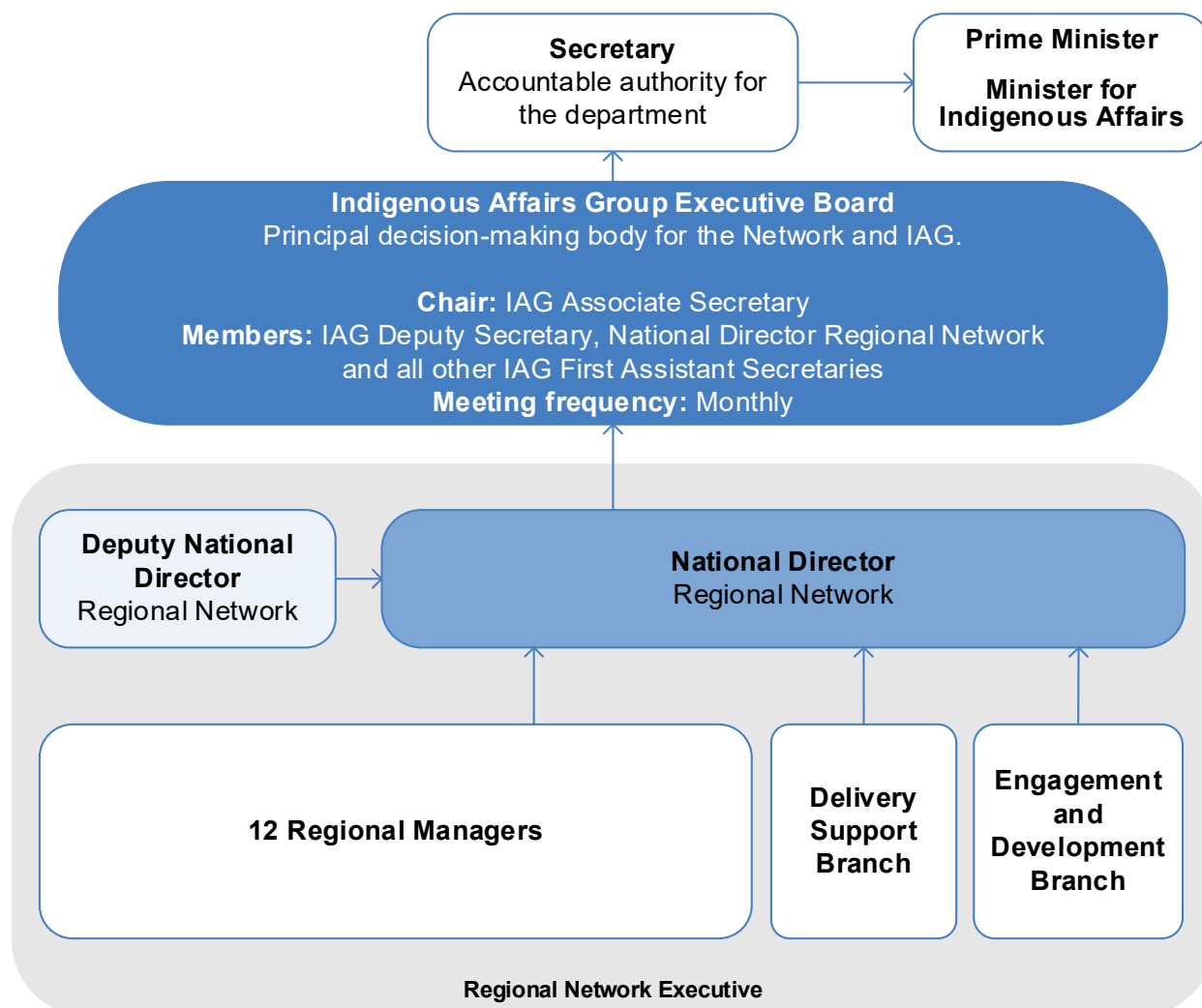
3.4 The National Director is accountable to the Minister for Indigenous Affairs, through the IAG Executive Board and the Secretary of PM&C, for achieving results against the Government's policy priorities. The IAG Executive Board was established in June 2017 and is responsible for strategic and overarching policy in Indigenous affairs, program management and evaluations, and to make decisions on resourcing, culture and organisational structures.

²⁴ The Delivery Support Branch's role includes management of Northern Territory specific programs, such as the Aboriginal Benefits Account Stores Project and Australian Government projects funded through the Northern Territory Government (prison to work transitional accommodation, health coaching and Groote Eylandt police infrastructure) and providing a cross-regional facilitation and coordination role.

3.5 In April 2018, the Secretary announced the establishment of a Deputy National Director position that would report to the National Director. The announcement described the role as leading the Network’s Recalibration Project (discussed further in Chapter 5) and building the Network’s capability to contribute to policy and program development.

3.6 The current governance structure broadly follows the structure approved by the Prime Minister in December 2014. The only significant changes are the addition of two support branches and the creation of the Deputy National Director position. The current governance structure is shown in Figure 3.2.

Figure 3.2: Governance structure of the Regional Network



Note: The arrows represent reporting arrangements.

Source: ANAO representation of departmental documentation.

3.7 The National Director is also a member of several high-level policy and program related boards and committees, such as:

- PM&C's Operations Committee — makes decisions on operational matters, internal policies and processes, in the areas of financial management, security, information technology, corporate services, program management, risk management and human resources;

- the IAG Executive Strategic Policy Committee — discusses key strategic Indigenous affairs policy issues to inform departmental policies and programs, it is not a decision-making body; and
- Program Management Board — provides advice to program owners and the department's executive on the strategic directions and implementation of Indigenous-specific programs, in particular the Indigenous Advancement Strategy (IAS). The Program Management Board has authority to make administrative decisions, however any major policies or plans must be referred to the IAG Executive Board for endorsement.

3.8 Representatives from the Network are members of a number of sub-committees and subsidiary boards that report to the IAG Executive Board, including the Place and Capability Project Board and the Indigenous Economic Prosperity Project Board.²⁵

Executive structures within the Network

3.9 The Regional Network Executive (Network Executive) consists of the National Director, Deputy National Director, 12 Regional Managers, Branch Manager Delivery Support, and Branch Manager Engagement and Development. The department has drafted position descriptions for these roles and there are clear lines of communication and accountability between the levels of Network Executive.

3.10 The Network Executive holds fortnightly video conferences and executive meetings every six-to-eight weeks. The meetings are a forum to discuss divisional planning and provide strategic oversight of the division's operations and performance. The meetings also provide the Network Executive with a formalised, regular communication channel for receiving updates and sharing information. In interviews with the ANAO, Regional Managers stated that communication was appropriate and the meetings were an effective way to engage with the National Office and their peers.

Are strategic planning documents aligned to Government priorities?

There is consistency and alignment between the department's Corporate Plan, Divisional Plan for the Regional Network and the Branch Plans. The Regional Blueprints, and other relevant plans, are aligned with and address the Government's priorities of employment, education and community safety.

Divisional strategic planning

3.11 The Network has established a Divisional Plan for each financial year since 2014–15. The 2017–18 Regional Network Divisional Plan details the factors that may impact on the Network's

²⁵ The purpose of the Place and Capability Project Board is to establish shared direction setting and oversight for the approach to 'place' and capability development and service transfer policy. The purpose of the Indigenous Economic Prosperity Project Board is to provide shared direction setting and oversight for policy and engagement effort on major economic policy priorities such as Northern Australia, Western Sydney and the National Disability Insurance Scheme.

performance, the nine strategic activities undertaken by the Network²⁶ and divisional priorities for the year. The priorities focus on moving 'from a transactional to transformational way of working'. To support the priorities, the plan identifies that operational capacity will need to be enhanced and the Network needs to be better positioned to inform and influence policy platforms.

3.12 The 2017–18 Regional Network Divisional Plan also outlines the three purposes of the Network, which align with the department's purposes as stated in the Corporate Plan 2017–21. The Network's purposes are:

- supporting the Prime Minister as the head of the Australian Government and the Cabinet;
- providing advice on major domestic policy as they relate to Indigenous Australians; and
- improving the lives of Indigenous Australians.

3.13 The Divisional Plan contains 12 deliverables against seven strategic-level activities.²⁷ The deliverables largely align with, or are additional to, the Corporate Plan activities.

Branch and Region strategic planning

Branch Plans

3.14 In order to support the information needs of the Division head and a Division's performance reporting requirements, it is up to each division to decide what branch planning processes to implement. In October 2017, the Network Executive agreed to develop Branch Plans for the 12 regions and two support branches. In accordance with the Division's requirements, the Branch Plans should outline the purpose, priorities and deliverables, strategic activities, environmental threats to performance, annual budget and resourcing limit for the specific branch. Further, the plans should be tailored to the individual branches, complement the externally-focused regional blueprints and allow for visibility of geographic priorities and planned activities.

3.15 Thirteen branches have developed Branch Plans for 2017–18. In May 2018 the department advised the ANAO that the Western New South Wales region does not have a Branch Plan. The region has been reporting against a standard performance reporting template and regards this as its Branch Plan. The department should prepare a Branch Plan for this region, to support the planning and reporting of region-specific priorities and performance measures.

3.16 The ANAO's analysis of the 13 branch plans found that the content of the plans largely aligned with the Divisional Plan and:

- three branch plans listed all the required information;
- nine branch plans did not include resourcing information, including six plans which also omitted budget information; and

26 The nine strategic activities listed are: policy advice; collaboration; support and advice; policy coordination; monitoring and implementation; events; program delivery; enhancing capability; and contract management and delivery.

27 The Divisional Plan lists nine strategic activities, but seven strategic-level activities in the performance report. The plan merges the strategic activities of 'policy advice' and 'policy coordination' to form the strategic-level activity 'policy advice and coordination'. Similarly, 'monitoring and evaluation' and 'programme delivery' become 'monitoring and implementation (programme delivery)'.

- one branch plan did not detail strategic activities, environmental threats, manager or contact officer information, or resourcing and budget information.

Regional Strategies

3.17 A key feature of the IAS's investment approach was to support regionally focused solutions through the development of regional strategies. In July 2014 the department envisaged that regional strategies would: map the region's profile against priority indicators; identify the key policy and geographic areas that would have the greatest impact on improving outcomes; and propose strategies to improve outcomes and the measures by which these strategies would be assessed. Regional strategies were also intended to reflect community-identified priorities.

3.18 In April 2016, the department drafted Regional Strategies for each of the 12 regions. Each regional strategy followed a standard format which included: demographic data; the IAS funding profile for 2015–18; the department's view of key challenges, areas of departmental focus and engagement approach for the region and identified sub-regions; and medium-term (12–18 months) and long-term (five years) deliverables for each of the sub-regions.

3.19 The regional strategies met a number of the 2014 intentions for the plans, including: highlighting the region's performance against twelve demographic indicators²⁸; identifying the policy priorities for IAS funding in the region and the division of funding across sub-regions; and proposing medium and long-term strategies to improve outcomes. The department advised that it did not consult with Indigenous communities when developing the strategies because they were internal planning documents. As such, it is not clear how the department has assurance that the strategies reflect the priorities of local communities.

