

The Auditor-General
Audit Report No.36 2000–2001
Performance Audit

Municipal Services for Indigenous Communities

**Aboriginal and Torres Strait
Islander Commission**

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of Australia 2001
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Canberra ACT
18 May 2001

Dear Madam President
Dear Mr Speaker

The Australian National Audit Office has undertaken a performance audit in the Aboriginal and Torres Strait Islander Commission in accordance with the authority contained in the *Auditor-General Act 1997*. I present this report of this audit, and the accompanying brochure, to the Parliament. The report is titled *Municipal Services for Indigenous Communities*.

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

Yours sincerely



P. J. Barrett
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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Abbreviations

AACAP	ATSIC/Army Community Assistance Program
ABS	Australian Bureau of Statistics
ALGA	Australian Local Government Association
ANAO	Australian National Audit Office
APO	Aboriginal Policy Officer
AULA	Aboriginal Urban Living Areas
ATSIC	Aboriginal and Torres Strait Islander Commission
CDEP	Community Development Employment Projects
CGC	Commonwealth Grants Commission
CHINS	Community Housing and Infrastructure Needs Survey
CHIP	Community Housing and Infrastructure Program
COAG	Council of Australian Governments
DATSIPD	Department of Aboriginal and Torres Strait Islander Policy and Development Queensland
DOGIT	Deed of Grant in Trust
DoSAA	Division of State Aboriginal Affairs South Australia
DTRS	Department of Transport and Regional Services
EHNCC	Environmental Health Needs Coordination Committee
FACS	Department of Family and Community Services
FAGs	Financial Assistance Grants
GMS	Grants Management System
IHANT	Indigenous Housing Authority of the Northern Territory
LGDP	Local Government Development Program
LGMC	Local Government Ministers Conference
NAHS	National Aboriginal Health Strategy
NAIDOC	National Aborigines and Islanders Day Observance Committee
NHIC	National Housing and Infrastructure Centre
NOLG	National Office of Local Government

PAWA	NT Power and Water Authority
RAMP	Remote Area Management Project
SPPs	Commonwealth Specific Purpose Payments
WAAAD	WA Aboriginal Affairs Department
WALGGC	Western Australian Local Government Grants Commission

Summary and Recommendations

Summary

Background to the audit

1. The Aboriginal and Torres Strait Islander Commission (ATSIC) provides funds—around \$40 million in 2001–2002 and in each of the last five years—for the recurrent costs of operating and maintaining services such as town management and rubbish disposal, and essential community services such as water, sewerage, power, and local roads in a number of Indigenous communities. ATSIC provides these services by funding community-based Indigenous organisations to implement them. The services are usually provided to communities located in rural and remote localities. In the wider Australian community, the services being delivered by ATSIC's funding in these areas are normally provided by local government or by separate public utilities operating in States and regions.
2. The impact of this funding in providing basic amenities in some communities is larger than the amount of money provided by the ATSIC program. That is because ATSIC's funding often seeds, or supports, other services activities in communities and can lead to more funding from service providers in other areas of government.
3. The funding is provided as a grant program through ATSIC's Regional Councils. It is delivered as part of the Community Housing and Infrastructure Program (CHIP). The funding forms part of ATSIC's efforts to promote the empowerment and capacity for self-reliance and decision-making on the part of Indigenous communities. As the management of the funding is closely integrated with other CHIP activities in providing housing and community infrastructure facilities, the activity contributes to ATSIC's wider objective for CHIP. This objective is to supplement the activities of other agencies and areas of government in meeting Indigenous needs and to leverage improved outcomes from other bodies which have service provision responsibilities.
4. The audit's focus was on the Municipal Services component of CHIP. ATSIC also engages in other relevant activity through other programs, in particular through the Community Development Employment Projects (CDEP) program. That program is an employment program but parts of it contribute to levels of municipal services available to Indigenous communities in many localities in Australia. The audit examined key aspects of the management of these activities to ascertain how ATSIC coordinates them with its CHIP Municipal Services efforts.

Audit objective

5. The audit objective was to form an opinion on ATSIC's management of the Municipal Services component of CHIP, and the arrangements ATSIC employs to coordinate the funding efforts of the various stakeholders in provision of municipal services to ATSIC's clients.

Scope

6. The audit focussed on ATSIC's management of the Municipal Services component of CHIP. It examined how effectively ATSIC specifies and implements its role; the adequacy with which it identifies relative needs among Indigenous communities for support from the program; and how it leverages improved outcomes from other funding sources such as from other areas of government.

7. While other ATSIC programs, in particular the CDEP, manage resources that also provide municipal services, the audit did not examine these activities in detail. The audit primarily reviewed key aspects of ATSIC's coordination of management of its CHIP and CDEP activities.

Overall conclusion

8. The ANAO concluded that ATSIC's Municipal Services activities enable specific Indigenous communities, particularly those in remote areas, to obtain some services they need for maintaining living and environmental health standards. The activities are managed in a way that is broadly consistent with financial reporting and accountability requirements. However, aspects of ATSIC's management of the program of grants do not reflect some important dimensions of the role being played by the program. In particular, there are ways in which ATSIC could better manage its role definition, data collection and coordination for better outcomes. One of ATSIC's legislative tasks is to ensure coordination in the formulation and implementation of policies of Commonwealth, State and local government affecting Indigenous people. ATSIC's ability to perform this task would be enhanced by improvements in management of municipal services activities.

Key Findings

ATSIC applies financial accountability requirements in grants management under the municipal services component of the CHIP program. Judging from the sample of individual grants examined in the audit, financial accountability performance levels achieved by ATSIC Regional Offices (which are the responsible offices for CHIP grants administration) are generally high. While maintaining high accountability levels, there may be scope to revise some ATSIC procedures so as to provide more assistance to community organisations through enabling Regional Office staff to undertake more outreach and community development work.

9. The ATSIC Regional Councils and Regional Offices administer the funds using procedures which generally reflect adherence to best practice recommendations for Commonwealth agencies in grant administration made by the ANAO. Some community organisations lack administrative capacity within themselves and therefore face strains in dealing with ATSIC's requirements. These organisations frequently represent or are constituted by individuals and families who are among the most disadvantaged in the Australian community, have relatively low levels of education and have less familiarity with the Western culture's business requirements which are the setting for the control features of the ATSIC program. Compliance with ATSIC's requirements both at the applications stage and in ongoing grant administration is resource-intensive for all organisations seeking and winning funds. ATSIC has stated that many organisations find it difficult to comply with ATSIC's requirements both at the application stage and in ongoing grant administration because of the lack of the resources necessary to undertake the tasks required. In some Regions ATSIC Regional Office staff can provide assistance but their capacity to engage in community development and other outreach activities, and monitor developments in the situation of all relevant groupings, is limited by the need to attend to grant compliance requirements and other office work.

The dispersal procedures used by ATSIC National Office (in deciding allocations of grant funds to Regional Councils) and by ATSIC Regional Councils (in deciding allocations to grantee organisations in ATSIC Regions) include consideration of population levels and comparative needs factors. However, substantial weight is also given to past allocation patterns and claims of existing grantee organisations.

10. ATSIC seeks to target funding in accordance with needs of Regions and communities for grants but the management information available to Regional Councils to identify priorities in Regions is limited, and the methodologies used to assess needs is heavily reliant on submissions from community organisations. Long-established grant holders enjoy benefits of incumbency in accessing available funds.

As is appropriate for a grants program operating in a devolved framework, ATSIC Regional Councils have wide discretion in deciding grant allocations. Inadequate guidance is provided from ATSIC's National Office to Regional Councils on the allocation principles to be followed so as to assist Regional Councils to ensure that allocations meet priority needs.

11. ATSIC is giving increased attention to the need for enhanced planning at the Regional Council level, where much of the detailed decision-making on CHIP expenditure takes place. It is taking strategic initiatives to facilitate the capabilities of Regional Councils and Regional Offices to direct resources to areas of priority need. But planning and systematic needs identification such as community needs profiles, by which Municipal Services funding decisions could be assisted, are not yet well developed.

ATSIC does not articulate its role in Municipal Services in a way that clearly conveys its different dimensions to stakeholders.

12. ATSIC's statements about its Municipal Services role are spread across several documents. There is no single authoritative statement of the program's purposes and roles. Information about the different objectives the program is serving is incomplete. While the activity, as part of the CHIP program, is characterised as performing a 'supplementary' role to the responsibilities of other service providers, municipal services grants in some cases provide core funding to the communities holding them. The inclusion of some recurrent costs of essential services such as power and water supplies as costs, which may be funded under 'municipal services' grants, has led to a blurring of the distinction between these two groups of services. As local governments in Australia do not normally provide essential services, ATSIC's practice has led to confusion in local government circles about ATSIC's municipal services role.

ATSIC assembles limited information at a national level about the composition of its Municipal Services grants portfolio.

13. ATSIC has shaped the program over the years of its existence in an incremental way. Its growth and development has had to be responsive to highly diverse funding arrangements between States and local government areas, and patterns of interaction between areas of government. ATSIC maintains little readily available aggregated data

on the different organisations that are or have been funded by the program, or on reasons why they have needed funding and on underlying trends and developments.

Performance information collected provides no indicators for ATSIC's success (or failure) in leveraging improved outcomes for Indigenous people from other funding agencies.

14. ATSIC gives prominence to the supplementation rationale for the Municipal Services program and CHIP generally, and the need for the program not to substitute for the responsibilities of other providers. This suggests that performance information collected on the program should provide information on its external impacts.

ATSIC does not collect client feedback on its grants program from grant holders and grant applicants.

15. Lack of client impact data and client feedback information impairs the capacity of ATSIC accurately to appreciate or assess the full effect of its efforts.

Through the CDEP, ATSIC delivers services some of which substitute for services of a municipal character. But it does not collect data on municipal services impacts of the CDEP, and it has difficulty in presenting comprehensive information about the extent of its Municipal Services role in discussions with other agencies.

16. Data collected by ATSIC on CDEP outputs is confined to employment-related matters. While ATSIC manages the CHIP and CDEP programs nationally as separate activities, the first as an employment program, the second as a community infrastructure program, there are many ways in which the two programs connect with each other and perform allied services in the Regions. ATSIC undertakes operational coordination of the programs at National Office and Regional Council levels. Stakeholders outside of ATSIC, and other service providers, are aware of the considerable extent of CDEP-funded activity which results in Municipal Services 'deliverables'. But without systematic data, ATSIC has limited means of quantifying the impact of CDEP funding on such community deliverables. If this contribution were added to funding provided through Municipal Services grants, ATSIC's overall contribution to local government services would be significantly greater than can be presented under current management arrangements. A report to the Local Government Minister's Conference estimated that total ATSIC expenditure on Municipal Services was \$354 million in 1996–97. Greater transparency of ATSIC's overall contribution would enhance ATSIC's ability to pursue improved outcomes from other potential funding sources and so deliver new benefits to Aboriginal and Torres Strait Islander people.

ATSIC has given close attention to the negotiation of agreements with State Governments on housing and essential services for Aboriginal and Torres Strait Islanders.

17. Sound arrangements are being made with other areas of government, especially the States, to advance service provision for Indigenous Australians in the housing and essential services sectors by specifying the respective roles and responsibilities of the various participants and in rationalising the use of funds. ATSIC is using the successful negotiation of these agreements to measure its progress in achieving agency objectives with other funding agencies. The agreements negotiated to date do not cover all the costs facing eligible Indigenous communities that may be met from ATSIC's Municipal Services grants. Therefore, their successful negotiation provides only a partial indicator of progress in achieving ATSIC's objectives.

The relationships which ATSIC maintains with State Government agencies which deal with local government, including State grants commissions, and representative bodies of local councils in the States, are extensive but uneven in quality.

18. Although a number of initiatives were in place, ATSIC has no standard arrangements for its State-based organisation structure to engage in informed dialogue with State-level entities involved in the funding of services of a local government nature. In some States the level and extent of dialogue was barely adequate.

Because ATSIC does not collect comprehensive data, ATSIC cannot utilise the full effect of its funding for Municipal Services, essential services or programs having positive impacts in these areas, in negotiating new arrangements with State Governments.

19. ATSIC should be able to communicate to the States a consolidated statement of the financial resources flowing through its programs to Municipal Services and essential services, including through the CDEP.

At the Regional Office level of ATSIC, coordination or collaboration arrangements with other locally-operating agencies are uneven in quality.

20. Few Regional Offices maintain standing arrangements for consultation with stakeholders in Local and State/Territory governments. Some Regional Councilors, while acknowledging the extent of the accountability and compliance duties placed on their Regional Office staff, would welcome ATSIC staff having fuller opportunities to support the Council's own outreach and advocacy work.

ATSIC does not maintain ongoing or systematic liaison arrangements with Commonwealth agencies involved in administering the Commonwealth's financial assistance payments through the States to subsidise local governing bodies.