3.20 In September 2016, the regions developed shorter two-page reviews that outlined priorities, key stakeholder groups and service providers, current IAS funding levels and the department's staffing profile by location, role and classification. The department distilled this information further in March 2017, creating a one page reference sheet listing stakeholders and service providers. These reviews and reference sheets cover similar information but contain less detail than the regional strategies.

Regional Blueprints

3.21 The Regional Strategies have been replaced by Regional Blueprints. In February 2018 draft Blueprints for the 12 regions were developed and presented to the Network Executive. The Blueprints include an overview of the region (which may include an economic snapshot and key social and economic challenges) and, for each priority area the activities, key performance indicators, development opportunities and relevant stakeholders. The priority areas align with key policy areas, such as employment and economic development, community safety and wellbeing, and early childhood, youth and education. The Blueprints focus on the regional level and do not provide detail at the sub-regional level, whereas the regional strategies had identified regional and sub-regional challenges, priorities and milestones.

28 The indicators covered: percentage of the region that identify as Indigenous; Indigenous population growth forecasts; the age range of the Indigenous and total populations; Indigenous children that are developmentally vulnerable; overcrowded homes; NAPLAN results; school attendance; completion of Year 12 schooling; youth employment and study; Indigenous women aged 20–24 years that have given birth; employment rate; and hospitalisation rates for alcohol related conditions.

3.22 The department advised the ANAO in May 2018 that the Blueprints had not been finalised, and gave no timeframe for finalisation.

Does the department effectively manage risks to the operation of the Regional Network?

The Regional Network's management of risks has been partially effective. Branches have not documented their approach to risk as required. Under the new risk arrangements there will be a broader range of risks captured at the divisional level.

3.23 The department advised that its risk management processes were in transition for most of 2017–18, as it was reviewing its Risk Management Framework. The new policy and framework was endorsed by PM&C's Executive Board in May 2018 and was made available to departmental staff on 24 July 2018.

3.24 Prior to July 2018, the Department's suite of risk management documents included a Risk Management Framework (July 2015), a Secretary's Instruction on Risk Management (June 2017) and Strategic Risk Register 2017–18. The 2015 framework stated that senior officers are required to 'manage risk within their division/unit/branch and/or areas of policy responsibility' and to 'regularly monitor risks and provide summary risk reports as part of the quarterly reporting against operational plans'.²⁹ In August 2018, the department advised that a centralised quarterly risk reporting regime was not maintained during 2017–18 as its focus was on the development of the new risk policy and framework.

Divisional risk management

3.25 The divisional-level risk plan for the Network, *Risk Assessment for: Implementation of the Transformational Agenda of the Regional Network Division*, is dated 3 August 2017. A scheduled review of the plan was due by 1 October 2017, but had not been completed as at 9 July 2018. The divisional risk plan lists five risks, shown in Table 3.2.

Table 3.2: Regional Network divisional risks

Category	Description	Level
Information and communication technology	Processes and IT systems do not appropriately support Network staff to achieve the Government's objectives.	High
Reputation	Key events are disrupted by natural or other events.	High
Reputation	The implementation and delivery of programmes does not deliver outcomes for communities.	Moderate
Reputation	Commonwealth whole-of-government resources and effort are not aligned in a way that maximises collective impact and outcomes.	Moderate

²⁹ The Department of the Prime Minister and Cabinet, *Risk Management Framework*, PM&C, Canberra, July 2015, Appendix B, p. ii.

Category	Description	Level
People	The PM&C Regional Network workforce does not support effective community engagement or staff do not have the skills and knowledge to achieve objectives.	Moderate

Source: *Risk Assessment for: Implementation of the Transformational Agenda of the Regional Network Division*, August 2017.

3.26 Consequences, controls and treatments have been identified for each of the risks. Treatments include:

- regular engagement with program areas (discussed from paragraph 4.1);
- developing and implementing guidance tools (discussed from paragraph 4.35);
- implementing a place-based framework (discussed at paragraph 4.38);
- implementing the Network Workforce Development Plan (discussed at paragraph 4.45); and
- considering future opportunities for longer term ICT reform options (discussed from paragraph 4.50).

3.27 As discussed in this report, progress has been made against a number of these treatments. Due dates for treatments are not specific, with treatments for four of the five risks listed as 'ongoing'.

3.28 The Network reported on risk at biannual divisional review meetings with the department executive in 2017 and 2018. The August 2017 and March 2018 meetings used the Division's risk assessment from August 2017. The risk discussions focused on mitigations for operational risks such as workplace health and safety concerns and loss of business continuity. No changes were made to the risk assessment as a result of the review meetings.

3.29 The new risk arrangements, from 24 July 2018, include several business as usual risks to be incorporated as standard in departmental risk assessments. The Network's August 2017 risk plan, which was current as at 9 July 2018, does not include some of these business-as-usual risks, such as those relating to fraud, probity, workplace health and safety, or inappropriate and/or culturally insensitive behaviour by a PM&C staff member or third party contractor.

Branch risk management

3.30 The majority of regions and support branches have not documented their approach to risk. Regional Strategies, Regional Blueprints and Branch Plans do not adequately identify specific risks or treatments. For example, while five Branch Plans and four Blueprints include the term 'risk', it was largely in generic statements with no further detail, such as 'early identification and management of risk, including staff capacity'. Seven regions have developed risk registers that focus only on workplace health and safety, but four of the seven have not been updated since 2016.

3.31 The department undertakes risk assessments for individual programs and service provider organisations, and has a list of key and business continuity contacts for National Office and the regions. Operational or staffing risks (for example, local community events and issues, or staff absences) are mentioned in the weekly critical issues report that each region provides to the National Director, but broader stakeholder or strategic risks are not covered.

3.32 Branch reporting for January to March 2018 included a new requirement to report on workplace health and safety incidents and trends, and to detail action undertaken to maintain a

corresponding risk register and implement mitigation strategies. Five of the regions discussed risk when reporting against this measure, with one region making specific reference to its workplace health and safety risk register.

Recommendation no.1

3.33 The Department of the Prime Minister and Cabinet appropriately document, monitor and report against strategic and operational risks for the Regional Network.

Department of the Prime Minister and Cabinet response: Agreed

3.34 *The department launched its new Risk Management Framework and associated Risk Policy in July 2018 leading to improvement to the Department's approach to risk. Comcover has rated the maturity of PM&C's risk framework as advanced.*

3.35 *The Framework is established at the strategic and enterprise levels. Enterprise risk is defined as operational risks that apply across the Department. The Regional Network documents, monitors and reports against the relevant strategic and enterprise risk as part of the divisional business planning cycle.*

3.36 *The Department supports continuous improvement of risk through the application of the Framework. The Chief Risk Officer champions and facilitates objectivity in risk identification and management and drives best practice and innovation to improve risk culture.*

4. The Regional Network in operation

Areas examined

This chapter examines the Department of the Prime Minister and Cabinet's (PM&C's or the department's) arrangements for the operation of the Regional Network (Network), including stakeholder engagement, delegations, policy input and support for Network staff.

Conclusion

The full potential of the Network to facilitate the design and delivery of local solutions to local problems by leveraging its understanding and connection to communities is not being maximised. The department, through the Network, has not effectively embedded arrangements to coordinate with key stakeholders, input into policy is inconsistent, and Network officers have limited authority to make decisions that impact on local Indigenous communities.

Areas for improvement

The ANAO made two recommendations aimed at implementing internal and external stakeholder engagement and communication practices and appropriately leveraging the knowledge of the Network in the development of Indigenous policies and programs.

Does the Regional Network coordinate effectively with key internal and external stakeholders?

The Regional Network engages with a large number of key internal and external stakeholders, but has not developed or implemented a communication framework or protocols that embed this engagement in practice. As acknowledged by the Indigenous Affairs Group Executive Board, the absence of an overall engagement framework and plan risks key stakeholder confusion and consultation fatigue.

Regional Network's internal coordination with the Indigenous Affairs Group

4.1 The Network is the department's primary delivery and engagement arm. In addition to the executive structures discussed in Chapter 3, the Network coordinates and engages with 26 program, policy and enabling branches across the six other divisions of the Indigenous Affairs Group (IAG), as shown in Figure 4.1 and in further detail in Appendix 2.

Figure 4.1: The divisions of the Indigenous Affairs Group

Source: ANAO visualisation of the Department of the Prime Minister and Cabinet's Organisation Chart, as at 10 July 2018.

4.2 The Engagement and Development Branch has a role in coordinating the Network with the rest of IAG. However, the department has not prescribed a central point of contact for engaging with and tasking the Network. Representatives from IAG divisions advised the ANAO that their level of engagement with the Network through the Engagement and Development Branch varied and not all engagement with the Network occurred through that Branch.

4.3 In practice, the program and policy areas communicate with the Network through a variety of other means, including: contacting nominated policy or program leads in the Network; presenting at the Network Executive fortnightly videoconference and executive meetings; having Network representatives on grant application assessment panels; various joint working groups and forums; grant helpdesks and group email lists.

4.4 The ANAO was advised that IAG divisions have limited visibility of the Network's workload or priorities. Due to the limited visibility and poor coordination, the Network can be required to deliver its tasks to short timeframes. As a result, IAG divisions are not in a position to understand the relative priority and scheduling of their requirements and the impact of demands on the Network.

Regional Network's external coordination with Indigenous communities, state and territory governments, and Australian Government departments

4.5 The department has committed to work with other agencies and external parties to strengthen relationships and build partnerships that strengthen engagement with Indigenous stakeholders.³⁰

4.6 The Network identified that it engages with over 980 external stakeholders of varying size, influence, capacity, capability and locality. Each region is aware of its key stakeholders, which may include Australian and state government departments, land councils, peak bodies, community groups and service providers. The Network has advised that it is represented on over 420 stakeholder forums.

4.7 As at June 2018, the Network has a permanent in-community presence in seven regions. This in-community engagement is led by 24 Government Engagement Coordinators and 30 Indigenous Engagement Officers.³¹ Stakeholders interviewed by the ANAO valued the in-community presence of the Government Engagement Coordinators and Indigenous Engagement Officers for their understanding of local issues and needs and their ability to draw community attention to funding opportunities. However, some stakeholders felt that there was a disconnect between local officers and the program areas within PM&C's National Office which adversely impacted on funding outcomes.

4.8 The Network identifies organisations involved in the Government's Empowered Communities initiative as key stakeholders. The initiative is discussed in Box 1.

Box 1: Empowered Communities initiative

The Empowered Communities initiative seeks to implement new ways for Indigenous communities and governments to work together to set priorities, improve services and apply funding effectively at a regional level. The Government has committed to allowing regionally focussed joint planning and decision-making on discretionary regional investment in eight locations.

The eight Empowered Communities locations, and the Network regions are:

Empowered Communities	Network regions
Cape York	Far North Queensland
Central Coast	Eastern New South Wales
East Kimberley	Kimberley
Goulburn Murray	Victoria/Tasmania
Inner Sydney	Eastern New South Wales

30 Department of the Prime Minister and Cabinet, *Corporate Plan 2017–2021*, p. 15.

31 Government Engagement Officers live in communities, engage with locals and stakeholders and support and monitor the delivery of PM&C funded services. Indigenous Engagement Offices are members of the local community that are employed by the department to provide local language and cultural knowledge.

Box 1: Empowered Communities initiative

Ngaanyatjarra Pitjantjatjara Yankunytjatjara (NPY) Lands	Central Australia, Greater Western Australia and South Australia
North East Arnhem Land	Arnhem Land and Groote Eylandt
West Kimberley	Kimberley

In June 2016 the Government provided \$14.4 million over three years to ‘backbone organisations’ in Empowered Communities.^a

Support to the initiative is provided by a National Office-based Implementation Taskforce. The Network is intended to support and engage with Empowered Communities leaders and backbone organisations and to provide relevant advice as they shape their long-term regional plans and negotiate investment with governments. The Network’s relationship with regional Empowered Communities leadership groups is seen as key to the success of the initiative.

The ANAO interviewed five of the eight Empowered Community backbone organisations. Organisations interviewed agreed that the initiative was a positive development, but expressed that they would like:

- the department to be more involved in the messaging about funding decisions to the broader industry;
- more transparency of funding decisions for each backbone organisations;
- concerns over data systems and duplication addressed; and
- closer involvement from the department.

Note a: The role of backbone organisations is to drive delivery, perform secretariat and support functions and, in the initial phase, focus on building the development agenda across their region.

Source: ANAO analysis of public and departmental documents and interviews with stakeholders.

4.9 The Network generally manages relationships with state, territory and local governments at the regional level. However, in the Northern Territory, the Delivery and Support Branch provides a high-level coordination point for the Northern Territory Government.³² Where multiple Regional Managers are based in the same jurisdiction (for example, Greater Western Australia and the Kimberley), working arrangements have been developed to limit overlap or gaps across policy and program coverage.³³ Regional Managers advised that these arrangements are reasonably effective.

4.10 Regions also engage with Australian and state government departments on issue-specific working groups and forums. Examples of Network engagement include:

- the Western Sydney City deal — the department has advised that the Network was instrumental in ensuring an Indigenous employment target (2.4 per cent) and Indigenous procurement target (3 per cent) for construction projects was included in the 20 year agreement between the Australian and New South Wales governments;

32 The Regional Managers for the Arnhem Land and Groote Eylandt, Central Australia and Top End and Tiwi Island regions then coordinate with their local area Northern Territory counterparts.

33 Aside from South Australia, Victoria and Tasmania there are multiple regions in each State or Territory jurisdiction.

- Groote Eylandt Steering Committee meetings — the National Director and Regional Manager meet quarterly with senior representatives of the Northern Territory Government, Anindilyakwa Land Council and Northern Territory Police to discuss emerging issues and the progress of initiatives in the archipelago; and
- the response to social unrest in Tennant Creek, Northern Territory, in early 2018 — the department has advised that as part of its response, the Network held meetings with traditional owners, local elders, Northern Territory Government officials and service providers to re-establish a Cultural Authority Group for Tennant Creek. This group is intended to represent the collective interests of Indigenous people in the area, and has met with the Northern Territory Government to discuss priority actions for the town.

Identifying and monitoring external stakeholder relationships

4.11 The Network does not require regions to develop stakeholder engagement strategies, and no region has developed a formal strategy. Instead, regions use various program specific communication protocols and the Regional Blueprints' broad stakeholder consultation and engagement statements to support engagement strategies. Under this approach, stakeholders have not been systematically prioritised and the Network does not monitor relationship risks or the status of stakeholder relationships.

4.12 In July 2017, the IAG Executive Board discussed opportunities for better coordination of planned engagement and consultations, and the development of an overarching IAG engagement framework and plan. It noted that the IAG risks key stakeholder confusion and consultation fatigue in the absence of an overall engagement framework and plan. The IAG Executive Board agreed to receive quarterly updates on national and significant IAG engagements and consultations related to the IAS. Updates, which provided a snapshot of engagements, were received and discussed in July 2017 and April 2018.

4.13 The department launched a Stakeholder Engagement Framework in September 2017. The Stakeholder Engagement Framework sets a strategic approach to stakeholder engagement and is supported by guidance, tools and templates to assist staff in planning, designing, undertaking and evaluating stakeholder engagement activities. The Stakeholder Engagement Framework has not been adopted by the Network.

4.14 Given that the Network has identified engaging with over 980 external stakeholders and 420 stakeholder forums, there would be benefit in the Network formalising its stakeholder engagement protocols to improve the coherency, consistency and effectiveness of its external engagements.

Recommendation no.2

4.15 The Department of the Prime Minister and Cabinet implement an effective internal and external stakeholder engagement and communication framework for the Regional Network.

Department of the Prime Minister and Cabinet response: *Agreed*

4.16 *Given the breadth of interests of stakeholders across all areas of the Department's responsibility, the departmental-wide adopted approach is to develop targeted communication strategies more aligned with specific areas of interest.*

4.17 *The Regional Network will ensure regional level communication plans more closely align with a division wide strategic approach.*

Do Regional Network officers have an appropriate level of delegation and responsibility to effectively deliver the Government's objectives?

The department's delegation framework supports the Government's objective to have senior Network staff making local decisions. In practice, Network officers have limited decision-making authority, with the Minister for Indigenous Affairs approving the majority of funding decisions.

4.18 The Government's intention when establishing the Network was that Regional Managers would be accountable for improving Indigenous outcomes in the Government's key priority areas within their region and that decision-making would be devolved to the Network. In September 2014, the Prime Minister approved the design of a network that allowed decision-making by senior staff close to the ground who could tailor funding to suit the local context. The department did not describe how this would work in practice.

4.19 The department's delegation schedule lists the powers and functions assigned to Network officers, as shown in Table 4.1. The department's delegation framework assigns a delegate the power to commit funds under their responsibility to a certain limit. This limit may be to the lesser of a pre-determined amount or to the level of funds available (TLFA).

Table 4.1: Delegation of powers and functions to Network staff

Power or function assigned	National Director and Deputy Director	Regional Managers	Executive Level 2 officers	Executive Level 1 officers
Approve a commitment of relevant money. Excludes: Official Hospitality, Sponsorships, ICT Items and Facilities and Property Items.	Departmental: Lesser of \$3,000,000 or TLFA Administered: Outcome 1 and 2 TLFA	Departmental: Lesser of \$1,000,000 or TLFA Administered: TLFA	Departmental: Lesser of \$200,000 or TLFA Administered: Lesser of \$300,000 or TLFA	Departmental: Lesser of \$80,000 or TLFA Administered: Lesser of \$100,000 or TLFA
Enter into, vary or administer an arrangement. Excludes: 1. Arrangements for banking, disposal and debt Management. 2. Grants and Arrangements relying on Schedule 1AA or 1AB of the FFSP Regulations and s32B of the FFSP Act. ^a	Yes	Yes	Departmental: Lesser of \$200,000 or TLFA Administered: Lesser of \$300,000 or TLFA	Departmental: Lesser of \$80,000 or TLFA Administered: Lesser of \$100,000 or TLFA
Enter into, vary or administer a grant or arrangement relying on Schedule 1AA or 1AB of the FFSP Regulations and s32B or the FFSP Act.	Yes	Yes	Administered: Lesser of \$300,000 or TLFA	Administered: Lesser of \$100,000 or TLFA

Note a: Financial Framework (Supplementary Powers) Regulations 1997 and *Financial Framework (Supplementary Powers) Act 1997*.

Source: Excerpt from PM&C's Delegation Schedule, December 2017.

4.20 In practice, under the IAS grant approval protocols the administered funds available for Network staff is nil, except for NAIDOC Week grants valued less than \$5000, and the Regional Managers Discretionary Fund discussed below. The department advised that the Minister for Indigenous Affairs (the Minister) has elected to retain decision-making authority in relation to most grant funding approvals. In late 2015, the department requested permission for Regional Managers to have the delegation to approve certain projects within their region up to \$500,000, but this was not approved by the Minister. The department has analysed the Minister's approval rate for applications from April 2016 to June 2018. The department advised the ANAO that the Minister approved 53 per cent of all grant applications provided to him for consideration as the decision-maker, including grants not recommended for funding by the department.

Regional Manager Discretionary Fund

4.21 The Regional Manager's Discretionary Fund was established in October 2016 after the Minister agreed to allocate up to \$2 million from uncommitted 2016–17 IAS funds. The purpose of the discretionary fund is to allow the Network to respond strategically and rapidly to local issues and to foster productive relationships with communities. In April 2017 the Minister approved an

increase to \$3 million, and in July 2017 it was agreed to further increase the Discretionary Fund to \$5 million each year for 2017–18 and 2018–19.

4.22 The discretionary fund allows Network staff to directly approach organisations for funding proposals. The Minister agreed that the fund should not be advertised as it would undermine the purpose and create demand for grants that should be met by the IAS. The Regional Manager identifies need in the region and then potential projects are endorsed by the National Director, where considered appropriate. Discretionary fund expenditure is included in the dashboard report to the Minister. Outcomes and reporting on the discretionary fund is discussed in Chapter 5.

Does the Regional Network have appropriate input into policy and program development?

The Network was designed to actively engage with and gather intelligence from Indigenous communities. However, the Network has inconsistent input into Indigenous policy and program development and the value of the Network is not being effectively leveraged. The Network's progress against the strategy to improve its linkages with National Office is mixed, with five of the ten components not commenced.

4.23 An intent of the new regional structure was to leverage the Network's understanding and connection to communities to facilitate design and delivery of local solutions to local problems. This intent was reiterated by the Prime Minister in February 2017 when describing the way the Indigenous Affairs portfolio was moving to operate 'from a one-size-fits-all mindset for program design, to local solutions'.³⁴

4.24 The IAG divisions acknowledged to the ANAO the importance of the Network's input into policy and program development. In June 2017, the Network Executive recognised its engagement in the policy cycle was inconsistent and often confined to the implementation phase. The Network Executive agreed to a ten component strategy to enhance the Network's linkages with National Office across all phases of the IAG policy cycle. Of the ten components, two are complete, five have not commenced and the other components are in varying stages of implementation, as shown in Table 4.2.

³⁴ Turnbull, M, 2017, 'Closing the Gap report 2017', speech, presenting the Closing the Gap Prime Minister's Report 2017 for tabling in the House of Representatives, Canberra, 14 February.

Table 4.2: Implementation of the ten component strategy to improve Network input into policy

No.	Component	Implementation
1	Develop engagement protocols that require IAG program areas to consult with the Network on policy briefs prior to going to the Minister for decision.	Not commenced.
2	Establish a Place-Based Steering Committee to oversee the framework's implementation.	Completed. The Place and Capability Project Board was established as a steering committee to oversee the Network's 'place-based' practice.
3	Establish a policy register for IAG policy initiatives.	Prototype version developed in June 2017. No evidence of further action.
4	Establish Policy Coordination Officers within each state jurisdiction to facilitate engagement and coordination with IAG program areas and state and territory government staff.	Two of seven positions filled internally. Recruitment on remaining five positions are on hold subject to outcomes of the Recalibration Project.
5	Establish Communities of Practice to integrate the Network into the policy cycle and build policy capability.	The Project Boards that the Communities of Practice will report to have been established. Communities of Practice have not been established.
6	Develop and implement targeted and specialised policy training for Network staff.	Completed. Project Planning and Management Framework and Placed-Based Practice Training has been developed and delivered to the Network.
7	Establish a secondment program between the Network and National Office.	Not commenced.
8	Establish policy support roles within each region to support Policy Coordination Officers.	Not commenced.
9	As part of component 3 (policy register), develop a policy engagement cycle between Regional Managers and IAG program areas as part of the register's maintenance.	Not commenced.
10	Develop protocols for structured and disciplined Network-led policy thinking.	Not commenced.