21. ATSIC does not collect and collate the information its Regional Offices possess on local level service provision (including ATSIC's roles), and provide this information on a regular basis to the relevant Commonwealth agencies on an agreed dialogue basis. Therefore those agencies are not necessarily informed about gaps in service provision in the States and Regions. These agencies would be placed in a better position to monitor the achievement of the objectives contained in the Commonwealth's local government financial assistance legislation if they had such information. Such liaison would assist ATSIC to pursue its own legislative obligation of coordinating the formulation and implementation of the policies of the three areas of government affecting Aboriginal and Torres Strait Islanders.

Recommendations

22. ANAO made eight recommendations aimed mainly at ATSIC clarifying its roles in Municipal Services funding for improved performance.

ATSIC's overall response

23. ATSIC agreed with all the recommendations. In its response to the proposed report, ATSIC acknowledged that

the report will provide Parliament and the general public with a useful overview of this element of the CHIP program and the fairly complex and difficult environment in which it operates. Furthermore, the audit recommendations will assist ATSIC in improving delivery of key services to rural and remote communities, including through more constructive engagement with other Commonwealth, State and local government agencies.

Recommendations

Strategic management of Municipal Services grants

**Recommendation
No.1
Para. 2.29**

The ANAO recommends that ATSIC re-shape the strategic management of its Municipal Services grants so as to:

- sharpen the focus on meeting needs by lessening the weight of historical funding in the methods used to determine Municipal Services allocations;
- provide Regional Councils with improved guidance on ranking relative needs in the Regions and building better community needs profiles as a basis for future grants management;
- enhance the contribution of Regional Councils in the devolved decision-making framework;
- strengthen the ability of Regional Councils and Regional Offices to assist community organisations to meet Parliamentary accountability requirements; and
- enable Regional Office staff to undertake more outreach and community development work.

ATSIC response: Agreed.

Grant Management

**Recommendation
No.2
Para. 2.34**

The ANAO recommends that ATSIC:

- increase its efforts to refine grant management systems and procedures to ensure that accountability requirements are maintained while the administrative loads they impose on communities are minimised;
- improve risk management arrangements for the administration of grants; and
- monitor more effectively the performance of Regional Offices in grant management.

ATSIC response: Agreed.

**Recommendation
No.3
Para. 3.22**

The ANAO recommends that ATSIC should articulate all the principal roles it performs through its Municipal Services grants activity. It should produce and publish a concise statement of its policy and objectives for those roles, drawing together its different elements. The statement should be drafted so as to:

- provide an analytical basis for evaluation of the grants portfolio on a State-by-State basis;
- be couched in terms that enable external stakeholders to appreciate the range of ATSIC purposes being pursued and provide sufficient information to enable them to track how individual grants relate to those purposes;
- facilitate ATSIC's communication of its role in Municipal Services to agencies in other areas of government; and
- be consistent with outcomes and outputs recording requirements.

ATSIC response: Agreed.

Performance management framework

**Recommendation
No.4
Para. 4.18**

The ANAO recommends that ATSIC:

- generate targeted performance information aligned with the various objectives of the Municipal Services program, including obtaining support from other areas of government for provision of municipal and essential services to Indigenous communities;
- establish appropriate output and outcome measures to evaluate its success in delivering services to its clients; and
- develop a service charter in accordance with government policy.

ATSIC response: Agreed.

Coordination of Municipal Services in ATSIC

Recommendation No.5
Para. 5.21 The ANAO recommends that ATSIC collect information from its Regional Offices about the amount of funds provided by, and through, CDEP which are spent on services akin to Municipal Services.

ATSIC: response: Agreed.

Coordination with other service providers

Recommendation No.6
Para. 6.21 The ANAO recommends that ATSIC develop guidelines for its State Policy Units to implement nationally consistent communications arrangements with State agencies on funding issues involving municipal and essential services to Indigenous communities. The guidelines would in particular provide for:

- a consistent pattern of formal liaison mechanisms being created between ATSIC's State Policy Centres and the major State agencies, including State grants commissions and State local government organisations;
- ATSIC being in a position to place before central State agencies a comprehensive statement of the financial resources being delivered through all relevant ATSIC programs that impact on essential services and local government-type or municipal services in each State; and
- ATSIC's National Office being able to maintain effective monitoring and reporting to the Board of Commissioners as well as to the State Advisory Committees of ATSIC.

ATSIC response: Agreed.

**Recommendation
No.7
Para. 6.29**

The ANAO recommends that ATSIC should:

- develop and distribute to Regional Offices guidelines for managing inter-agency collaborative arrangements at the Region level;
- ensure that, where satisfactory coordination processes are not in place, coordination arrangements involving the ATSIC Regional Office are established in all ATSIC Regions where there is significant CHIP program expenditure; and
- assemble consolidated data generated from these processes in each State, for use by ATSIC in monitoring the performance of its own programs and exercising increased leverage on State agencies where appropriate.

ATSIC response: Agreed.

**Recommendation
No.8
Para. 6.43**

The ANAO recommends that ATSIC should maintain close dialogue with the Department of Transport and Regional Services at senior level on matters of Commonwealth interest in Indigenous local services funding.

ATSIC response: Agreed.

DTRS response: Agreed.

Audit Findings and Conclusions

1. Introduction

This chapter describes ATSIC's role in delivering municipal services to Indigenous communities, and outlines the objective and scope of the audit and how it was conducted.

Background to the audit

1.1 The Community Housing and Infrastructure Program (CHIP) was established to address the substantial backlog in appropriate housing and infrastructure in Indigenous communities, and the increases in unmet need that arise from the comparatively high growth in Aboriginal and Torres Strait Islander populations¹. The CHIP program, which is delivered by the Aboriginal and Torres Strait Islander Commission (ATSIC), is composed of three outputs; Community Housing and Infrastructure; Municipal Services and the National Aboriginal Health Strategy (NAHS). CHIP aims to supplement and monitor programs operated by Commonwealth, State, Territory and local governments.

1.2 The Municipal Services component of CHIP aims to supplement efforts of State/Territory, and local governments to ensure Indigenous people achieve equitable access to community facilities and essential services. ATSIC's policy document *Community Housing Infrastructure Program Policy 1997–2000* states that municipal services will provide for the recurrent costs of operating and maintaining essential community services such as water, sewage, power, roads, rubbish disposal and town management, predominantly in rural and remote communities. The program provides generally for the cost of services that would normally be provided by local government and essential services providers in the wider or 'mainstream' Australian community.

¹ Aboriginal and Torres Strait Islander Commission, *Annual Report, 1997–98*, AGPS, Canberra, pp. 98–99.

1.3 ATSIC's municipal services funding appears to range across a number of specific purposes. One type of purpose is to provide a source of funding to fill the gaps in funding that a particular Indigenous community organisation, typically a housing association, receives from other parties. Some types of Municipal Services funding are essential for communities to be able to continue to reside as groups at particular sites. Other purposes may be served as well. In communities where the funding is fulfilling the first role of 'gap filling', ATSIC can be seen to be acting as a supplementary funder. In cases of the latter, the communities rely heavily on ATSIC funds to ensure that they have such facilities as basic clean water supplies, sewage or septic systems or garbage removal to enable continued occupation by families at particular sites. In these cases ATSIC is the primary, frequently the sole, funder of municipal type activities in the area. This is apparent in the more remote communities.

1.4 ATSIC's spending under Municipal Services is a relatively small part of the total CHIP program. Budgeted expenditure in 2000–2001 for the Municipal Services component of CHIP is \$40.5 million, or some 18 per cent, in a total CHIP program of \$225.6 million. As a proportion of the funds allocated to ATSIC's Regional Council budgets, municipal services funding has much larger weight. Funds allocated through Regional Council budgets under CHIP are over \$130 million. In Regional Council CHIP budgets, Municipal Services accounts for about 31 per cent of these funds. In some Regions (located in South Australia and the Northern Territory), Municipal Services funding is significantly greater than CHIP capital, reflecting the fact that in these States where Bilateral housing agreements exist, ATSIC's major capital funding is provided under these agreements rather than via the Regional Councils.

1.5 Environmental health is a significant issue amongst rural and remote Indigenous communities. Many municipal service-type activities relate directly to the level of environmental health in a community, such as the provision of fresh water and sewage disposal. Hence, the provision of basic municipal services to Indigenous communities could contribute to an improvement in their health.

ATSIC's Definition of Municipal Services

1.6 ATSIC maintains a set of eligibility criteria to define what ATSIC regards as a municipal service under CHIP. For the purpose of the

Municipal Services component of CHIP, a municipal service is defined² as:

- essential and routine repairs and maintenance to community infrastructure assets, eg. power and water supplies, and running costs of municipal services vehicles. Provision of power and water are called essential services in some jurisdictions;
- operational costs associated with the administration and functions of organisations which provide infrastructure and municipal services;
- repairs and minor maintenance of community non-housing assets;
- home living skills assistance;
- dog health programs;
- environmental health workers;
- development of town plans;
- refuse disposal, ie. removal of waste, maintenance of equipment and garbage tips;
- shortfalls in operational costs of energy supply, eg. diesel fuel costs;
- maintenance of community landscaped areas, ie. community parks and wind-breaks;
- community fire prevention and maintenance of control equipment;
- leasing of essential services vehicles;
- rates and taxes, where applicable, for buildings used primarily for the administration of municipal services; and
- insurance on assets used specifically to provide municipal services, eg. tractors, graders and office buildings.

1.7 A key characteristic of ATSIC's approach to defining municipal services funding is that it should meet, or help to meet, the housing-related infrastructure operating costs of communities at various sites. Municipal Services grants are not necessarily linked to the specific operating costs of capital items provided under infrastructure capital funding. However, ATSIC's Municipal Services grants are usually associated with projects, assets or communities that have received funding under infrastructure, although not necessarily in the current year. CHIP has separate recurrent expenditure provisions for costs such as housing maintenance requirements.

² Aboriginal and Torres Strait Islander Commission, (1997) *Community Housing and Infrastructure Program Policy 1997–2000*, AGPS, Canberra.

1.8 Operational costs that may be funded under Municipal Services include recurrent expenditure associated with essential services provision such as diesel fuel for power generation. This means that ATSIC's definition of Municipal Services includes functions not usually performed by local government bodies elsewhere in Australia.

1.9 Other components of CHIP such as the National Aboriginal Health Strategy (NAHS) and the ATSIC/Army Community Assistance Program (AACAP) assist in establishing capital projects which may be maintained through the Municipal Services component.

1.10 ATSIC Central Office sets a national framework and policy objectives for the CHIP program outputs while providing funds to Regional Councils. The latter allocate these funds to achieve local priorities. ATSIC sees this combination of national framework and devolved priority-setting and delivery to be in line with the statutory objective of ensuring self-management and self-sufficiency for Aboriginal and Torres Strait Islander peoples.

Homelands and Outstations

1.11 During the 1980s and 1990s many Indigenous people moved to reside in lands that were traditionally occupied by their forefathers and tribal ancestors. Such movement has been a response in part to conditions in settlements created by Europeans that had led to perceived overcrowding of housing and living environments.³ The movement to traditional lands has been facilitated by successful native title claims. ATSIC has provided support through various programs for this movement on the basis that it has led to improved living conditions, environmentally socially and psychologically. Return to traditional lands has enabled some Indigenous communities to regain occupancy rights, heritage and *'a degree of control over where they live'*⁴.

1.12 Homelands sites occupied by such groups and communities may be remote from existing patterns of service provision. Groups on homelands range widely in size: from those exceeding a thousand such as in Maningrida in Arnhem Land⁵ to as few as 12 or 15 people as in

³ In Indigenous affairs this movement of people is called the Homelands Movement and the communities that result from it *'new and emerging communities'*. ATSIC describes the movement as the return of Indigenous people to lands traditionally occupied, rather than to continue living in crowded and culturally alienating social environments in settlements, missions and towns. ATSIC Policy for Outstations, Homelands and New and Emerging Communities, ATSIC Housing, Infrastructure, Health and Heritage Branch, January 1999, p iii.

⁴ *ibid.*

⁵ *The CDEP in town and country Arnhem Land: Bawinanga Aboriginal Corporation*, J.C. Altman and V Johnson, Centre for Aboriginal Economic Policy Research, Australian National University Discussion Paper No. 209/2000.

Walangurrminy, part of the White Eagle Aboriginal Corporation in the Northern Territory⁶. An individual 'homeland' may be comprised of several sites on some of which only one or two houses are built, as in Tapatjatjaka Community Government Council near Alice Springs. If employment opportunities are located at places located more than commuting distance from such sites, the actual as compared with the permanent population of an outstation may be even smaller than 12 as some inhabitants would need to spend a large part of their time away from the outstation so as to access employment. Demands from such communities for assistance in installing housing and infrastructure and for assistance with operating costs through CHIP increased in the late 1980s and early 1990s. In 1996 ATSIC responded by imposing a moratorium on funding of new communities pending the development of improved funds allocation arrangements. In February 1999, the ATSIC Board released new policy principles to regulate ATSIC involvement in the funding of outstations. The principles require Regional Councils to apply planning guidelines that *inter alia* provide some transparency in priority-setting to groups involved in movements.