Source: ANAO analysis of PM&C documentation.

4.25 The Network has not drafted an implementation plan for the components or the overarching strategy and the implementation timeframes have not been articulated. The Network reports progress to the IAG Executive Board on individual components irregularly.

4.26 While the Network established its ten component strategy to enhance linkages with National Office, there is evidence that, at times, the Network has been consulted by IAG program areas for input to policy and program design. For example, the Network was consulted about:

- the current Community Development Programme policy reforms, focusing on lessons learnt from previous employment models; and
- the future policy direction of the Remote School Attendance Strategy post-2018, gathering lessons learnt and opportunities for future developments.³⁵

4.27 As discussed in Chapter 3, the Network is also represented on the Program Management Board, and the Place-based Capability and Economic Prosperity Project Boards. These Boards are intended to ensure that a wide range of IAG interests are incorporated into the development of new policies and approaches, and any changes to current IAS policies or procedures. However, consultation with the Network remains inconsistent and, with limited structure to the engagement, the value of the Network is not being effectively leveraged.

Recommendation no.3

4.28 The Department of the Prime Minister and Cabinet embed processes to ensure the knowledge of the Regional Network is appropriately leveraged in the development of Indigenous policies and programs.

Department of the Prime Minister and Cabinet response: Agreed

4.29 *The Department recognises the value of ensuring policy development is informed by input from the Regional Network, reflecting the knowledge gained by working closely with the community, and through the experience of delivering existing policies and programs. The Department notes that while there is scope for improvement in this area, the Regional Network does have significant input in the Indigenous Advancement Strategy decision making process through direct involvement in the assessment and recommendation of funding proposals regardless of the level of financial delegation.*

4.30 *The Department acknowledges that improved integration of Regional Network knowledge into policy development is needed and is currently undertaking a range of work directed to this end including the Recalibration Project, which is expected to deliver improved processes and arrangements by the end of 2018.*

Did the department establish appropriate support for Regional Network officers?

The department has established adequate support for Regional Network officers. Guidance is generally clear and staff have access to a range of training options. The department has commenced a number of strategies to identify and develop capability in the Network, but this

35 The Community Development Programme is an Australian Government employment and community development program designed to support jobseekers and reduce welfare dependency in remote Australia. The Remote School Attendance Strategy is operating in 74 communities and has school attendance officers working with schools, families and community organisations to ensure all children go to school.

work is incomplete. The department has taken initial steps to address the issue of operating on dual ICT systems.

4.31 Support for Regional Network officers discussed in this section includes communication, procedures and guidance material, training and systems.

Communication

4.32 Network staff receive departmental messages via a number of internal communication channels. These include a fortnightly all-staff newsletter, intranet news content that includes Secretary and executive messages, corporate, learning and development and community news.

4.33 Regional Managers deliver information to their staff in a variety of ways, including: regular meetings with senior officers, who are expected to pass information on to their teams; all-staff meetings (often using video conference facilities); and regional and sub-regional meetings several times a year. One region has documented its region-specific internal communication arrangement; there may be benefit in all regions having a more formalised approach to internal communications.

4.34 In the ANAO's survey of Network staff, for questions regarding the level of communication received, the 174 responses stated:

- for the statement 'Information and issues that I should be aware of are clearly communicated to me', 50 per cent of staff (87 respondents) agreed or strongly agreed and 30 per cent (53) disagreed or strongly disagreed³⁶; and
- for the statement 'The objectives, plans and strategies for my region and the Regional Network have been clearly communicated to me', 53 per cent (93) agreed or strongly agreed and 25 per cent (44) disagreed or strongly disagreed.³⁷

Procedures and guidance material

4.35 There is a large amount of procedures and guidance material available to Network officers covering areas such as: grant administration; stakeholder engagement; training requirements; corporate card use; staff performance agreements; and workplace health and safety. Nine of the 12 regions also provide region-specific guidance and induction materials.

4.36 The ANAO reviewed a sample of guidance material relevant to the 28 standard activities reported in quarterly branch performance reports.³⁸ The ANAO found that the guidance reviewed was clear and generally accessible. An example is the comprehensive grant administration manual, which includes links to templates, information guides, task cards, and standard contract schedules and agreements.

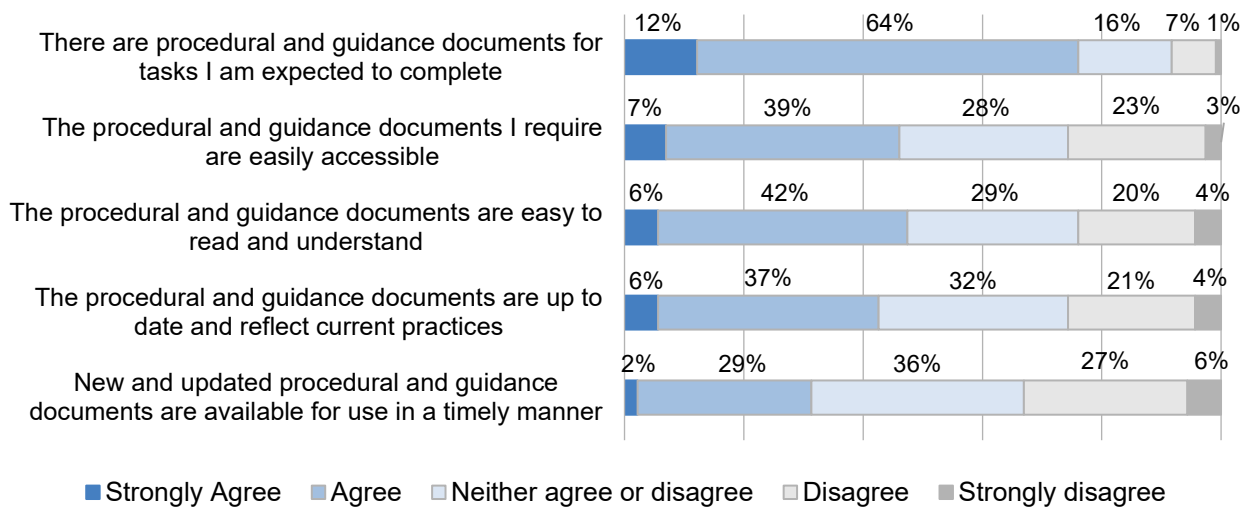
36 Twenty per cent (34) neither agreed nor disagreed.

37 Twenty-two per cent (37) neither agreed nor disagreed.

38 One of the activities related to online training modules for grants administration. The detail of these online modules was not reviewed. Another related to coordination of ministerial visits, for which guidance was not available.

4.37 Seventy-seven per cent of Network staff who responded to the APS employee census 2017 survey indicated that when faced with something that they do not know how to do they will refer to procedures or guidelines. Results of the ANAO's survey of Network staff are shown in Figure 4.2.

Figure 4.2: Results of the ANAO's survey of Network staff — guidance



Source: ANAO Regional Network staff survey analysis.

4.38 The department is providing support to Network officers to assist them to move 'from a transactional to transformational way of working'.³⁹ This includes a project planning framework and a place-based framework. The project planning framework is intended to support staff to identify and realise potential economic and social benefits from infrastructure investment in their region, such as Indigenous employment and enterprise outcomes. In July 2018, the department advised that the final version of the framework is yet to be endorsed. The place-based framework is intended to enhance professional practice organised around 'place', and emphasises the importance of staff understanding the characteristics of the community they are working in, and using relationships to benefit Indigenous communities. The place-based framework was endorsed by the Place and Capability Project Board in February 2018.

Training

4.39 The Network has a suite of five mandatory courses that are readily accessible through LearnHub.⁴⁰ However, not all available courses are in LearnHub, such as 4WD training and training linked to the transformational agenda, and the training records in LearnHub are incomplete and contain duplications.

4.40 The Network reported that almost 50 per cent of Network staff had completed the mandatory training as at 30 June 2018, an increase from the 31 per cent of staff that had completed

39 Department of the Prime Minister and Cabinet, *2017–18 Regional Network Divisional Plan*, PM&C, Canberra, undated, p. 1.

40 LearnHub is the department's Learning Management System. It contains a catalogue of online, face-to-face and video conference courses.

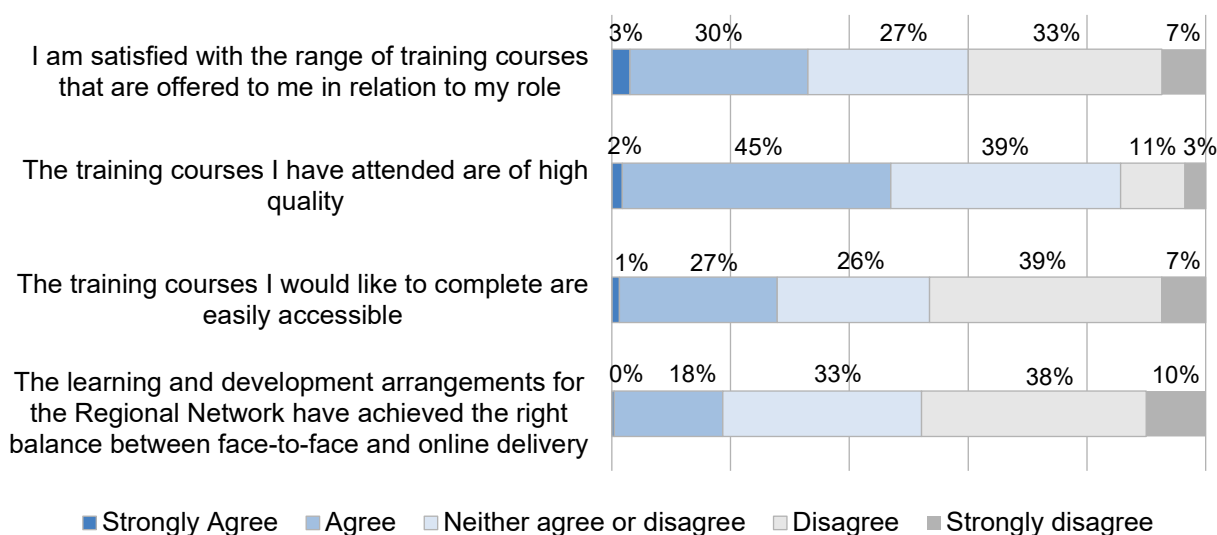
mandatory training as at 31 June 2017. The ANAO's analysis of available LearnHub data for the mandatory courses found that, from January 2016 to June 2018:

- 291 Network staff attended the Cultural Appreciation Program or Core Cultural Learning;
- 197 Network staff attended workplace health and safety training;
- 584 Network staff attended fraud awareness training;
- 105 Network staff attended risk management training; and
- 118 Network staff attended business continuity training.⁴¹

4.41 LearnHub data indicates that from January 2016 to June 2018, Network staff have completed 4629 courses covering 138 topics. This includes 49 online courses and 89 face-to-face courses. Course attendance varies by region. For example, the 72 staff in the Top End and Tiwi Islands region completed 467 online courses and 165 face-to-face courses during this period, while the 31 staff in the Far North Queensland region completed 83 online courses and 78 face-to-face courses. In late 2017 the department commenced project planning training and place-based practice training to support staff to move towards a transformational way of working. As at August 2018, all regions have participated in the place-based training and project planning training.