Other ATSIC Municipal Services Spending

1.13 ATSIC spends money through programs other than CHIP on activities that are similar to municipal services. A report to the Local Government Minister's Conference in 1998 suggested that overall ATSIC spending on municipal services may have been \$354 million in 1996–97⁷. The most important of these other ATSIC funding sources is the Community Development Employment Projects (CDEP).

1.14 The objective of CDEP is quite different to CHIP. It is to provide work for unemployed Aboriginal and Torres Strait Islander persons in community-managed activities that assist the individual in acquiring skills which benefit the community, develop business enterprises and/or lead to unsubsidised employment⁸. CDEP is an employment-generating program which uses similar principles to work for the dole schemes. Chapter 5 provides more detailed discussion of the CDEP's relationship with municipal services.

⁶ see Appendix 8, Communities visited by the ANAO.

⁷ Rural Remote Resources 1998, *Local Government Services to Aboriginal and Torres Strait Islander Communities: Its Capacity to Achieve the National Commitment to Improve Outcomes for Aboriginal and Torres Strait Islander Peoples*, Australian Local Government Association, Canberra, June.

⁸ Aboriginal and Torres Strait Islander Commission, *Annual Report 1998–99*, AGPS, p. 50.

Objective and scope of the audit

1.15 The objective of the audit was to form an opinion on ATSIC's management of the Municipal Services component of the Community Housing and Infrastructure Program (CHIP).

1.16 The audit examined how effectively ATSIC specifies and implements its role, the adequacy with which it identifies relative needs for support from the program among Indigenous communities, and how it leverages improved outcomes from other potential funding sources.

1.17 Due to the need to maintain the audit to a manageable size, the audit concentrated on the Municipal Services component of CHIP. It did not examine in detail the administration of ATSIC funds allocated through CDEP, as this was the focus of earlier ANAO Performance Audits in 1995–96 (Phase One Audit)⁹ and 1996–97 (Phase Two Audit)¹⁰. However, the audit examined coordination between ATSIC program streams, especially in regard to the CDEP. Chapter 5 examines this cross-program coordination.

Audit criteria

1.18 To assist it to form an audit opinion, the ANAO developed the following criteria to assess ATSIC's delivery of municipal services to rural and remote Indigenous communities:

- ATSIC has a clearly defined role in the provision of municipal services to Indigenous communities;
- ATSIC has procedures in place to allocate its resources for municipal services on the basis of national needs;
- ATSIC has administrative mechanisms to ensure Indigenous community organisations receive (ATSIC) funding to supplement the efforts of other Governments; and
- ATSIC collects information to allow it to implement its municipal services role.

1.19 These four themes are reflected throughout the report.

⁹ Australian National Audit Office 1995, *Community Development Employment Projects Scheme: Aboriginal and Torres Strait Islander Commission*, Auditor-General Report No. 6, 1995–96, ANAO, Canberra.

¹⁰ Australian National Audit Office 1997, *Community Development Employment Projects Scheme—Phase Two of Audit: Aboriginal and Torres Strait Islander Commission*, Auditor-General Report No. 26, 1996–97, ANAO, Canberra.

Audit methodology

1.20 To form an opinion on ATSIC's management of the Municipal Services component of CHIP, the audit team:

- conducted fieldwork at ATSIC's Central Office in Canberra, and in its State and/or Regional Offices in Perth, Kalgoorlie, Adelaide, Port Augusta, Alice Springs, Darwin, Cairns and Brisbane, (incorporating the examination of key documents, databases and files and interviewing key personnel);
- conducted interviews with various ATSIC Regional Council members to obtain their views on ATSIC's operations and performance and to establish their role in the process. Their inclusion meant that the issue of coordination within ATSIC was addressed in a more integrated way since the program is administered and delivered on a regional basis;
- visited six community organisations around Australia to obtain Indigenous people's views on ATSIC's operations and performance (see Appendix 8). These community organisations were:
 - the Aboriginal Development Foundation, NT;
 - Tapatjatjaka Community Government Council, NT;
 - Tangentyere Council Incorporated, NT;
 - White Eagle Aboriginal Corporation, NT;
 - Aboriginal Movement for Outback Survival Incorporated (Mt Margaret community) WA; and
 - the Davenport Community, SA.
- held discussions with various Commonwealth, State and other bodies, interstate and in Canberra, to establish ATSIC's fulfillment of its role as a supplementary funder.

1.21 A list of Commonwealth, National, State¹¹ and other bodies consulted is in Appendix 9.

1.22 Mr Christopher Conybeare, AO, was engaged as a consultant to the audit to assist in the collection and analysis of information and in the preparation of the audit report. Mr Conybeare has had wide experience in public sector administration including in high level strategic management of programs involving delivery of services on a National, State and regional basis.

¹¹ In this Report a reference to 'State' should be understood as including 'Territory' unless otherwise specified in the text.

1.23 The audit was conducted in accordance with ANAO's Auditing Standards. The cost of the audit was \$292 100.

Reasons for the audit

1.24 This audit represents another part of the ANAO's strategic approach to auditing issues relevant to the health and welfare of Indigenous Australians.

1.25 Other ANAO reports relevant to the health and welfare of Indigenous Australians are:

- The Aboriginal and Torres Strait Islander Health Program. Department of Health and Aged Care, 1998;
- National Aboriginal Health Strategy—Delivery of Housing and Infrastructure to Aboriginal and Torres Strait Islander Communities, ATSIC, 1999; and
- Indigenous Land Corporation—Operations and Performance, ILC, 2000.

Structure of the Report

1.26 The report is structured to address those aspects of the governance framework reflected in the audit criteria. Chapters 2–6 focus respectively on the following issues:

- ATSIC's delivery of Municipal Services;
- roles of the Municipal Services program;
- management information about the performance of the program;
- cross-program coordination within ATSIC; and
- arrangements for coordination with other service providers.

2. ATSIC's Delivery of Municipal Services

This chapter outlines ATSIC's delivery of the Municipal Services component of CHIP and ATSIC's governance framework, describes funding levels, and examines how far decision-making on the allocation of funds and grants is related to needs.

Planned Outcomes and Outputs

2.1 CHIP contributes to the ATSIC Outcome of *'The economic, social and cultural empowerment of Aboriginal and Torres Strait Islander peoples in order that they may freely exercise their rights equitably with other Australians'*. For Municipal Services the Output objective was: *'To increase the number of Aboriginal and Torres Strait Islander people with access to adequate and appropriate essential municipal services'*¹².

2.2 In a revised Output format adopted by ATSIC for the 2000–2001 year and published in the Portfolio Budget Statements 2000–2001, the Outputs have been defined at a more detailed level.¹³ Municipal Services as an activity is now distinguished from Community Housing and Infrastructure and defined as a separate Output.¹⁴ The CDEP is brought to account in a separate Output Group, Output Group 4 Economic Development.

2.3 The National Housing and Infrastructure Centre sets Regional Council CHIP allocations based on the national framework and policy objectives for CHIP approved by the ATSIC Board. The latter allocate these funds to achieve local priorities. As mentioned earlier, ATSIC sees this combination of national framework and devolved priority-setting and delivery to be in line with the statutory objective of ensuring self-management and self-sufficiency for Aboriginal and Torres Strait Islander peoples.¹⁵ The CHIP program and the CDEP account for the great proportion of funds available for Regional Councils to spend at their discretion, subject to the requirements of the national policy framework. Appendix 5 provides details of the management system.

¹² Aboriginal and Torres Strait Islander Commission, *Annual Report 1998–99*, AGPS, Canberra, p. 112.

¹³ Aboriginal and Torres Strait Islander Commission, *Annual Report 1999–00*, AGPS, Canberra, p. 23.

¹⁴ ATSIC, *Portfolio Budget Statements 2000–2001*, Budget Related Paper No. 1.14B, ATSIC, Canberra, p. 28.

¹⁵ *ibid*, p. 18.

2.4 ATSIC statements in 1997 and 1999 set ATSIC policy on CHIP and Municipal Services. The 1997 document, *Community Housing and Infrastructure Program—Policy 1997–2000*, contains national policy principles for CHIP determined by the Board of Commissioners. While this document continues to be current, it limited funding to new not previously funded organisations. This reflected the Board’s decision to apply a “moratorium” to funding new outstations from 1 March 1996. The 1998 reprint included interim funding provisions for outstations¹⁶.

2.5 The second policy statement in 1999 revised some elements of the 1997 statement. It is “*ATSIC’s Policy for Outstations, Homelands and New and Emerging Communities*”. This second policy statement specified new procedures to apply to funding outstations, including existing ones that were receiving funding. It strongly qualified the moratorium but incorporated new directions for policy including national and regional guidelines, while allowing more discretion to Regional Councils in specific areas. Effectively the revised policy allows Regional Councils to decide whether outstations should receive funding. They can only do so on the basis of finalised regional planning arrangements. The ANAO was advised by the National Housing and Infrastructure Centre (NHIC) in ATSIC’s National Office that no Regional Council has yet completed such arrangements and that, as a result, the moratorium of 1996 was still in place.

2.6 ATSIC provides material bearing on CHIP and Municipal Services in a range of other documents. These include procedures manuals and guidance handbooks for Regional Councils. The Funding Procedures Manual and the Regional Council Planning Handbook provide guidance to potential applicant organisations, and Regional Councils and ATSIC staff, on how to address eligibility criteria, application requirements and procedures, on grant application processing and on grant administration.

2.7 ATSIC uses an electronic system, called the Grant Management System (GMS), to support funded program management activity. ATSIC officers are required to use this system, to ensure that prescribed assessments are made by officers on relevant material and information that has been provided by potential grantees. The GMS ensures that accountability requirements set out in Letters of Offer such as quarterly performance information have been fulfilled by grant holders before release of funds instalments. In day-to-day grant administration, GMS

¹⁶ Aboriginal and Torres Strait Islander Commission, *Community housing and Infrastructure Program Policy 1997–2000*, ATSIC, Canberra, p. 42.

requires the input by project staff and decision-makers of defined information at certain points in the application processing and funds allocation cycle. Only after satisfactory information is entered into the system will it allow officers to proceed to the next screen or decision-making stage, or to the printing of key letters or documents. The automated steps built into GMS reflect the policy settings described in ATSIC's printed material on municipal services. They also add a dimension of detail and prescription not set out in the published documents. They assist in ensuring that key aspects of decision-making are consistently processed across Regional Offices and that satisfactory information is available to case officers and decision-makers before grants are approved and/or monies released.

2.8 Organisations that are eligible under the national guidelines make submissions following a prescribed format and requiring extensive specified information.

2.9 Once organisations receive funding they have a range of reporting and acquittal obligations to ATSIC, including quarterly financial and performance reports. Funding will typically be for one year so organisations need to make new submissions for each yearly funding cycle. Some Regional Councils offer three-year funding to suitable organisations, lessening ATSIC's administrative requirements of communities.¹⁷

2.10 The procedures and guidelines applied by ATSIC for grant management are based closely on the ANAO's Better Practice Guide on Grants Management. Appendix 5 sets out more detailed information on ATSIC's Municipal Services grant management system.

¹⁷ Some Regional Councils utilised a facility opened by National Office in 1997–98 to offer three-year funding to some grantees at Regional Council discretion. This arrangement depends on a negotiated three year funding agreement between ATSIC and the Department of Finance and Administration, which contains forward funding limits. ANAO understands that the ATSIC Board has not decided whether to continue these arrangements for another triennium. The ANAO noted that three-year agreements are appreciated by the grantees that have them and that they reduce the administrative costs to grantees of the annual submission drafting process. On the other hand they reduce Regional Council flexibility in the annual grant allocation process and could create expectations on the part of some organisations of having access to ATSIC municipal services funds indefinitely. This would run counter to many Regional Councils' interest in reshaping the pattern of grants (see paragraph 2.25).

Funding levels

2.11 Since 1996–97, total CHIP allocations have been based on a Government requirement to spend a minimum of \$210 million each year on CHIP within ATSIC’s global budget. Within the CHIP budget, that is, for components such as Municipal Services, the Board of Commissioners has required minimum levels of expenditure to maintain effort at 1996–97 levels. ATSIC advised the ANAO that the decrease in Municipal Services funding between 1996–97 and 1997–98 was a result of changes to the CHIP program structure following improved definitions of Housing recurrent, Infrastructure and Municipal Services.