4.42 The APS employee census 2017 survey indicates that Network staff are somewhat satisfied with training access, with 7.5 per cent strongly agreeing and 47 per cent agreeing that the department provides access to effective learning and development.⁴² Results from the ANAO's survey of Network staff are shown in Figure 4.3.

Figure 4.3: Results of the ANAO's survey of Network staff — training



Source: ANAO Regional Network staff survey analysis.

4.43 In response to the ANAO's survey, 14 per cent of Network staff reported that they had not completed any training in the previous year and 57 per cent reported that they had completed one to two courses. The survey identified that the top three barriers to training were: that courses

41 Total Network staff (headcount) as at June 2016 was 584; June 2017 was 592; and June 2018 was 552.

42 17.5 per cent disagreed or strongly disagreed and 28.3 per cent neither agreed nor disagreed.

require travel (26 per cent of respondents); lack of time/work pressures (25 per cent); and the range of courses available (15 per cent).

4.44 In the 2016–17 Divisional Operational Plan, the Network committed to developing Workforce Action Plans for each region, now known as Workforce Capability Plans. The department prepared ten draft Workforce Capability Plans for 2016–17, which identified local capability requirements and training needs.⁴³

4.45 In April 2017, the department engaged a consultant to develop a Network Workforce Plan informed by the regional plans, which was provided to the department in June 2017. The IAG Executive board was advised that a project implementation plan for the Workforce Plan would be developed by mid-September 2017, but this has not occurred. The draft Workforce Plan provides 15 suggested actions for the Network that include conducting skills audits, developing regional workforce capability plans (as previously discussed most regions had drafted workforce capability plans) and establishing a training calendar. The Workforce Plan has not been finalised and the actions have not been progressed. However, the department has advised that the draft Workforce Plan is being considered in the context of the Recalibration Project.

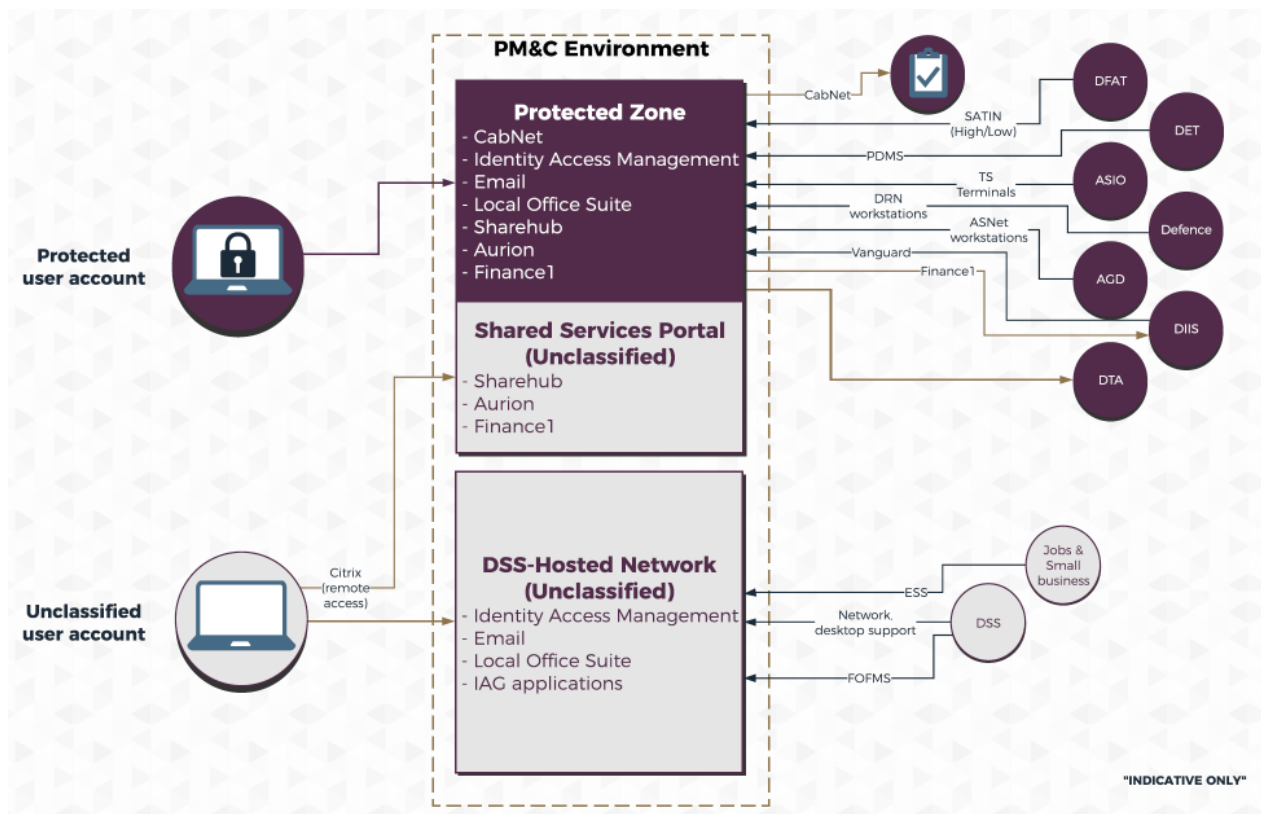
Systems

4.46 The Network operates on a dual ICT system referred to as the ‘protected’ and ‘unclassified’ networks, see Figure 4.4. The unclassified network is a legacy system used by the Regional Network, and managed by the Department of Social Services through a Memorandum of Understanding.⁴⁴ The Network also uses the department’s protected environment when required.

43 Two regions and the two support branches did not prepare plans.

44 The Memorandum of Understanding was executed on 18 August 2016 and concludes on 30 June 2021.

Figure 4.4: The department's current ICT environment



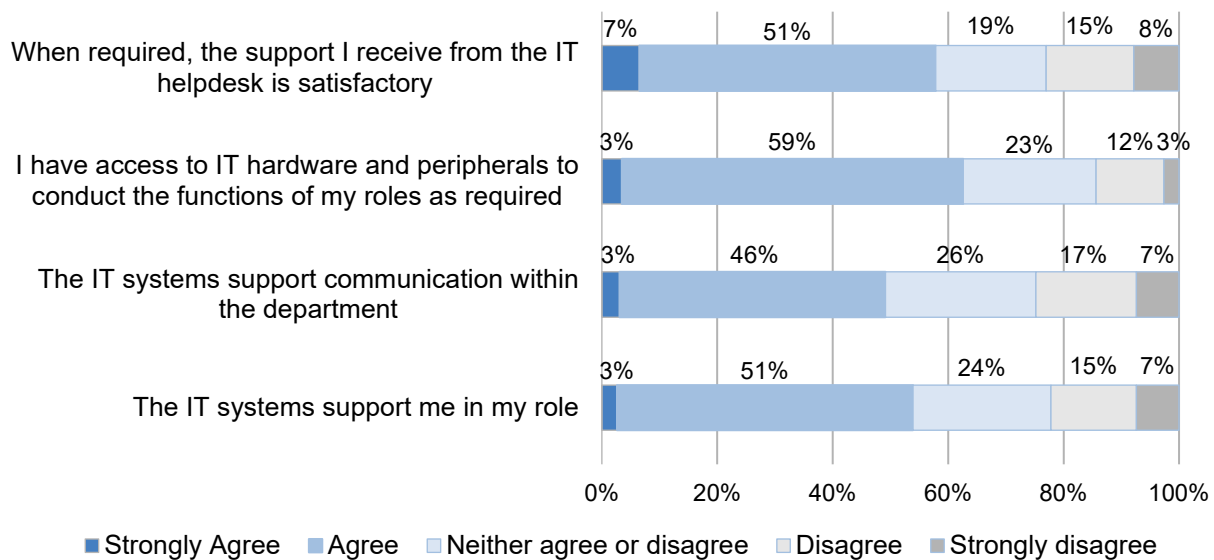
Source: *ICT Transformation Programme, Transformation Options*, March 2018, p. 12.

4.47 Through the protected and unclassified systems, Network staff access the following additional systems that require separate log-on identification and passwords:

- Employment Services System, hosted by the Department of Jobs and Small Business for the management of Community Development Programme contracts;
- Employment and Community Services Network, which allows staff to access the training and provider portals for the Community Development Programme; and
- Finance 1, an accounting and financial management software package.

4.48 The department's electronic document management system, ShareHub, was launched in the IAG in June 2016, and includes both a protected and unclassified portal. The department intended for ShareHub to replace shared drives. In the ANAO's survey, six per cent of staff reported not using ShareHub at all.

4.49 The ANAO survey results regarding the IT systems are shown in Figure 4.5. A wide range of respondents also commented on the difficulty of accessing IT support, negative impacts of the dual ICT systems, and the connectivity and speed of the systems.

Figure 4.5: Results of the ANAO's survey of Network staff — IT systems

Source: ANAO Regional Network staff survey analysis.

Information and communication technology strategy

4.50 In November 2017, the department finalised an *ICT Strategy 2018–20*. The strategy acknowledges the dual ICT systems are complex and additional systems are a legacy from changes in government priorities over time, recognising that:

This has left the Department with a number of technologies that are difficult to interconnect and are legacy in nature. This challenges the productivity of our staff and limits its ability to deliver quality services to the Government, people, entities and communities we serve.⁴⁵

4.51 Recommendations from a cloud-based system feasibility analysis were presented to the department's Executive board in March 2018. The analysis focused on potential changes to the unclassified network, and one of the five options presented an alternative to the dual ICT system. However, the preferred option was to create an unclassified cloud platform and transition the IAG from the network hosted by the Department of Social Services to an alternative provider, which would not resolve the dual ICT system issue.⁴⁶ In March 2018, the department requested a business case be developed for the preferred option. As of July 2018, the business case remained in draft.

45 Department of the Prime Minister and Cabinet, *ICT Strategy 2018–20*, November 2017, p. 3.

46 The alternative options of transitioning IAG to the department's protected network, the department's unclassified network or the Department of Social Services' unclassified network and retaining the status quo, were not recommended. The options analysis stated that these options would result in at least \$2 million annual costs above the recommended option and would not be compliant with the government IT policy on cloud adoption.

5. Performance reporting and evaluation

Areas examined

This chapter examines Department of the Prime Minister and Cabinet's (PM&C's or department's) performance reporting arrangements and evaluations of the Regional Network (Network).

Conclusion

The department has established appropriate reporting arrangements. Performance monitoring is compromised by shortcomings in the performance measurement framework and the department has not evaluated the performance of the Network.

Areas for improvement

The ANAO made two recommendations aimed at improving performance criteria and implementing a systematic approach to improving processes and performance.

Has the department established an effective performance measurement framework for the Regional Network?