Table 1

ATSIC’s Municipal Services Expenditure by State/Territory

<i>State</i>	<i>1995–96</i>	<i>1996–97</i>	<i>1997–98</i>	<i>1998–99</i>	<i>1999–2000</i>	<i>Total (note1)</i>
	<i>\$ m</i>	<i>\$ m</i>	<i>\$ m</i>	<i>\$ m</i>	<i>\$ m</i>	<i>\$ m</i>
NSW	0.1	0.2	0.0	0.0	0.0	0.3
Vic	0.7	0.7	0.6	0.9	0.8	3.8
Qld	4.1	5.2	3.4	3.5	3.5	19.6
WA	17.4	19.7	16.3	16.8	15.7	86.0
SA	8.7	8.1	5.9	6.4	6.8	35.9
Tas	0.3	0.3	0.2	0.2	0.2	1.3
NT	12.9	14.0	12.1	11.4	11.3	61.7
Total	44.1	48.3	38.6	39.2	38.4	208.6

Note 1: Column totals may not agree due to roundings.

2.12 As can be seen in the above Table, Municipal Services expenditure by ATSIC varies widely across the States and Territories. Expenditure is negligible in NSW, and very high in areas like Western Australia and the Northern Territory. The allocations have no relationship to the population distribution of Aboriginal and Torres Strait Islanders across Australia. They relate to perceived needs arising from the specific situations of Indigenous communities, mainly discreet communities, located at specific sites generally in rural and remote areas. Chapter 3 addresses the multiple roles ATSIC’s municipal services funding plays from site to site.

2.13 In 2000–2001 ATSIC’s Municipal Services funding assists 28 of ATSIC’s 35 Regional Councils. In turn, these fund approximately 260 Indigenous community organisations to provide municipal services in more than 300 Indigenous communities throughout Australia.

The relationship of funding to the need for municipal services assistance

2.14 While the notion of meeting needs for municipal services assistance is not directly captured in the Output descriptors of the program under output based budgeting (see paragraphs 2.1 and 2.2 above), ATSIC's published policy documents on Municipal Services state that the intention of the agency in providing this funding is to target needs. *The Community Housing and Infrastructure Program Policy 1997–2000* document describes how the CHIP program should target need.

2.15 The CHIP Policy document states that—'*Strategies to improve housing and infrastructure outcomes must be based on accurate data and appropriate definitions of need*'. It indicates that the Housing and Community Infrastructure Needs Survey (CHINS) of 1992, the 1999 CHINS survey, with Australian Bureau of Statistics (ABS) Census data, provide the only overall picture of need on which to plan and cost targeted programs and to measure the outcomes of programs now and in the future.¹⁸ The 1999 CHIN survey was intended to measure progress and to provide current data to continue and '*entrench targeted program delivery*'.

2.16 ATSIC identified key features of housing need on the basis of the 1992 survey material as:

- *environmental health*—provision, upgrade and maintenance of basic essential services such as water, sewerage, housing and power;
- *affordability*—poverty arises after meeting high housing costs and leads to other disadvantage including family health;
- *housing/shelter*—locational and climatic appropriateness and community self determination on type of accommodation;
- *homelessness*—addresses the issues for people living in semi-permanent circumstances; and
- *appropriateness*—the unique social and cultural needs of Indigenous families in design of housing and use of technology in rural and remote locations.

¹⁸ Aboriginal and Torres Strait Islander Commission, 1997 *Community Housing and Infrastructure Program Policy 1997–2000*, AGPS, Canberra, p. 3.

2.17 The ANAO reviewed ATSIC's processes for identifying housing and infrastructure needs in its report on the National Aboriginal Health Strategy, tabled in May 1999.¹⁹ In the present audit, ATSIC informed the ANAO that it would assess the results of the 1999 CHIN survey as part of its ongoing review of CHIP policy. At the time of field work no revisions of the key features of Indigenous housing need had been identified.

2.18 ATSIC does not claim that its allocation to Municipal Services from its Parliamentary appropriation meets the needs that exist for such funding. The Commission has noted that these needs greatly overshadow the resources available to ATSIC through the Budget.²⁰

2.19 Because of the excess of demand for funds over supply, ATSIC has to establish credible procedures for distribution of the available funds. ATSIC advised the ANAO that in deciding budget estimates in CHIP programs and in making allocations to the Regions, ATSIC is guided on relative priorities by the CHINS Surveys of 1992 and 1999, other ABS statistics and specially commissioned studies.²¹ ATSIC stated that it also uses a national formula based on historical (pre-1994) spending. These materials and calculations offer only a broad guide to identifying relative needs. The data collected by CHINS is not consistently collated on an ATSIC Region by Region basis. The survey format does not provide for clear distinction between capital and recurrent funding in a way that aligns with the distinction built into CHIP between capital and operational funding. Further, ATSIC does not disaggregate capital from recurrent funding needs in a manner aligned with the structure of CHIP and the Municipal Services component within it. A formula based on historical spending reflects existing patterns of expenditure and does not recognise change in such critical areas as access to other funding sources.

¹⁹ Australian National Audit Office 1999, *National Aboriginal Health Strategy-Delivery of Housing and Infrastructure to Aboriginal and Torres Strait Islander Communities*, Auditor-General Report No.39, 1998-99, ANAO, Canberra.

²⁰ ATSIC has stated: *'There is an estimated backlog of capital housing and infrastructure need of more than \$4 billion, and there are ongoing recurrent commitments to provision of essential services. But, there is little chance of meeting these needs within existing resources. No matter how well targeted, the global CHIP budget of approximately \$220 million will not be able to meet this backlog or satisfy ongoing needs. There are no prospects for a significant increase in this budget.'* ATSIC Homelands Policy statement 1999, *op cit*, p. 4.

²¹ Especially relevant are three studies in the 'Indigenous Housing and Living Environment' series, published in 1998 and 1999 respectively.

- Aboriginal and Torres Strait Islander Commission, 1999, *Essential Services Costs in Remote Indigenous Communities*, Canberra.
- Aboriginal and Torres Strait Islander Commission, 1998, *National Review of Resource Agencies Servicing Indigenous Communities, 1998*, Canberra.
- Aboriginal and Torres Strait Islander Commission 1999, *Indigenous Housing 1996 Census Analysis*, Canberra.

2.20 A further feature of ATSIC's allocation of Municipal Services funding to the Regions is that the financial allocation process makes the funding a residual item after other Regional Council spending obligations have been met. Councils are required to commit a minimum in funds to capital projects. They can spend what remains on Municipal Services. The Regional Council has the option of redirecting some Municipal Services money to housing and/or infrastructure, depending on its priorities. The Municipal Services amount, like any other line item, may be increased by a Regional Council decision to top up Municipal Services outlays by utilising a discretionary funds pool allocated to Regional Councils. This practice, coupled with a rebalancing of allocations between capital and operational across Regions as the year proceeds, means that amounts actually spent on Municipal Services may be different to budget estimates.

2.21 When the ANAO sought information from ATSIC as to how it decided the mix of capital and operational components in CHIP allocation to Regions, ATSIC explained that, among a range of factors, expectations to target maximum resources for housing and infrastructure capital projects and concerns about other funding agencies not contributing their proper share to municipal services were important factors.²²

²² In response to a question asked by the ANAO team, ATSIC advised that the factors shaping ATSIC's position on this issue include:

- policy pressure to target maximum funds to address capital requirements for housing and infrastructure, particularly in remote areas;
- lack of transparency around State arrangements and policy settings for Community Service Obligation funding and service delivery;
- an identified gap in recurrent funding for essential services;
- NAHS is intended to be the primary response to needs for larger scale capital infrastructure projects, and generally NAHS infrastructure projects entail negotiated agreements for recurrent management and maintenance;
- evolving arrangements for price setting and cost recovery for essential services by State agencies and ATSIC funded service deliverers;
- the local government policy view that they are not adequately resourced to service rural remote Indigenous communities;
- the structure of State/local government responsibilities in each State and levels of services provided to Indigenous communities; and
- the need to be responsive to strategic opportunities to leverage additional funding from States and local government.

2.22 In regard to decision-making at Regional Council level on the organisations in their regions to receive funding, information available on needs appears to be variable. As indicated in Appendix 1, the levels of expenditure on Municipal Services vary widely from one Region to another. In none of the Regional Offices visited by the ANAO were procedures for collecting systematic data on unfunded needs in place. Survey results and needs assessment data generated by national projects are available to Regional Offices (though such surveys typically caution against reliance on this sort of data for decision-making at Regional and sub-regional levels). Some Regional Councils commission their own research work. However, except for research requested from the Centre for Appropriate Technology in Alice Springs, this research is generally applicable only to the specific Region which commissioned it. Regional Councillors personally undertake considerable monitoring of community developments and liaising with the wider potential client groupings, often assisted by ATSIC staff and representatives of other interested agencies. The ANAO noted that the Regional Councils visited make strong efforts to relate grant decision-making to needs. Some appear to have achieved a measure of success in this. However, all Regional Councils visited face constraints in their actual capability to match funding to need.

2.23 In all Regional Offices reviewed, the ANAO noted three particular groups of factors militating against needs-based decision-making at Regional level:

- the submission-based grant process rests on public advertising of the opportunity for funding; the applications require considerable efforts by community organisations in understanding the range of administrative and financial dimensions involved; and the substantial documentation and drafting expertise, often bought in, is not uniformly available to communities;
- difficulties facing Regional Office staff in spending time with client groups other than those already in a grant relationship with ATSIC. Among the Regions visited by the ANAO the degree of such difficulty varied. Some Regional Offices have arrangements in place that they consider to be satisfactory in all the circumstances they face. All Regional Offices attempt to maintain a regular pattern of field visits, though these may be disrupted by events occurring outside the CHIP grants timetable. The ANAO observed that in some ATSIC Regional Offices, ATSIC staff have limited time to counsel applicants or correspond with them other than by facsimile or e-mail. They most often have dealings with community organisations' employed coordinators who are frequently external, non-Indigenous people with

accounting or office management skills. According to the observations made by the ANAO, staff have little opportunity to engage in community development work. Regional Managers and Regional Council Chairmen, consulted during the course of the audit, advised that they seek to ensure that Regional Office grant management staff have maximum opportunities to visit regional areas and engage in outreach work. Some staff commented that these opportunities were still insufficient to enable them to counsel communities on the purposes of the program and ways by which unfunded communities might be able to work towards achieving eligibility for that funding. They noted that, compared to the past, they were unable to spend much time developing constructive relationships with community organisations. They have little opportunity to counsel communities on the purposes of the program and ways that unfunded communities might be able to use to work towards achieving eligibility for it; and

- ATSIC's knowledge of the circumstances of organisations in the Regions is limited in the case of those organisations that do not have a grant relationship with ATSIC. This is because ATSIC assembles data about organisations from the information contained in applications for grants. It does not maintain data on organisations that are not in grant relationships with it nor on organisations that have applications declined and have no other ATSIC funding. Individual Councilors and ATSIC staff have anecdotal, personal knowledge of some organisations.

2.24 The ANAO observed that Regional Councils tended to be concerned about the degree to which Municipal Services funding was tied to existing grantee organisations, some of which might have been funded from ATSIC for such purposes over numerous application cycles. These Councils would like to re-shape the pattern of grants in their Regions, sensing that the patterns of needs had changed. Councilors noted that in some cases not only were the needs of some long-funded organisations not as strong as they had once been but that other funding agencies should be forced to take some greater share of responsibility for meeting their needs. The ANAO noted the hopes that a number of councilors held that Councils would use their regional plans in an active way so that the plans would guide the future allocation of grant funds. Councilors stated that they would benefit from ATSIC field officers being able to play a fuller role in this range of activities, which they hoped would be possible without compromising the quality of their ongoing grant management and compliance work.

Strategic Management Initiatives

2.25 ATSIC has taken initiatives to achieve efficiencies in the delivery of Municipal Services and to more effectively utilise available funds. Major initiatives have been:

- the 1999 *ATSIC's Policy for Outstations, Homelands and New and Emerging Communities*, requiring Regional Councils which wish to fund new communities under CHIP to plan more fully. ATSIC advised the ANAO that this Homelands Statement marked a change in direction towards giving more weight to the role of Regional Councils' deciding their own priorities in the environment, determined by Government policy, of overall resources levels provided through CHIP not growing in real terms;
- requiring funding of existing small multiple outstations to be through centralised resource agencies having town management responsibilities;
- aggregating individual, fragmented Indigenous housing associations into regional organisations capable of delivering economies of scale and improved administration;
- reviewing internal grants administration, especially the risk assessment arrangements, to identify weaknesses in community organisations, address training and development needs in organisations which ATSIC is funding and to rationalise the monitoring of risk by Regional Offices;
- providing guidance to Regional Councils in the broad formulation of draft regional budgets and facilitating the achievement of objectives of regional plans; and
- more broadly, seeking to negotiate bilateral agreements with States and other Commonwealth agencies on housing and infrastructure capital and maintenance and on essential services and municipal services. Chapter 6 canvasses these issues more fully.

2.26 The ANAO noted from CHIP documentation that the model ATSIC is employing of utilising the service delivery capacity of regional and locally based Indigenous organisations to provide municipal and essential services for communities, is intended to support the capacity for self-management of Aboriginal and Torres Strait Islander people, consistent with ATSIC's legislation and Corporate Plan. Building the administrative capability of the local institutions upon which reliance is being placed would accordingly be important to the effectiveness of this area of program spending in terms of meeting agency objectives. The Commonwealth Grants Commission's (CGC) Inquiry into Indigenous

Needs, which was in progress during this audit, published a provisional finding in its discussion paper of October 2000 which paralleled this observation. The CGC's provisional finding was that a community's capacity to deliver or manage services is a vital consideration in resource allocation from all funding sources.²³ The ANAO considers, however, that such initiatives would benefit from being placed in a broader, reshaped approach to strategic management of Municipal Services, which would be directed at focussing expenditure and efforts more directly on needs in the Regions. The elements of this reshaped approach, which would be consistent with existing ATSIC policy and initiatives in place, would include:

- lessening the weight of historical funding in the methods used to make decisions;
- providing to Regional Councils improved guidance on ranking relative needs within Regions, for example, by providing matrices that would help Councils to build better community needs profiles and assemble data on existing grantee organisations;
- developing specific guidelines applicable to funding organisations beyond a specified period, for example, eight years (equivalent to two triennial grants where offered and two annual grants), to strengthen the capacity of Regional Councils in communicating with long-established community organisations anticipating indefinite funding; and
- revising grant management procedures with a view to ensuring that, without lessening the appropriate strong commitment to pursuit of accountability for the funds allocated, Regional Office staff are able to provide fuller support to Regional Councils in out-of-office development work in the communities in Regions.

²³ Commonwealth Grants Commission, 2000, *Discussion Paper IFI 2000/2 Draft Report of the Indigenous Funding Inquiry*, Canberra, p. 28.

2.27 While there is recognition within ATSIC of the potential for ongoing grant administration procedures to impact both positively or negatively on capacity development among community organisations, the procedures in place at the operational level, do not appear to provide guidance to officers who have to deal with practical problems. An organisation with weak administrative capability facing termination of ATSIC's Municipal Services funding may be serving a community with no other sources of support or assistance. The ANAO heard concerns that the present arrangements do not provide ATSIC Regional Office staff with effective guidance on how to deal with situations where community groups' need for funding was undiminished but whose managements were unable to demonstrate complying performance with grant conditions. Related issues in grant management at local level are examined in paragraphs 2.31–2.33 below. The working environment in which grant administration takes place means that key Regional Office field staff have insufficient capacity systematically to build constructive relations with community organisations and provide general advice and community development assistance. Increased accountability requirements introduced in ATSIC following the Special Auditor arrangements of 1996–97 and legal advice cautioning against ATSIC offering general advice to clients have influenced the working environment of grant administration. Whereas in the past Regional Office field staff were often able to spend time building constructive relations with community organisations and to provide general advice, increasingly it was necessary for officers to devote time to monitoring the operation of existing grants.

2.28 ATSIC National Office has emphasised in discussion with ANAO that it is engaged in an ongoing process in developing the policy guidelines to meet changing needs and accountability requirements, and to reach an appropriate balance between prescription from the centre and Regional Council autonomy. Again, the complexity of the actual situation of Regional Councils across Australia is properly stressed. As noted earlier, ATSIC indicated that the Homelands Statement marked a change in direction towards giving more weight to the role of Regional Councils' deciding their own priorities in the environment, determined by Government policy, of overall resources levels provided through CHIP not growing in real terms. The ANAO endorses this approach.

Recommendation No.1

2.29 The ANAO recommends that ATSIC re-shape the strategic management of its Municipal Services grants so as to:

- sharpen the focus on meeting needs by lessening the weight of historical funding in the methods used to determine Municipal Services allocations;
- provide Regional Councils with improved guidance on ranking relative needs in the Regions and building better community needs profiles as a basis for future grants management;
- enhance the contribution of Regional Councils in the devolved decision-making framework;
- strengthen the ability of Regional Councils and Regional Offices to assist community organisations to meet Parliamentary accountability requirements; and
- enable Regional Office staff to undertake more outreach and community development work.

ATSIC's response

2.30 Agreed.

ATSIC has a number of review processes and program development activities in train which will enhance strategic management of the program.

A triennial review of the national CHIP program policy framework will be completed late in 2001. This review will seek to identify and promote good practice in Regional Council and Regional Office planning, decision-making and delivery of CHIP (including the Municipal Services component), including through enhanced data-gathering and analysis of relative needs within a region.

In conjunction with the program policy review, the methodology for allocation of CHIP program funds (including between Regional Councils) will be reviewed. The major national data sets which will be considered in this review are ATSIC's CHIN Survey and ABS Census of Population and Housing.

Significant shifts in program policy, such as approaches to needs based allocation, are determined by the Board of Commissioners. A key issue in review of CHIP program allocation methodology will be the timing of any changes introduced. A CHIN survey was last undertaken in 1999 and analysis of this data for future needs based planning is well advanced. Data from the 2001 Census and 2001 CHINS will be available in the latter

half of 2002. Regional Councils' planning benefits from some stability in program allocations. The Board may need to consider later in 2001 whether to stage changes to CHIP national allocation methodology in light of the timing of availability of these new data sources. From 2001, ATSIC proposes to conduct CHIN Surveys in tandem with Censuses, in part, to facilitate regular review of national program allocations.

A stakeholder review of ATSIC grant funding processes will be completed in 2001. Feedback from Regional Councils and indigenous community organisations in particular will assist in pursuing further benefits from devolved decision-making while enabling grant monitoring and reporting to achieve accountability in less onerous ways.

ATSIC is currently examining a number of strategies to provide community development assistance to communities which may benefit from that kind of support, including refocussing ATSIC program or administrative resources or accessing other agencies' assistance. Reviews of grant and program delivery processes outlined above may enable some staff resources to be re-directed to outreach or community development activities. At a minimum, these reviews are intended to enable ATSIC field staff to direct more time to community liaison and engaging with other stakeholders in the region and less on office-based grant processing and monitoring. However, whether redirected ATSIC staff effort is either the most appropriate or a sufficient means for communities to access development assistance, in a broader sense, will need to be determined on a case by case basis.

Issues in grant administration in ATSIC's Regions

2.31 ATSIC deploys substantial resources on the operational requirements of an accountable grants program. Subject only to the observations below (para 2.32) it has achieved a large measure of success in this goal. Local management of grants, especially CHIP and CDEP, form a significant part of the total effort to ATSIC's Regional Offices in rural and remote areas. A National Office Service Delivery Support Unit in the National Program and Network Office provides cross-program oversight of grants management procedures and identifies on a continuous improvement basis where improvement opportunities may exist. The audit observed that function in operation during field work and in working later, through discussions involving the ANAO, to resolve some issues in procedures identified by the audit in particular Regional Offices. Also during the audit field work a coordination unit was established to support the CHIP and CDEP National Responsibility Centres (see Chapter 5 paragraph 5.13).

2.32 The ANAO concluded from its interviews of program staff and community organisations in regard to:

(a) prescribed procedures:

The accountability arrangements ATSIC has set in place for grant administration properly require decision-makers to obtain a wide range of information from community organisations at application stages as well as during the operation of grants that are on foot. Also, ATSIC personnel must ensure the achievement and maintenance of certain performance levels by funded organisations so that they can continue to receive funds.

On the other hand, the administrative requirements imposed by ATSIC procedures are resource intensive for community organisations. ATSIC has the task both of achieving maximum accountability requirements and ensuring the efficiency of the grants program from the point of view of the deliverables it is intended to provide. While in many cases such objectives may work in tandem, in some communities tensions between them may arise. Considering that many of ATSIC's client groups are among the most disadvantaged of the Australian community, have relatively low levels of education as well as having less familiarity with the western culture's business requirements, ATSIC should continue to look for opportunities to make its requirements as simple and clear as possible, streamlining them where accountability requirements can also be preserved.

(b) risk management assessment and monitoring of particular organisations:

Although present performance across Regional Offices appeared to leave some gaps, ATSIC is taking appropriate steps to review arrangements in a way balancing better the sometimes competing demands of accountability and program effectiveness.

(c) compliance with prescribed requirements by ATSIC Regional Offices:

In some Regional Offices a range of unexplained variations from the prescribed requirements was noted. Many of these have been acknowledged by ATSIC and action is under way to address a number of them. Other deficiencies noted demonstrate a need for ATSIC to continue to monitor performance of Regional Offices and to streamline grant management procedures.

2.33 Appendix 6 sets out summary details of the main findings of this part of the audit.

Recommendation No.2

2.34 The ANAO recommends that ATSIC:

- increase its efforts to refine grant management systems and procedures to ensure that accountability requirements are maintained while the administrative loads they impose on communities are minimised;
- improve risk management arrangements for the administration of grants; and
- monitor more effectively the performance of Regional Offices in grant management.

ATSIC's response

2.35 Agreed.

ATSIC agrees with the broad thrust of the recommendation and is taking the following steps in improvement of its service delivery to address this recommendation:

- a recent revision of ATSIC's grant procedures emphasises performance in producing the outputs as the major purpose of monitoring, and suggests a 'normal' monitoring of twice yearly financial statements and quarterly performance measurement, which may be done by field visit. We believe that this shift in emphasis will maintain accountability and reduce the administrative burden on grantees; and
- revised grant procedures also emphasise that administrative decisions on levels and frequency of performance monitoring needs to involve risk management principles, by distributing the available resources for monitoring having due regard to relative risk identified in different grants.

In relation to more effective monitoring of Regional Office grant management performance, ATSIC's most significant current initiative has been to expand the activity of a Regional Office network of Quality Assurance Officers, supported by a Service Delivery Support Unit of the National Program and Network Office. Functions of the Regional network will include: promoting understanding among project staff of risk management dimensions of grant management processes; sharing knowledge of best practice; and, providing a focus of continuous improvement. Effective operation of the quality assurance process is part of the performance requirements of Regional Managers. The Review of CHIP Policy will also seek to identify good practice in applying generic risk management and grant monitoring processes to specific circumstances of Municipal Services funded organisations.

3. Roles Played by the Municipal Services Program

This chapter examines the roles played by ATSIC's activity in Municipal Services against the backdrop of the activities and responsibilities of other areas of government and other funding agencies.

3.1 In the Australian constitutional framework municipal services and local government are a State responsibility, not a Commonwealth one. It is also not a normal Commonwealth responsibility to provide municipal or essential services in territories where it is not the administering power. ATSIC's establishing legislation gives it the mandate to ensure coordination in the formulation and implementation of policies affecting Aboriginal persons and Torres Strait Islanders by Commonwealth, State, Territory and local government, without detracting from the responsibility of State, Territory and local governments to provide services to their Aboriginal and Torres Strait Islander residents.²⁴

3.2 At the heart of ATSIC's role in 'municipal services' is the fact that mainstream²⁵ services are not being made available to some Indigenous communities by State or local government bodies. ATSIC's predecessor the Department of Aboriginal Affairs, and now ATSIC, have responded by providing Commonwealth funding to meet some of these particular needs.

3.3 At the same time the Commonwealth Government is examining a large number of issues involved in roles and responsibilities for meeting Indigenous needs. Commonwealth funding of Indigenous needs in a range of sectors, including infrastructure, is the subject of a special Inquiry commissioned of the Commonwealth Grants Commission by the Federal Government. The ANAO team consulted with the Inquiry, and the Inquiry's preliminary findings have been noted and taken into account by the ANAO in reaching conclusions within the present audit.²⁶

²⁴ Section 7. (1) (c) of the Aboriginal and Torres Strait Islander Commission Act 1989 states that the Commission has the function 'to develop policy proposals to meet national, State, Territory and regional needs of Aboriginal persons and Torres Strait Islanders.'

²⁵ Reference to 'mainstream' services in this report means services that would normally be available to Australian citizens residing in urban or rural settlements.

²⁶ Commonwealth Grants Commission, 2000, *Discussion Paper IFI 2000/2, Draft Report of the Indigenous Funding Inquiry*, Canberra, October 2000.

3.4 These constitutional, legislative and policy dimensions of the framework of public and essential services delivery in which ATSIC provides its Municipal Services program would seem to be critically important to the control of the broad directions of this program. In this environment, how ATSIC's activities fit with the activities of other agencies must be at least as significant for management of the program as the internal grants management process itself. This raises the question of how far ATSIC has assembled data on the specific dimensions of the role it is playing across its Municipal Services grants portfolio. These different dimensions will bear closely on how the program is controlled. While ATSIC's conduct of its relations with other funding agencies is examined in Chapter 6, this Chapter considers the nature of the role ATSIC is playing in its Municipal Services activities.