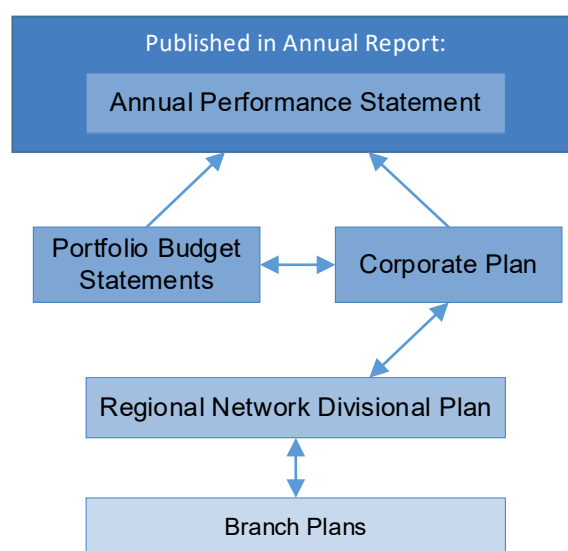
The department's performance measurement framework for the Regional Network is partially effective. The Network's performance measurement criteria are mostly relevant, but they are not reliable or complete.

5.1 The performance measurement and reporting requirements established under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) include the requirement for departments to produce annual corporate plans together with Portfolio Budget Statements (PBS) and to publish annual performance statements in their annual reports. The department's 2017–21 Corporate Plan contains performance criteria that are relevant to, but not specific to, the Network. The Corporate Plan describes the Network's contribution to purpose 3, 'improving the lives of Indigenous Australians', as being 'responsible for the delivery of Indigenous Affairs policies and programs and for engagement with Indigenous Communities'.⁴⁷ The department's 2017–18 PBS does not explicitly refer to the Network.

5.2 The department's internal performance measurement framework, as outlined in various documents, is shown in Figure 5.1. The Department of Finance's guidance states that the level of performance information will vary in accordance with the purpose of the reporting.⁴⁸ As expected, the performance information in the Divisional and Branch Plans is more granular than the Corporate Plan.

47 Department of the Prime Minister and Cabinet, *Corporate Plan 2017–2021*, p. 7.

48 Department of Finance, *Resource Management Guide No. 131: Developing good performance information*, Finance, Canberra, April 2015, p. 11.

Figure 5.1: Performance measurement framework for the Regional Network

Note: Arrows represent the flow of information.

Source: ANAO analysis of departmental documents.

Divisional plan

5.3 The Network's Divisional Plan contains performance criteria to be used to evaluate performance and inform the department's Annual Performance Statement. The performance criteria comprise 14 key performance indicators (KPIs) and 14 performance measurements.⁴⁹

5.4 The Department of Finance's guidance states that, along with improving the quality of public reporting, 'entities may also find this guide useful in driving improved performance information development within their own organisations'.⁵⁰ The ANAO assessed the Network's performance criteria for relevance, reliability and completeness in accordance with the guidance.⁵¹ The ANAO's assessment against the relevance and reliability criteria is shown in Table 5.1.⁵² Completeness is discussed from paragraph 5.8.

49 Of the 14 KPIs in the Divisional Plan, five directly align with the 2017–21 Corporate Plan, and nine are additional and specific to the Network. There is not a direct correlation between the 14 KPIs and the 14 performance measurements. The ANAO found that some performance measurements were shared across a number of KPIs, which resulted in 16 performance criteria.

50 Department of Finance, *Resource Management Guide No. 131 Developing Good Performance Information*, Finance, Canberra, April 2015, p. 3.

51 The basis for this assessment is drawn from the following characteristics of good performance information, as defined by the Department of Finance's *Quick Reference Guide – RMG 131 Developing Good Performance Information*:

- relevance — performance information should clearly state who benefits and how they benefit from the entity's activities;
- reliability — performance information should use information sources and methodologies that are fit-for-purpose and verifiable; and
- completeness — performance information should help stakeholders judge whether the purposes of an entity are being achieved.

52 The criteria are based on Auditor-General Report No. 33 of 2017–18, *Implementation of the Annual Performance Statements Requirements 2016–17*, and Department of Finance Resource Management Guides No.'s 130, 131, 132 and 134.

Table 5.1: ANAO analysis of the relevance and reliability of the Regional Network's performance criteria

	Met	Mostly Met	Not Met
Relevance	7	9	0
Benefit	16	0	0
Focus	16	0	0
Understandable	4	3	9
Reliability	2	0	14
Measureable	1	1	14
Free from bias	2	0	14

Source: ANAO analysis of Regional Network Divisional Plan 2017–18.

Relevance

5.5 The ANAO found that it was clear who is expected to benefit from the deliverable, and how, and a direct link could be established between the criteria and the Divisional Plan purpose and deliverables. However, the performance criteria were not easily understandable, as they did not always provide sufficient information to enable internal readers to understand how the benefit is to be measured.

Reliability

5.6 The ANAO determined that most of the performance criteria in the Divisional Plan were unreliable because they were not measurable or free from bias. They were not measurable due to a lack of clear measurement methodology and an absence of performance targets. Only two of the 14 performance measurements clearly indicate what level of achievement is expected. For example, one measurement is 'opportunities to feed into policy', with no methodology or performance target included. The perception of potential bias could be reduced through clearer definition of measurements. For example, a perception of case study bias could be reduced if the performance criteria specified a selection methodology that assures the user that the case studies and activities are representative of broader outcomes, and not isolated positive stories. This could also be achieved by supplementing case studies with additional data sources that confirm the asserted level of achievement. While the use of case studies can be seen as a good way of providing narrative, the narrative should be evidence based.

5.7 The Network uses feedback from internal or external stakeholders for nine of the 14 performance measurements in its 2017–18 Divisional Plan. The Network also intends to use the department's 2017–18 stakeholder survey to obtain stakeholder feedback for two performance measurements. The reliability of the survey is discussed in Box 2.

Box 2: Surveying stakeholder satisfaction

The 2016–17 department-wide annual stakeholder satisfaction survey was used to inform the related Annual Performance Statement results for stakeholder feedback. The Network Executive requested each branch provide the details of six key stakeholders to be surveyed. The number of stakeholders invited and respondents is shown below:

	Number	Percentage
Total number of external stakeholders invited to participate	455	–
External stakeholders invited to participate by the Regional Network	63	13.8% of invited stakeholders
External stakeholders who responded	226	49.7% of invited stakeholders
Respondents who reported having dealt with the Indigenous Affairs Group	151	66.8% of total respondents
Respondents who reported having dealt with the Regional Network	74	49.0% of respondents who dealt with Indigenous Affairs Group

In the 2016–17 Annual Performance Statement, the department reported that the performance criteria related to stakeholder satisfaction had been achieved. It did not publish the level of satisfaction obtained. Satisfaction levels for Indigenous Affairs Group stakeholders ranged from index scores of 50.5 to 69.1.^a While some results related to views on the Network's collaboration and level of respectful engagement, the results from the survey were not disseminated to the Network.

The department did not set a target for stakeholder satisfaction in the 2016–17 survey. Transparency could be improved by the department publishing a performance target and the level of achievement attained against the target.

To be an effective, reliable measurement of performance for the Network and reduce bias, the sample of survey participants needs to be improved so that it ensures adequate and balanced representation from Network stakeholders.

Note a: Index scores were created by applying a five-point scale to responses, with 'strongly disagree' assigned a one and 'strongly agree' assigned a five. Average results of questions relevant to the KPI were then multiplied by 25. Index scores of 0–49 were considered, on average, unfavourable; scores of 50 neutral; and scores of 51–100 favourable.

Source: ANAO analysis of departmental records.

Completeness

5.8 All three Divisional Plan purposes are addressed by deliverables. The ANAO determined that only half of the plan's 12 deliverables had corresponding performance criteria that would enable a complete assessment of whether the deliverable had been achieved.

5.9 An example of a deliverable with incomplete performance criteria is: 'design of regional development plans to support decision-making in regard to investment and achievement of

national strategic priorities in Indigenous affairs'.⁵³ The corresponding performance criteria involves internal and external stakeholder feedback and qualitative assessment of activities using case studies. The performance criteria are not complete as they do not measure the design of the regional development plans and there is no method to assess achievement of national strategic priorities other than case studies and stakeholder feedback.

5.10 The Department of Finance's guidance states that 'as a general rule, a meaningful performance story will be supported by quantitative and qualitative information'⁵⁴, allowing stakeholders to judge whether the purposes of an entity are being achieved. The Divisional Plan performance criteria comprise a mix of quantitative and qualitative measurements, although it is not always apparent whether the measurements are intended to be quantitative and qualitative due to a lack of clearly defined methodology.

Branch plans

5.11 The Network has developed Branch Plans to assist the National Director to oversee branch performance. The performance criteria in the 14 Branch Plans reviewed by the ANAO align with the Divisional Plan's KPIs and measurements.⁵⁵ The plans also included additional operational performance criteria based on the branch reporting template and 12 plans included region-specific activities and performance criteria. The Network branches report quarterly against the standard template, which does not include the region-specific performance criteria.

5.12 The quarterly branch reporting template includes 52 performance criteria.⁵⁶ The ANAO's analysis of the performance criteria in the quarterly branch reporting template found them to be more robust than the Divisional Plan, with 63 per cent of performance criteria found to be reliable and 29 per cent partially reliable. Most of the performance criteria with reliability issues were strategic criteria extrapolated from the Divisional Plan.⁵⁷ Criteria were assessed as partially reliable or unreliable when they did not include targets, timeframes or data sources, or depended solely on measurements with potential bias, such as case studies. As with the Divisional Plan, performance criteria in the quarterly branch reporting template would be strengthened if targets and timeframes were detailed and measurement methodologies and data sources were more clearly defined.

53 The Department of the Prime Minister and Cabinet, *2017–18 Regional Network Divisional Plan*, PM&C, Canberra, undated, p. 2.

54 Department of Finance, *Resource Management Guide No. 131: Developing good performance information*, Finance, Canberra, April 2015, p. 25.

55 As discussed in Chapter 3, the Western New South Wales region considers the performance reporting template to be its branch plan. As such, the ANAO's analysis included the template.

56 There were 51 performance criteria in the initial template used for 2017–18 quarter 2 reporting. One performance criterion was added in quarter 3.

57 The ANAO's assessment of strategic performance criteria found that: 29 per cent were reliable; 50 per cent were partially reliable; and 21 per cent were not reliable. The ANAO's assessment of operationally-focused performance criteria found that: 76 per cent were reliable; 21 per cent partially reliable; and 3 per cent were not reliable.

5.13 The Network should examine the quality of its performance criteria, ensuring they are fit-for-purpose and facilitate meaningful reporting on performance and outcomes. Finance guidance states that in developing fit-for-purpose performance measures, it may assist to:

Focus on a small number of well targeted and defined performance measures rather than a large number of loosely framed performance measures.⁵⁸

Recommendation no.4

5.14 The Department of the Prime Minister and Cabinet ensures that the performance criteria for the Regional Network is fit-for-purpose, relevant, reliable and complete.

Department of the Prime Minister and Cabinet response: *Agreed*

5.15 *The Department recognises the importance of measuring program delivery performance and has appropriate Division level measures for monitoring achievement in place. The Department also recognises that there are significant challenges in monitoring performance across a number of Regions, all of which experience different challenges and opportunities.*

5.16 *The refinement of planning and implementation tools such as the Regional Blueprints currently under development will provide for the improvement of indicators and their measurement.*

Are reporting arrangements appropriate for the ongoing operation of the Regional Network?