ATSIC's approach to defining its role

3.5 ATSIC's descriptions of its Municipal Services function and its links with other parts of CHIP and other agency activities are expressed in general terms and are found in several different documents. They focus on the supplementary role ATSIC plays in Municipal Services and other CHIP programs. ATSIC's various statements on its role in community housing, infrastructure and municipal services also suggest that role is because of backlogs in funding need unmet by others with the primary responsibilities.

3.6 The role of ATSIC as a supplementary funder implies that other areas of government would be playing a part, if not the dominant part, in the provision of services to these rural and remote Indigenous communities. The evidence suggests that this is in fact not the case in all States and in a number of ATSIC regions. The situation may well differ within Regions as well, depending on local governing bodies' approaches. The picture is confused and complex. While on a Commonwealth level ATSIC is the sole provider of programs of this nature to Indigenous communities, ATSIC finds itself in the company of numerous other agencies with actual or potential roles at the local level. Appendix 4 provides some detail on this complex landscape of funding agencies.

3.7 Within some States, steps are being taken to look closely at levels of service available to Indigenous communities that may have been receiving ATSIC Municipal Services funds. Western Australia, for example, has instigated a program whereby the channels of communication have been opened between some of the various stakeholders operating in the State. Other states are currently at different stages of putting in place arrangements to identify and address needs.

In many rural and remote communities ATSIC, however, continues to be the only source of funding to operate municipal type services. The issues involved in these interagency relationships are examined in Chapter 6.

3.8 While ATSIC's statements reveal a focus on the supplementary role the program plays, internally there are few systematically collected sources of information about the role of the program. Yet ATSIC's effectiveness in undertaking its Municipal Services role would seem to depend significantly on:

- ATSIC having a sound appreciation of the dimensions of its own role and a capacity to present clear information about that role in discussions and negotiations with other agencies; with the result of;
- other agencies in whose fields ATSIC is operating having a reasonably clear understanding of ATSIC's role;
- ATSIC, at Regional Council, State and National levels of the organisation, having a good understanding of roles being played by other agencies in municipal services and related areas, trends and developments in those roles, and opportunities that may be available to influence directions, ie. advocacy and other opportunities to exercise leverage; and
- ATSIC's organisation being geared to use this knowledge in dealings with other agencies.

3.9 ATSIC has conducted analyses of Municipal Services activities at national level in 1998 and 1999 and referred to State and Regional Managers problems that were identified. It commissioned a review of Outstation Resource agencies in the Katherine Region in 1999.²⁷ ATSIC does not, however, maintain comprehensive, updated data across its grant portfolio on the specific objectives which individual Municipal Services grants are designed to meet. The agency's formal program documentation does not differentiate or present any varying roles for current or proposed grants. However, ATSIC has extensive material on eligibility criteria of both community organisations and their expenditure. ATSIC Annual Reports and the Portfolio Budget Statements report on aspects of the role either in narrative material or by comment on outcomes and outputs. Some Regional Offices maintain extensive data on community organisations and their funding from ATSIC and its predecessor's programs. Annual reports of Regional Councils list ongoing Municipal

²⁷ A report commissioned by ATSIC, *Review and Report on Resource Centres*, October 1999, on Outstation Resource Agencies in the Katherine Region, NT, undertaken by the Australian Institute of Aboriginal and Torres Strait Islander Studies and Tallegalla Consultants.

Services grants but provide generally no analysis of them. Yet the application documentation, including submission of such basic documents as the required audited financial statements of grantee bodies, generates a considerable volume of relevant data. Information collected informally by ATSIC's grants management officers provide another example of source material on the purposes or roles of individual grants that is available to ATSIC for program control purposes.

3.10 ATSIC's present municipal services role has been built incrementally since the 1970s. In response to changing policies at Commonwealth and State level, State government initiatives, other Commonwealth agency activities and funding opportunities and constraints, the program has been built, shaped and progressively reshaped. Apart from the review activity referred to in paragraph 3.9 above, the municipal services role has not been subject to comprehensive review of its purpose and direction in recent years.

3.11 The ANAO considered that ATSIC has not sought to articulate the different dimensions of its role in municipal services in a clear and comprehensive way likely to be understood outside the agency. This affects the agency's capacity to benefit from outputs based budgeting and reporting and accrual accounting, while increasing the importance of these.

3.12 From its fieldwork ANAO identified the following key reasons for ATSIC's involvement in municipal services across a wide diversity of State and regional circumstances.²⁸

- filling crucial gaps left by the interaction between the three spheres of government in the Australian federal system, where responsibilities for service provision at the local level are not clearly delineated;
- acting because of the limited reach of some essential services providers, in a context of high servicing costs for small communities distant from service points, and where the policy requirements of State governments for service provision by public utilities, and the legal requirements, may create uncertainties about whether service obligations may exist;

²⁸ In the absence of analysed material from ATSIC the ANAO obtained broad information on the reasons for ATSIC's involvement in individual Municipal Services grants during field visits to the Regions, inspection of case files, visits to a selection of grantee communities at their sites and interviews of ATSIC managers and stakeholders. The ANAO also consulted officials in other spheres of Government and local government representative bodies. While a selection of ATSIC Regions was visited by the ANAO team and not all operative grants in those Regions were reviewed, the ANAO considers that the relatively large amount of information the review team obtained was sufficient to enable a broad assessment to be made of the content of the ATSIC Municipal Services grant portfolio.

- addressing the consequences of movement of some groups of Indigenous people back to traditional lands, setting up outstations where mainstream services do not exist; called the 'Homelands' movement (see Chapter 1); and
- providing assistance to some Aboriginal and Torres Strait Islander groups because their poverty and relative disadvantage may make reasonable quality services unaffordable for them. Moves towards recovery from users of full costs for local government and essential services under micro-economic reform initiatives keep the demand for assistance strong and growing.

3.13 More details on these four categories are set out in Appendix 7.

Multiple objectives and roles for ATSIC's Municipal Services

3.14 The different reasons for ATSIC's municipal services grants point to the range of different program objectives that are being served by this activity. Further, because its management is closely integrated with the CHIP Program as a whole, the program is significantly wider than the provision of a funding program alone, involving a number of separate dimensions for ATSIC. This multi-dimensional character of the program reflects the varying nature of its role and emphasis from State to State and region to region, following the actual pattern of diversity of service arrangements and local gaps in provision. Furthermore, its character may be changing as States and local authorities develop policies and respond to their own perceptions of demands, stimulated in some cases by ATSIC's endeavours and activities.

3.15 The ANAO found that the Municipal Services program, as part of CHIP, is performing the following roles:

- it is a conduit for a variable flow of Commonwealth financial resources to Indigenous communities at specific sites, mainly but not wholly located in rural and remote areas, which qualify for grant-based support under the CHIP Municipal Services program. The situations of the bodies receiving funding vary widely in relation to potential access to other funding sources. Some communities are acutely dependent on the ATSIC funds for their survival and are likely to remain so for the foreseeable future. Others use the funds for topping-up funds from other sources and for miscellaneous purposes;
- it provides a base for negotiations with State and local government authorities under which Indigenous communities' needs for housing, essential services and environmental health facilities are met by

cooperative measures involving ATSIC and the States and/or local government, and possibly other Commonwealth agencies;

- it provides a core facility to underpin delivery of diverse services such as health, welfare, financial advisory services, employment and skills generation programs, and other community development activities run under other ATSIC Output Groups (especially the Community Development Employment Project program CDEP²⁹) and by other Commonwealth and State agencies, and also commercial providers such as banks in some cases;
- it offers a point of leverage to influence and rationalise the movement of Aboriginal and Torres Strait Islanders out of large town population centres and urban fringes back to traditional lands or homelands, with consequences for increased funding levels required in new sites and (at least notionally) reduced funding levels in those areas vacated.

3.16 While ATSIC officers have anecdotal and episodic knowledge of these roles and their dimensions across the Municipal Services grants portfolio, ATSIC holds no systematic data on them.

3.17 The ANAO concluded that the absence of comprehensive, systematically collected and up-to-date data on the nature and purposes of the grants program as it is actually being delivered points towards an insufficiently strategic approach to the control of the program. This deficiency impairs the effectiveness of ATSIC's activities in this important area.

Public presentation of ATSIC's Municipal Services activities

3.18 The lack of a consolidated statement by ATSIC on the dimensions of its role has impeded ATSIC's ability to communicate its role in municipal services in an effective way. The ANAO found that in a number of external agencies, ATSIC's role in municipal services is understood by a relatively small number of people. These were people performing roles directly linked with ATSIC's activities in this field and involving them in close day-by-day liaison with ATSIC staff. But there is a number of people and organisations whose decisions have a close bearing on ATSIC's work that have superficial understanding of ATSIC's role and may even be unaware of its activities. Numerous external agency personnel consulted by the ANAO showed little understanding of what ATSIC does other than in specialist areas.³⁰

²⁹ See Chapter 5 for detailed discussion of coordination of Municipal Services with the CDEP.

³⁰ The confusion, which the ANAO encountered, was consistent and very widespread.

3.19 That ATSIC includes its significant essential services role in activity which it calls ‘municipal services’ would appear to be a source of confusion for people in local government. The use of the term ‘municipal services’ may be inappropriate for a program component that supports essential services provision. A more appropriate term to describe the activity might be ‘Residential Site Support’. Replacement of the descriptor of Municipal Services by such a term, or one with similar meaning, might lessen the confusion.

3.20 The ANAO concluded that the depth and extent of the overall responsibilities ATSIC accepts in providing municipal services are generally not well understood in external agencies. Chapter 6 discusses ATSIC’s coordination of its activities with other agencies.

3.21 The ANAO considers that ATSIC should develop a comprehensive and coherent statement of its role in municipal services, identifying its different purposes and laying a basis for an evaluation framework in which to assess preferred directions for development of the program to maximise its value to the organisation and its clients in the future. The supplementation role of the program stressed at present by ATSIC would be given appropriate emphasis, but it would be refined and associated only with those dimensions of ATSIC’s municipal services role to which it properly pertains.

Recommendation No.3

3.22 The ANAO recommends that ATSIC should articulate all the principal roles it performs through its Municipal Services grants activity. It should produce and publish a concise statement of its policy and objectives for those roles, drawing together its different elements. The statement should be drafted so as to:

- provide an analytical basis for evaluation of the grants portfolio on a State-by-State basis;
- be couched in terms that enable external stakeholders to appreciate the range of ATSIC purposes being pursued and provide sufficient information to enable them to track how individual grants relate to those purposes;
- facilitate ATSIC’s communication of its role in Municipal Services to agencies in other areas of government; and
- be consistent with outcomes and outputs recording requirements.

ATSIC’s response

3.23 Agreed.

As part of the review of the CHIP Policy Framework, ATSIC will review the objectives of its Municipal Services output to support the purposes outlined.

4. Performance Information on Municipal Services

This chapter reviews the performance information available to enable ATSIC to manage the Municipal Services activity within the CHIP program.

4.1 An effective performance management framework that specifies performance indicators and uses performance information to monitor and report on progress against the indicators is a key contribution to effective management.

4.2 ATSIC collects performance information on Municipal Services through a range of sources, chief among them being:

(a) information generated under the Program Support element of CHIP

- survey data, especially that flowing from the two CHINS surveys: the longitudinal benefits revealed in the period between the first survey in 1994 and the most recent one in 1999, designed to provide a nationally consistent data set;
- specially commissioned sectoral research , in particular three studies produced in the Indigenous Housing and Living Environment series on housing, essential services and outstation resource agencies, and research commissioned from the Centre for Appropriate Technology and the universities; and
- research conducted by Regional Councils on a region-specific basis;

(b) information generated from

- narrative reporting of Regional Councils including their published annual reports;
- project reporting of Regional Offices including regular monitoring of indicators and major reviews; and
- performance audits and evaluations conducted by the ATSIC Office of Evaluation and Audit (OEA);

(c) data produced by ATSIC's financial management systems, recording the budgets and expenditure of Regional Councils including committal rates and expenditure rates;

- (d) **program management reporting** available from ATSIC's on-line systems, in particular the Grant Management System (GMS)³¹; and
- (e) **information on the progress of State by State negotiations on agreements on service provision.**

4.3 Considerable effort has been directed by ATSIC in recent years towards improving performance information as part of the transition to outcomes and output-based budgeting and accrual accounting. The assembly of region-specific performance information by Regional Councils has been encouraged in the Homelands Policy introduced in 1999. Performance information is gathered by the National Housing and Infrastructure Centre which uses it for policy development advice to the Commission as well as in compiling reports such as ATSIC's annual reports.