The Regional Network has appropriate reporting arrangements for the ongoing administration of the Regional Network. There is extensive reporting that covers the operations and performance of the Network. Reporting would be enhanced if the performance measurement framework was improved.

5.17 Regional Network reporting requirements are summarised in Figure 5.2.

58 Department of Finance, *Resource Management Guide No. 131: Developing good performance information*, Finance, Canberra, April 2015, p. 24.

Figure 5.2: Regional Network reporting requirements

	Quarterly	Monthly	Weekly	As Required
Divisional Level Reporting	Divisional Performance Report Recipient: Ministerial Support Division Key Purpose: To report on the performance of the Regional Network Division and inform the annual performance statements.	Dashboard Report, including Empowered Communities Report Recipient: Minister Key Purposes: To provide a snapshot of implementation of policies and programs; and to support the Indigenous Affairs Group Executive's assessment of operational performance.		
Branch Level Reporting	Branch Performance Report Recipient: National Director Key Purpose: To report on the performance of the Branch and inform reporting against the Divisional Plan.	Empowered Communities Report Recipient: National Director Key Purposes: To provide a progress update on Empowered Communities implementation and next steps.	Critical Issues Report Recipient: National Director Key Purpose: To provide an update on critical issues and to contribute to the Minister's fortnightly implementation plan report.	Significant Incident Report Recipient: National Director Key Purpose: To provide information on incidents which need to immediately be brought to the attention of the National Director.

Source: Analysis of departmental records.

Divisional performance report

5.18 The Network's primary mechanism for reporting on performance is a quarterly report against a template that largely aligns to the Divisional Plan. The latest report, for the fourth quarter of 2017–18, addresses most of the Division's performance criteria through case studies, qualitative progress updates, examples of ministerial feedback, and training data. However, the following issues with data limited reporting in some areas:

- stakeholder feedback data was not available in July 2018 to address three measurements related to collaboration, implementing and monitoring programs, and support and advice activities;
- feedback was not evident from internal stakeholders to address a measurement related to policy advice, support and coordination; and
- staff feedback on training was not included to address a measurement related to enhancing capability.

The report does not clearly indicate whether or not the performance criteria have been met.

Branch performance reports

5.19 Branches are expected to produce quarterly performance reports using the standard template that includes a comprehensive range of strategic, program management and corporate activities. The Branch Plans were required to be finalised by December 2017, with the initial quarterly report (for October–December 2017) to be submitted in January 2018. The reports were collated and provided to the National Director in February 2018⁵⁹, along with feedback regarding lessons learnt during the reporting process (discussed from paragraph 5.30). Data was available to report against 85 per cent of the performance criteria required for the October–December 2017 report. This improved in the January–March 2018 reports, with data available for 88 per cent of the performance criteria.⁶⁰ For some criteria, data was not available due to a variety of reasons, including unavailability of source reports and issues with data accuracy. For example, all regions were unable to report on the percentage of responses to Ministerial correspondence requests delivered within timeframes, as the department only tracks overdue correspondence centrally.

5.20 As noted in Figure 5.2, a key purpose of the branch performance reports is to inform the divisional reporting. The October–December 2017 quarterly branch reports directly contributed to that period's divisional performance report. The January–March and April–June 2018 quarterly branch reports were not used to populate the relevant quarterly Divisional Plan reports as they were completed after the Divisional report.

5.21 To date branches have not been required to report progress against the region-specific performance criteria that is included in their branch plans but additional to the standard reporting template. The Department has advised that consolidated reports will be requested that include the region-specific criteria as a part of the end of year performance reporting.

5.22 The branch reporting process is new and continues to evolve. The Network intends to review linkages between the divisional performance report, branch performance reports and Regional Blueprints to ensure there is no duplication for the 2018–19 cycle.

Dashboard report

5.23 The dashboard report to the Minister of Indigenous Affairs was initially devised as a fortnightly report in September 2015 and reconfigured as a monthly report in March 2016. The dashboard was designed to provide the Minister with increased visibility of implementation strategies, program trends and Network actions to drive improved outcomes. The dashboard is intended to combine program data with a 'frank' Regional Manager assessment of current issues and actions and is designed in accordance with the Minister's preferences.

5.24 The ANAO found that information provided by regions was accurately reflected in the final dashboard reports sent to the Minister. The ANAO examined the dashboard reports from March 2016 to April 2018 in order to assess whether they meaningfully report on the performance of the Network. The ANAO found that the information in the dashboard report is a mix of discussions of actions of the Network and local issues, incidents and news. There was considerable variation in the approach to reporting with 45 per cent of examined summaries solely discussing

59 Two regions did not submit their branch reports on time and were not included in the collated report.

60 At the time of ANAO reporting, the January–March 2018 report was the latest available.

the actions of the Network, while in 18 per cent there was no reference to what the Network was doing in response to local issues.⁶¹

Regional Manager's Discretionary Fund reporting

5.25 The monthly dashboard report includes a section that summarises discretionary fund projects endorsed by the National Director. ANAO analysis of applications reported from December 2016 to April 2018 found that:

- most had been accurately reported to the Minister in either the same month or the month after endorsement⁶²;
- 187 of the 210 endorsed applications met the requirements outlined in the Information Pack⁶³; and
- the number of approved projects varied by region, as shown in Table 5.2.

Table 5.2: Regional Manager's Discretionary Fund reported projects, December 2016 to April 2018

Region	Total number of projects	Total amount	Median value
Western New South Wales	41	\$806,580	\$20,000
South Australia	20	\$605,005	\$25,000
Arnhem Land and Groote Eylandt	18	\$554,942	\$26,846
Far North Queensland	21	\$536,929	\$20,000
Top End and Tiwi Islands	19	\$488,980	\$21,000
Central Australia	17	\$392,097	\$17,500
Greater Western Australia	9	\$372,304	\$25,000
Kimberley	13	\$370,090	\$25,000
Eastern New South Wales	25	\$360,035	\$12,500
Victoria and Tasmania	10	\$342,672	\$35,000
Southern Queensland	11	\$230,475	\$20,000
Central Australia, Greater Western Australia and South Australia ^a	1	\$80,000	\$80,000
Gulf and North Queensland	2	\$60,000	\$30,000

61 Auditor-General Report No. 35 2016–17, *Indigenous Advancement Strategy*, found that 'dashboard reports provide a reflection of activity within the regions, but do not meaningfully report on the performance of the regional network'.

62 Of the 210 endorsed applications examined, two applications were reported three months after endorsement and one application reported two months after endorsement. Four applications had unexplained discrepancies in funding amounts.

63 The Information Pack outlines the requirements as needing to be small scale, short term, one-off and address immediate local need with their regions. Twenty-one applications partially met the requirements, and two projects did not provide adequate information to assess adherence to the requirements.

Region	Total number of projects	Total amount	Median value
Victoria and Tasmania, and Western New South Wales ^a	1	\$30,000	\$30,000
Delivery Support Branch	1	\$25,000	\$25,000
Central Australia and South Australia ^a	1	\$15,000	\$15,000
Total	210	\$5,270,109	\$20,000

Note a: Three projects involved funding to multiple regions. The reporting did not include a determination on the division of that funding between regions.

Source: ANAO analysis of monthly Dashboard Reports.

5.26 Sixteen projects endorsed, including nine marked as 'fully expended' in the Network's records, had not been reported to the Minister as at April 2018.

Critical issues report

5.27 The purpose of the weekly critical issues report is to update the National Director on critical incidents, issues, departmental responses and good news stories. Although there is some content overlap with the monthly dashboard report, the weekly critical issues report is more detailed than the dashboard report and covers additional areas that would support the National Director's oversight of the Network, such as leave arrangements. The report is an effective mechanism for regularly updating the National Director.

Is the department evaluating the performance of the Regional Network and incorporating lessons learnt into the ongoing operation of the network?

The department has not evaluated the performance of the Regional Network, but it commenced a review of the Network in early 2018 — the Recalibration Project. The department has implemented one-off processes to incorporate lessons learnt into ongoing Network operations, but continuous improvement processes are not systematic and feedback or lessons learnt do not always inform processes.

5.28 In December 2016 the department completed an internal audit with the objective to 'review the transition to the Network Operating Model, including an assessment of governance and the roles and responsibilities of all Network and National Office IAG staff'.⁶⁴ The audit found that while the governance arrangements for the Network model were operating effectively, a formalised process for reporting progress against the seven initiatives of the model had not been established.⁶⁵ The audit also found that roles and responsibilities of staff are not clearly understood between the

64 The Department of the Prime Minister and Cabinet, *Implementation of the Regional Network Internal Audit*, PM&C, Canberra, December 2016, p. 1. The internal audit was completed December 2016, but the management response was not finalised until April 2017.

65 The seven initiatives include: defining how the Indigenous Affairs Group operates; governance and decision making; communication and guidance; internal feedback loops; roles and capability; ICT systems to support delivery; and scrutiny, assurance and external feedback.

National Office and Network and that there is a perception that training opportunities in the Network are limited. The audit made five recommendations in three key areas, including: communication protocols; reporting; and roles and responsibilities.

5.29 Action has been taken in response to each recommendation and the Department's Audit Committee agreed to close the recommendations. This includes two recommendations superseded by the Recalibration Project. Box 3 outlines the scope and timeline for the Recalibration Project.

Box 3: Recalibration Project

A proposed review of the Regional Network, the Recalibration Project, was first discussed with Regional Managers in October 2017. In February 2018, an information sheet on the Recalibration Project was distributed to the Network. The information sheet outlined the aims and expected project scope. The project aims to continue to position the capability of the Regional Network to:

- meet a growing expectation from the public to support the progressive nature of government business;
- understand and facilitate both social and economic opportunities for Indigenous Australians;
- articulate and facilitate the transformational agenda;
- build the capacity to meet variable operational (surge) demands; and
- be positioned to work with a place-based perspective while contributing to the broader policy and programme development work of the Indigenous Affairs Group.^a

The project scope involves a range of activities, including:

- defining the regional framework and operating model;
- mapping and providing options to consolidate the Network's transactional work;
- articulating and giving better visibility of the transformational direction of the Network;
- defining what the ideal future state of the Network should be to make the most of social and economic opportunities for Indigenous Australians;
- positioning the Network to be involved in policy and program development;
- articulating the dependencies between the Network and National Office;
- revisiting select roles to reset functionality and expectations;
- providing advice and facilitation, coaching and mentoring to the National Director and Network Executive on the change management process;
- identifying the capability and skill requirements for delivery of the transformational agenda and executing an investment proposition to realise this;
- developing job descriptions to ensure fit-for-purpose recruitment; and
- repositioning learning and development to support the recommendations of the recalibration process.

In February 2018, the timeline for the project included the development of a transition plan to be presented to the Network's executive in early April 2018, which did not occur. In July 2018 the Network reported to the department's Executive Board about the early stages of the project and advised that a project implementation plan would be presented to the Executive Board in September 2018. In September 2018, the department advised the ANAO that the timeframe was unlikely to be met, and the plan will be presented to the Executive Board in late 2018.