Performance measures

4.4 In ATSIC's Output Budgetary format for the 2000–2001 year, Municipal Services are included in Output Group 3, *'Improvement to social and physical wellbeing'*. Outputs sought for Municipal Services have been distinguished from Community Housing and Infrastructure outputs and defined at a more detailed level than in the past.³² In ATSIC's Output Funding Statements issued for 2000–2001, Performance Measures for the Municipal Services Output are grouped into 'grant outputs' with separate measures. They are:

Infrastructure Maintenance:

- Quantity: Number of infrastructure facilities maintained
- Quality: Number of staff employed
- Description of services provided and type of facilities maintained

Waste Disposal

- Quantity: Number of waste collections per week
- Number of tip coverages per week
- Quality: Descriptions of the type of service provided

³¹ The latest GMS, introduced in 1999, has emphasised output data from funded projects, especially quantified data. This is consistent with Commonwealth-wide output-based budgeting methodology requirements. Regional Offices have flexibility to include customised performance information in individual grant arrangements with grantees.

³² Aboriginal and Torres Strait Islander Commission, *Annual Report 1999–2000*, AGPS, Canberra, p. 23.

Landscaping and Dust Control

Quantity: Description of the services provided

Quality: [not specified]

Dog control

Quantity: Number of birth control injections

Number of strays destroyed

Number of vet visits

Quality: Description of the services provided

Home Living Skills Assistance

Quantity: Description of the services provided including the number of training courses and people attending

Quality: [not specified]

Environmental Health Activities

Quantity: Number of environmental health workers employed

Quality: Description of the services provided

Management of infrastructure and municipal services

Quantity: Description of services provided

Quality: Number of staff employed in the management of infrastructure and municipal services

Development and Support

Quantity: Description of the activity including the value to ATSIC in administering and delivering community infrastructure projects and programs

Quality: [not specified]

Other Municipal Services

Quality: Services provided

Alignment of performance information with program goals

4.5 These performance measures require a mix of system-derived quantitative data and qualitative (or narrative) data. The Output Objective for Municipal Services is defined as ‘[to] increase the number of Aboriginal and Torres Strait Islander people with access to adequate and appropriate essential municipal services’³³. The terms used to identify performance measures for the grant outputs as listed above reflect this Output Objective. The Output Objective is worded in very general terms. It could include the relationship of ATSIC’s activities with those of other service providers, which ATSIC states is the actual rationale for its activities in this field (see Chapter 3). But none of the grant outputs have performance measures attached to them that specifically capture this aspect of ATSIC’s objectives. They are directed at measuring ATSIC outputs as though they were stand-alone activities. Nor do they measure any relationship of the activity with meeting the needs of clients, which in this field of activity would result from the combined effect of ATSIC’s and other agencies’ funding roles. Despite ATSIC’s own statements about the program meeting needs, the performance measures do not directly address the matter of meeting needs.

4.6 In its earlier review of the *National Aboriginal Health Strategy—Delivery of Housing and Infrastructure to Aboriginal and Torres Strait Islander Communities*³⁴, the ANAO has reported that ATSIC’s analysis and reporting of those aspects of the CHIP program’s performance information was not sufficient for stakeholders to understand ATSIC’s role, including constraints on its role. In the present audit, the ANAO concluded in similar terms about the Municipal Services activity. As the analysis in Chapter 3 on ATSIC’s communication of its role to external stakeholders showed, ATSIC’s public communications about what its objectives and roles are in Municipal Services and how it delivers them, are not adequate. The performance information provided in the Output-based budgeting environment provide no better clarification of these matters.

³³ Aboriginal and Torres Strait Islander Commission, *Annual Report 1998–99*, AGPS, Canberra, p. 112.

³⁴ Australian National Audit Office, 1999, *National Aboriginal Health Strategy—Delivery of Housing and Infrastructure to Aboriginal and Torres Strait Islander Communities*, Auditor-Generals Report No. 39, AGPS, Canberra, p.16.

4.7 ATSIC officers advised the ANAO that performance information appropriate to external impacts and dimensions is in fact collected (paragraph 4.1(e) above) and put to use in managing the program. They emphasised that performance management on this dimension of ATsIC's role is achieved by monitoring the broad progress of its negotiations with the States and other bodies on bilateral agreements. This broad monitoring recognises the funding responsibilities of agencies other than ATsIC.³⁵ ATsIC staff had reservations about the value of program-based performance information dealing with externalities such as the funding roles of other agencies.

4.8 The ANAO noted that such information is not assembled in ATsIC's output budgetary format nor are performance indicators set for them in the accrual budgeting framework.

4.9 The ANAO considers that the performance indicators as developed to date by ATsIC, while useful indicators of the grant program's direct impacts on the living conditions of Indigenous communities benefiting from the scheme, have an inwardly-directed focus and, unaccompanied by other indicators bearing on the external impact, are incomplete. They principally measure a narrow base of service delivery performance, not the effect of the activity. They are defined as if ATsIC were the only provider of services and do not take account of the range of roles ATsIC seeks to play in providing municipal services that bring it into relationships with other service providers.

4.10 In particular ATsIC's performance indicators:

- are fragmented and, where they are quantitative, apply on a narrow aggregated grant basis;
- do not address such issues as the relative improvement in the condition of those served by the funding either by comparison with the past or in relation to region-wide or national standards;
- do not take account of the relative size of funding flows to the different Municipal Services elements³⁶, therefore inadequately capturing the underlying strategic interests of ATsIC in providing funding;
- do not provide for any measure of change in the relative role of ATsIC grant activity to the activities of other funding agencies and spheres of government; and

³⁵ See Chapter 6.

³⁶ The largest part of Municipal Services expenditure is allocated to the sub-output '*Management of infrastructure and municipal services*'. This is mainly funding of salaries of staff in community organisations. This funding is clearly a core activity of the program. It is the funding which permits the delivery of many services from many agencies other than ATsIC to Indigenous people, especially to those living in remote communities. ANAO's review of selected grants indicates that salaries expenditure has been by far the largest expenditure category in Municipal Services. ATsIC advice is that it has been around 50 per cent for a number of years.

- do not assist external stakeholders fully to understand ATSIC's role (see Chapter 3).

4.11 Discussion of ATSIC's intergovernmental relationship development and bilateral agreements is in Chapter 6. These are very important to the agency's success in producing its Outcomes. Assessments of progress towards building partnerships with State governments must play a major role in the broad strategic management of the CHIP program as a whole and the ANAO endorses this approach. But such agreements do not relate well to the way ATSIC has developed its Municipal Services activity within CHIP. The agreements cover a blend of capital and operational spending and principally deal with expenditure on essential services infrastructure or housing, not with local government services.

4.12 The ANAO considers that without adequate performance information relating to the progress and development of its grants, ATSIC is, to a significant degree, not able to adequately assess such progress. Though the amount of funding is small overall, ATSIC is in fact managing quite a high level of risk in its Municipal Services program. These risks include grantee bodies developing undue expectations that their funding will be indefinite. Performance measures and information relating to those different dimensions would seem to be a significant means of managing that risk. Developing such indicators would also be more consistent with the requirements of output-based budgeting and accrual accounting principles. National Output indicators for Municipal Services should include information on these major issues³⁷.

4.13 Well articulated indicators would enable ATSIC to relate program performance more effectively to its legislative obligations and its stated objectives. They could build upon the analysis of the different ATSIC Municipal Services grant types in accordance with Recommendation No. 3 in Chapter 3. As the examination in that Chapter shows, ATSIC's Municipal Services grants are performing a wide range of functions for the agency. Some grants are contributing to agency objectives going beyond the narrow 'municipal services' role as defined by the grant program's eligibility criteria. Performance indicators could measure such contributions. For example, where organisations are receiving, via Municipal Services grants, a form of 'core' funding, or funding that creates a platform to deliver services for communities that would otherwise not be provided, eg. from the banking system or from other government agencies, an indicator would be specified to show the number of such grants.

³⁷ It is noted that such indicators would need to be built of separate State by State sub-components to be of practical use in intergovernmental negotiation, as discussed in Chapter 6.

4.14 Development of these indicators should not require complex new data capture beyond what is already collected. The data relevant to the indicators should mainly already exist in documentation held on case files (both Application and Activity files) by ATSIC Regional Offices and the most useful indicators would mainly be quantitative. Present electronic reporting systems³⁸ may not be able to carry the required data for central reporting purposes, but if ATSIC developed a set of indicators along the lines suggested, it could work progressively to implement required systems changes. Because the data relevant to the indicators should already be held by ATSIC, the management of the indicators should not involve ATSIC staff in significant new assessment tasks or impose any greater reporting burdens on funded organisations than is already required. Broad assessments (of progress or otherwise) might initially be attempted no more frequently than annually, at the time of production of the ATSIC Annual Report.

4.15 Examples of the indicators that might serve such performance assessment purposes are:

- an indicator of the number of organisations that have had ATSIC Municipal Services funding which may be receiving less funding in the reporting year, or may not have submitted applications in the reporting year, because other funding sources have been successfully accessed; such information would provide a direct indicator to ATSIC of its success in meeting its legislative and strategic objectives;
- an inflexibility indicator, such as the number of organisations that have accessed Municipal Services grants from ATSIC for more than a set period, say 6 years, because no other funding sources are available. If this indicator were applied to grants to communities other than those which ATSIC assesses and which are unlikely to receive funding from other agencies for the foreseeable future, such information would indicate to ATSIC how far it faces difficulties in achieving its target of avoiding substitution of other agencies' responsibilities;
- a flexibility indicator such as the number of new entrants to ATSIC funding in the reporting period;
- increase in number of Homeland populations served by ATSIC Municipal Services;
- number of applications declined/not supported;

³⁸ ANAO was advised of plans being drafted for an improved Executive Information System, parts of which could be suitable for carriage of several of the proposed reporting requirements.

- *dependency* of funded organisations on ATSIC funding for Municipal Services, eg, the degree of dependence of funded organisations on ATSIC for Municipal Services as distinct from other possible funding sources (such as States or local government agencies or other Commonwealth departments); enabling development of an indicator on:
 - *trends in dependency*, eg. changes in the dependency picture year on year and on a Regional Council and/or State by State basis; and
 - *increases* in contributions made by other funding agencies; and
- *governance*: an indicator group enabling assessments of progress towards reaching efficiency and effectiveness goals in organisation, structure and governance attributes of grantee organisations could be developed.

Stakeholder feedback

4.16 In addition to the program-based reporting proposed above, ATSIC should seek external stakeholder information about the impact of its Municipal Services grants program. Information provided to the ANAO during fieldwork indicated that, although the concept of obtaining feedback from clients of CHIP programs has been considered and experience of its use in other ATSIC program areas reviewed, ATSIC does not systematically gather or assess client feedback on the services provided under Municipal Services. No systematic client surveys have been conducted recently in any of the regions serviced by the Regional Offices ANAO visited.

4.17 In obtaining client feedback information, ATSIC could apply the principles set out in its ATSIC-wide Service Charter of 1998 to organisations receiving ATSIC Municipal Services funding as clients of the agency.

Recommendation No.4

4.18 It is recommended that ATSIC:

- generate targeted performance information aligned with the various objectives of the Municipal Services program, including obtaining support from other areas of government for provision of municipal and essential services to Indigenous communities;
- establish appropriate output measures to evaluate its success in delivering services to its clients; and
- develop a service charter in accordance with government policy.

ATSIC's response

4.19 Agreed.

ATSIC will continue to refine its Municipal Services output and outcome measures and associated performance indicators, taking into account the objectives referred to in the response to Recommendation 3.

ATSIC has a Service Charter which was brought into effect from July 1998. An evaluation of the implementation of the Service Charter in 2000 was considered by the Board of Commissioners who agreed that ATSIC should ensure funded service providers are aware of the service standards expected of them (as stated in the Service Charter) and that non compliance should be taken into consideration when assessing submission for further funding. The Board's decision was communicated to all delegates.

ATSIC documentation provided as guidance to organisations applying for ATSIC program funds (Submission Kit for 2001–04) contains advice that ATSIC's Service Charter sets service standards for ATSIC's operations and for ATSIC funded service providers. Applicants lodging a submission to ATSIC are expected to meet the standards for service provides set out in the ATSIC Service Charter.

5. Coordination of Municipal Services Activity within ATSIC

This chapter describes the main features of ATSIC's Community Development Employment Projects (CDEP) program, which delivers municipal-type services in parts of its activities although this is not its principal purpose. It examines coordination arrangements between CDEP and CHIP.

5.1 ATSIC's funding of activities associated with local government functions is not confined to its Municipal Services program. A number of other ATSIC program areas deliver services at local level similar to those provided by local governing bodies. Of these other program areas by far the most important are the Community Development Employment Projects (CDEP).