Note a: The Department of the Prime Minister and Cabinet, *Recalibration Project: Information Sheet*, PM&C, Canberra, 6 February 2018, p. 1

Continuous improvement

5.30 The ANAO identified examples of one-off processes to incorporate lessons learnt into ongoing Network operations. For example, the department conducted a review of the first quarterly reporting process against the branch plans. The analysis of the reports found that:

- the wording of some KPIs needs refining to avoid misinterpretation;
- advice about when some reports/case studies are required needs refining to avoid misinterpretation;
- additional commentary about some KPIs and how to measure them might assist some Regions.⁶⁶

5.31 The template was amended for the next quarterly reporting period, with clearer guidance, changes to data sources, and acknowledgement where data sources have not yet been identified.

5.32 Another example is an internal evaluation of the Regional Manager's Discretionary Fund, drafted in May 2017. In response to the recommendations and after initial consultation with the regions, documents were updated to reflect the revised process in November 2017. The Department has advised that the process has been improved as a result of consultation, including through simplifying the proposal form, streamlining the endorsement process, and utilising a centralised tracker to reduce administrative duplication.

5.33 Another mechanism that could be useful to evaluate the performance of the Network and implement improved processes is the department's complaint management process. A May 2017 internal audit found that 'annual analysis and feedback to the business could be provided to help improve the quality of services and reduce the likelihood of systemic issues that may generate complaints'.⁶⁷ In response to the audit, the department stated that regular liaison had been established between the Regional Complaints Coordinators and National Office Contact Officers. The ANAO has seen limited evidence of the activities of Regional Complaints Coordinators prior to April 2018, when an inaugural Complaints Coordinators Forum meeting was held with the National Complaints Coordinator.

5.34 The department has advised that complaint numbers related to the Network are low and trends are difficult to demonstrate. The department's complaints register includes eight complaints relating to the Network in 2016–2017 and 2017–18. These complaints reflect a small portion of the themes and issues identified in stakeholder feedback provided to the ANAO, and described in Appendix 3. There is no Network level process for capturing and analysing feedback, or disseminating feedback to the regions for continuous improvement purposes.

66 The Department of the Prime Minister and Cabinet, *Overview of inaugural branch performance reports*, PM&C, Canberra, 21 February 2018.

67 The Department of the Prime Minister and Cabinet, *Complaint and Feedback Management Framework Compliance Audit*, PM&C, Canberra, May 2017, p. 13.

Recommendation no.5

5.35 The Department of the Prime Minister and Cabinet implement a systematic approach to capturing lessons learnt and feedback received by the Regional Network and incorporating the information into ongoing operations to improve processes and performance.

Department of the Prime Minister and Cabinet response: *Agreed*

5.36 *The range of work currently being undertaken within the Department, particularly the Recalibration Project, will consider procedures and responsibilities to address this recommendation.*



Grant Hehir
Auditor-General

Canberra ACT
28 September 2018

Appendices

Appendix 1 Entity response



Australian Government
Department of the Prime Minister and Cabinet

SECRETARY
DR MARTIN PARKINSON AC PSM

Ref: EC18-000862

Mr Grant Hehir
Auditor-General
Australian National Audit Office
GPO Box 707
CANBERRA ACT 2600

Dear *Grant* Mr Hehir

Thank you for the opportunity to respond to the Australian National Audit Office proposed report on management of the Department of the Prime Minister and Cabinet (the Department's) Indigenous affairs Regional Network

I welcome the report and recommendations and note the positive findings including: the design of the Regional Network aligns with the Government's policy objectives; the good practice of consulting with a range of stakeholders in designing the Regional Network; and the governance and reporting arrangements within the Department are appropriate.

The establishment of the Regional Network, formalised in March 2015, has been central to the Department's approach to addressing Indigenous disadvantage across Australia. The Regional Network represents a major change to the Department's structure and operation, and continuously improving the way the Network operates remains a priority for the Department. The Recalibration Project that commenced in February 2018 is looking closely at how the Department can refocus effort from predominantly the provision of services to one based on working with Indigenous Australians to recognise economic opportunity and realise benefits through employment and enterprise development.

A number of the findings and recommendations in the Report address issues identified as areas for improvement, including stakeholder engagement, policy and program development informed by the knowledge of the Regional Network and the effective incorporation of lessons learned through delivery.

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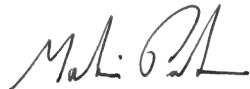
I also highlight the important role of the Regional Network to work with the communities, local governance arrangements, service providers and other levels of government to address operational issues, incident responses, and development of locally developed approaches directed toward achieving the aspirations of Indigenous Australians and benefiting communities.

The Department accepts all five recommendations, noting that actions have been already taken or are currently underway that implement improvements consistent with those recommendations. These actions include revisions to risk management and communications processes, and the recalibration process currently.

A summary of the Department's overall response to the proposed report is provided at Attachment A, and a detailed response to the recommendations is at Attachment B.

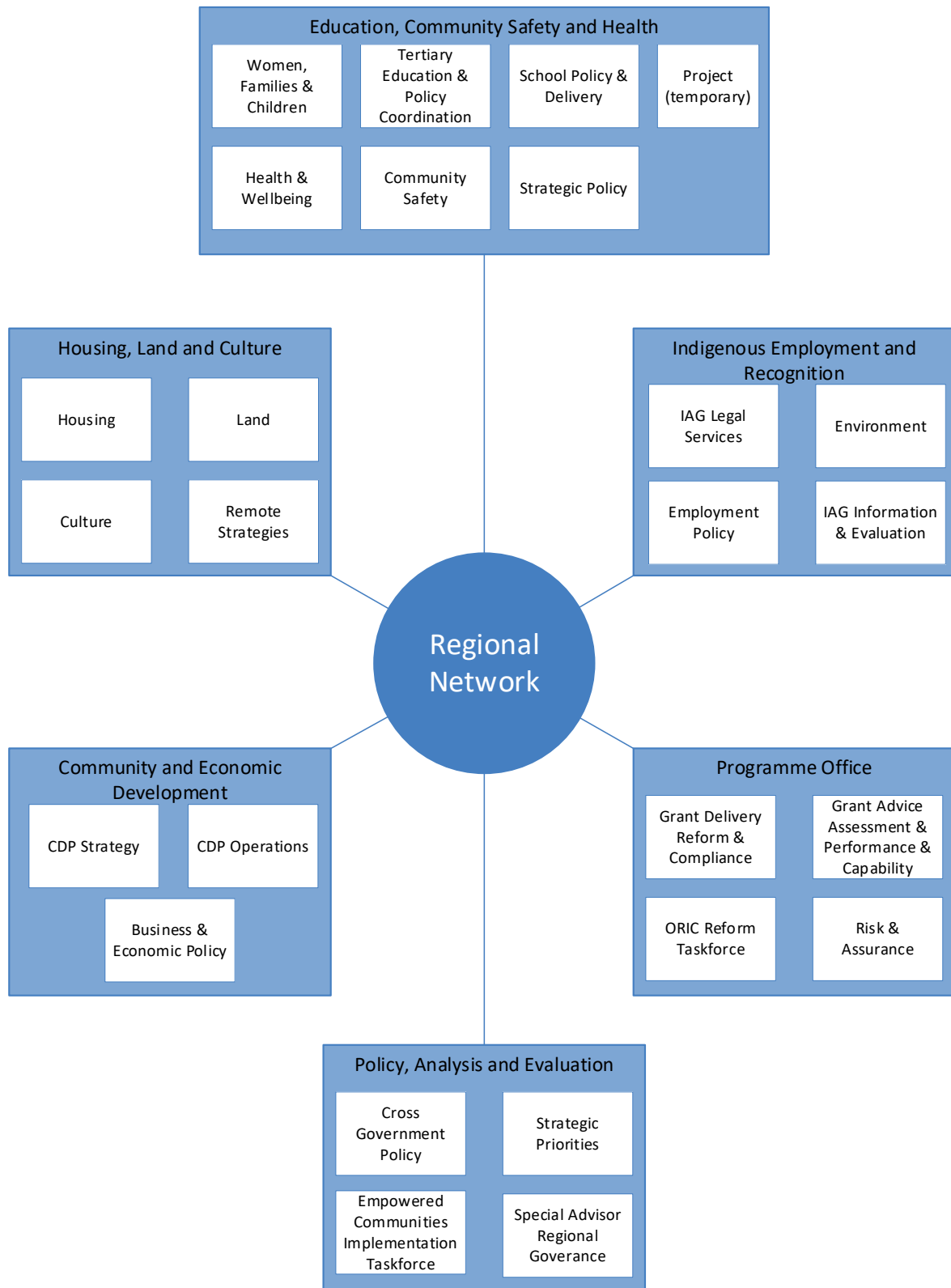
If you would like further information or clarification on the Department's overall response, please do not hesitate to contact Ms Anne-Marie Roberts, National Director Regional Network, First Assistant Secretary Regional Network Division, on 07 4417 1011 or via email at: anne-marie.roberts@network.pmc.gov.au.

Yours sincerely



20 September 2018

Appendix 2 Divisions and branches of the Indigenous Affairs Group



Source: ANAO visualisation of the Department of the Prime Minister and Cabinet's Organisation Chart, as at 10 July 2018.

Appendix 3 Feedback from external stakeholders

1. The Australian National Audit Office (ANAO) engaged with a range of stakeholders during the conduct of the audit, including through:
 - face-to-face interviews and teleconferences with 79 stakeholders across metropolitan, regional and remote areas to discuss experiences with the Regional Network; and
 - inviting all organisations on the Regional Network's (Network's) stakeholder lists and all Indigenous Advancement Strategy funding recipients (as of January 2017) to contribute to the audit. Seventy-nine public submissions were received.
2. Interviewed organisations were asked a standard set of questions and respondents to the ANAO's invitation to provide submissions were asked to comment against key areas of interest that aligned with the audit criteria.
3. Key themes and issues identified through the stakeholder consultation are outlined below.

Regional Network staff capability, commitment and continuity

- The perceived capability and commitment of Network officers impacts on whether the Network is seen as effective. Significantly more respondents indicated a positive relationship with the Network or individual officers than a negative relationship. Similarly, officers were often seen as accessible and responsive.
- The frequency of change in Network staff, perceived as high in some areas and low in others, has impacted through: disruption to relationships; a loss of corporate knowledge; and entrenched occupancy of individual officers that are resistant to change.
- Culturally appropriate practice and good local knowledge is seen as essential for an effective Network.

Regional Network role, function and decision-making authority

- Many stakeholders have a lack of awareness and understanding of the Network's role and function, including their ability to make decisions and transparency of decision-making processes.
- Stakeholders frequently experienced issues with delegation or the timeliness of approvals from the Department of the Prime Minister and Cabinet's National Office.
- There is a perception that Network officers do not successfully influence policy, and a belief that this should be a part of the Network's role.
- A similar number of stakeholders observed either no change or a positive change in the transition from the previous model to the Network.
- The Network often shares information and promotes funding opportunities, but are sometimes seen as gatekeepers who restrict information.

Integration and coordination across Australian Government departments and with state, territory and local governments

- There is a perception of limited integration and coordination across Australian government departments and with state, territory and local governments.

- Levels of local coordination differ, with some stakeholders seeing the Network engage in coordination and a similar number seeing no evidence of coordination.

Disconnect between local needs and program areas

- There is disconnect between local needs and program objectives, with community priorities often not funded.
- Delays in grant agreements have created uncertainty and difficulty for planning, as well as lost opportunities for local projects.
- It can be unclear how to escalate issues beyond the Network.