ATSIC's CDEP activity

5.2 The CDEP is ATSIC's largest program. The CDEP program expended some \$389 million (refer to Appendix 2 for detail) in 1999–2000 in a total grants budget of just under \$770 million.³⁹ While this amount includes the funds that would otherwise be directed through Centrelink and the portfolio of Family and Community Services in unemployment benefits to the voluntary participants in the scheme, \$147 million was additional ATSIC funding to finance the on-costs of the scheme: administration, materials and services needed to support work projects.

5.3 Much of the funds flowing through the CDEP is, like CHIP Municipal Services funds, disbursed by Regional Councils. Appendix 2 provides data on these flows of resources. CDEP finances or subsidises activities of an employment generation nature, in a system akin to work-for-the dole schemes. By no means all of these activities are of a local government nature. But CDEP resources, perhaps more than half, effectively provide local government services in many areas of Australia. These include urban and regional centres as well as remote communities.

5.4 This audit was focused in part on ATSIC's coordination of the CHIP program with other ATSIC funding of Municipal Services to establish how effectively agency-wide objectives are being achieved. Special consideration was given to CDEP in this context because of its size as a funding program, absolutely and relative to ATSIC's overall budget.

³⁹ Aboriginal and Torres Strait Islander Commission, *Annual Report 1999–2000*, p. 13.

5.5 The CDEP scheme provides for Indigenous participants to receive a payment based on their entitlement to unemployment benefits (and certain other income support payments) as pay for the work they undertake for a CDEP project. 32 188 participants were to be funded in 2000–2001.⁴⁰ Quite frequently the work involves jobs such as rubbish collection, cleaning and routine work on community landscaping, environmental care, sewerage and drainage maintenance and dust control measures. The work may be done as an adjunct to a funded program for the delivery of environmental health services and other municipal services.

5.6 The ANAO noted that a community organisation receiving CHIP Municipal Services funding may (and often does) sponsor a CDEP project that will be employing people doing such work. Thus, ATSIC's Municipal Services funds are providing in whole or in part the 'platform' on which some CDEP project activity is based, activities which are often delivering, or heavily subsidising the municipal services of other agencies. In the information ATSIC provides on Municipal Services in its latest Annual Report (1999–2000), ATSIC has given some emphasis to this aspect, describing the activity in Municipal Services as *'assisting about 265 organisations to employ staff or provide additional wage support to CDEP participants for work on maintaining community assets'*⁴¹.

5.7 As a program with an almost exclusively local focus delivered by the Regional Council network, CDEP administration is closely associated with CHIP administration. The ANAO observed that in the Regional Offices, CHIP grant administration is largely integrated with CDEP administration because of the efficiencies which result. Frequently the same field teams and project officers address CHIP and CDEP funds administration. Applications from communities for ATSIC funding from Regional Councils include applications for both CHIP and CDEP as well as the other smaller programs over which Regional Councils have authority. Assessments of applications for funding under both schemes are undertaken together. Regional Offices will sometimes recommend to Councils that certain funds bids for activities under CHIP should be dealt with under CDEP, and vice versa.

⁴⁰ This compares with 20 000 participants in 1990, a 60 per cent increase over the decade. In 1999–2000 participants were employed by 262 CDEP bodies (*Annual Report 1999–2000*, p. 54)

⁴¹ Aboriginal and Torres Strait Islander Commission, *Annual Report 1999–2000*, AGPS, Canberra, p. 103.

5.8 Regional Councils have some discretion in the devolved management of CDEP. They are allocated participant numbers as part of their financial allocations for the year, linked by formula with a total wage allocation. A 'per participant' on-cost allocation is also made but Regional Councils can decide how or what part of those funds will be allocated to CDEP bodies.

5.9 At program management level and higher control levels the two programs are, however, quite strongly separated. Reflecting the intended distinct separation of the program from other ATSIC programs, all CDEP funds are 'quarantined' in Regional Council budgets, that is, they may be spent by Councils only on CDEP activities. The CDEP is managed nationally in a separate National Responsibility Centre located in Adelaide. In the agency's latest Output Budgeting format, its outputs are located within the *Economic Development* Output Group 4 whereas the CHIP program is in the Output Group 3, *Improvement to Social and Physical Wellbeing*. This continues arrangements of long standing.

5.10 The CDEP as a program has undergone significant review and evaluation in the last five years. As well as the ANAO reviews noted above, a very significant Independent Review was conducted by Mr Ian Spicer in 1997.⁴² This Government-commissioned review made wide-ranging recommendations most of which have been implemented or are in advanced implementation stages. The changes involve the program strengthening its focus on the training and employment-generation functions and on its role as pathway to the wider or mainstream job market and business activities for Indigenous people. These directions are reflected in the performance information collected on the program.

5.11 The ANAO noted that these changes have the effect of identifying a specific functional program focus for CDEP, which differentiates it strongly from CHIP and the other "social" or community development dimensions which gave the CDEP program its origins in the 1970s.

⁴² Spicer, I. et al, 1997, *Independent Review of the Community Development Employment Projects (CDEP) Scheme*, ATSIC, Canberra.

Coordination arrangements

ATSIC program responsibility centres

5.12 Their different program focus notwithstanding, the two sets of ATSIC activities in CHIP and CDEP have many operating and policy connections. These connections have been recognised by ATSIC in the framework of organisation structure and in operations, especially in the work of implementing the ATSIC Board of Commissioners' policy on Homelands and New and Emerging Communities where CDEP activities play a significant role. Under ATSIC's internal organisational structure implemented from 1 July 2000, the two programs were brought under the oversight of a single senior officer, the Network and Program Manager. This senior SES officer also has coordinating responsibility for the ATSIC Regional Offices.

5.13 During audit fieldwork ATSIC advised the ANAO that organisational measures were also being established to strengthen coordination and cross-program effectiveness between the national 'responsibility centres' managing the CHIP and CDEP programs respectively. A separate coordination unit reporting to the two Responsibility Centre Managers has been established. The unit is intended to support collaboration between the two Centre Managers in recognition that CHIP and CDEP account for most Regional Council resourcing and activities and the overwhelming proportion of ATSIC's funded programs in the Regions.

Internal reporting of non-employment impacts of CDEP

5.14 ATSIC advised the ANAO that it did not require Regional Councils to maintain information such as activity sheets about the 'community deliverables' provided by CDEP. Output information collected is wholly on the employment, training and business preparation dimensions of the program. Nor is data collected on the numbers of Indigenous people whose employment is facilitated through the CDEP on the basis of work done by an organisation funded by ATSIC Municipal Services money⁴³.

⁴³ However, an employment generating output indicator is included among the Municipal Services program indicators in ATSIC's Community Housing and Infrastructure Program policy 1997–2000.

5.15 The ANAO was informed that consideration has been given in the agency to widening currently collected information categories so that its impacts distributed across ATSIC's other Output Groups could be assessed. ATSIC had concluded that to collect such data would entail making inappropriate additional reporting demands on CDEP organisations which must already provide extensive information about employment dimensions of the work they do.

5.16 While appreciating the demands placed upon ATSIC's accountability requirements for the large and widely distributed CDEP program network, the ANAO considers that ATSIC should give attention to the agency's overall strategic goals, particularly those relating to the intergovernmental positioning of its role. The ANAO notes that the ATSIC legislation⁴⁴ provides for these responsibilities, and the agency's current Corporate Plan for 1998–2001 gives emphasis to them⁴⁵. The absence of information about the local services impact of the CDEP does affect the agency's ability to target its funding and to leverage funding from other areas of Government. Moreover, as discussed in paragraph 5.20 below, there may be ways in which relevant information may be obtained without the need to make major demands on the CDEP managing bodies.

5.17 Other Chapters in this report (notably Chapters 3 and 6) discuss ways in which ATSIC might better communicate the role being played by its Municipal Services program and so increase its leverage in intergovernmental relationships. ATSIC's CDEP work should be included in that process because of its large appropriation.

5.18 Outside ATSIC, acceptance that CDEP contributes significantly to local government services is widespread. During fieldwork the ANAO frequently heard of CDEP's role from representatives of external funding agencies. The role has been noted in specific reports and review in recent years, specifically:

⁴⁴ See Chapter 3, paragraph 3.1.

⁴⁵ ATSIC's 1998–2001 Corporate Plan, reflecting statutory provisions in the ATSIC Act, states that ATSIC's role is *inter alia* to ... ensure coordination in the formulation and implementation of policies affecting Aboriginal persons and Torres Strait Islanders by Commonwealth, State, Territory and local government, without detracting from the responsibility of State, Territory and local governments to provide services to their Aboriginal and Torres Strait Islander residents.

- the Report commissioned by Local Government Ministers⁴⁶ to assist in implementing the 1992 COAG National Commitment to Improving Services to Aboriginal and Torres Strait Islanders. This report clearly identifies 'CDEP used to provide municipal services' and 'CDEP Wages component used to provide Local Government Services' as ATSIC-funded services providing services of a local government nature. It specifies a listing of CDEP Employment Programs considered to provide such services⁴⁷. The Report suggests that the total ATSIC contribution to local government services to Indigenous communities was in excess of \$354 million in 1996–97, taking into consideration the CDEP contribution.
- the Report of the House of Representatives Standing Committee on Family and Community Affairs on Indigenous Health in May 2000 which found that:

*In the past the CDEP has often been used as a mechanism to supplement environmental health programs, such as garbage collection. While this is generally a result of community desires it often means that funding for such a program is not provided by the relevant authority. On the other hand some communities have been able to turn such endeavours into a viable business by bidding for other services.*⁴⁸

⁴⁶ *Local Government Services to Aboriginal and Torres Strait Islander Communities: Its Capacity to Achieve the National Commitment to Improve Outcomes for Aboriginal and Torres Strait Islander Peoples*, report to the Local Government Ministers Conference, June 1998, pp. 4–14.

⁴⁷ These programs are:

- Airport maintenance
- Clerical/administrative
- Community aged services
- Community children services
- Community youth services
- Construction
- Fencing
- Health/welfare
- Landscaping
- Municipal
- Recycling
- Security
- Solar Power
- Sports

(Report, *op cit* p. 5)

⁴⁸ *Health is Life, Report on the Inquiry into Indigenous Health*, Report of the House of Representatives Standing Committee on Family and Community Affairs on Indigenous Health, Parliament House, Canberra, May 2000, pp. 78,79.

- the draft Report of the Commonwealth Grants Commission's, (CGC's) Indigenous Funding Inquiry has identified the CDEP as a significant source of resources in local government funding arrangements. The Commonwealth Grants Commission's October 2000 Draft Report stated that CDEP and not CHIP is seen as the source of funds that '*...in many areas...substitute to a considerable extent for local government services*'.⁴⁹ The CGC is specific in its analysis. After grouping local councils according to the nature and composition of their Indigenous populations into four groups the CGC states:

*Also a CDEP scheme is often seen and used as a substitute, or at least supplement, to local government services. In group (i) councils [councils where all or nearly all the population are Indigenous] CDEP organisations work closely with the Council (they are sometimes run by them) and a great deal of municipal work is done. In group (ii) councils [councils that have separate and discrete Indigenous communities within their boundaries], the CDEPs in the discrete Indigenous communities are often seen as substitutes for the local council and, again, provide many of the basic, recurrent municipal services.*⁵⁰

- A report prepared on CDEP operations in Queensland, commissioned by ATSIC to assist in clarifying funding responsibilities in certain communities in that State.⁵¹
- A report prepared by the Centre for Aboriginal Economic Policy Research (CAEPR) at the Australian National University in December 2000 on CDEP operations of one large Indigenous organisation which receives both Municipal Services and CDEP funds from ATSIC, the Bawinanga Aboriginal Corporation.⁵²

⁴⁹ *Draft Report, op cit*, pp. 48, 49.

⁵⁰ *ibid*, p. 49.

⁵¹ Consultants Report to ATSIC by Jill Jordan, Sharon Kinchela and Peter Pamment, *Analysis of CDEP Administration in Queensland*, February 2000.

⁵² *The CDEP in town and country Arnhem Land: Bawinanga Aboriginal Corporation* by JC Altman and V Johnson, Centre for Aboriginal Economic Policy Research, Australian National University Discussion Paper No. 209/2000. In a close examination of the CDEP activities conducted within the complex operations of the Bawinanga Aboriginal Corporation in the Northern Territory (both as a resource agency for a number of outstations and as a town corporation), Professor Altman and Ms Johnson state that:

In the Maningrida regional context it is clear that the Bawinanga Aboriginal Corporation administered CDEP scheme is operating, both directly and indirectly, as a mechanism to provide substitution service delivery. This happens directly when workers on CDEP are provided to a range of mainline agencies to top up their funded staff positions, as at the school or health centre. It also occurs when CDEP labour is used to undertake jobs like garbage collection, that other agencies (in this case the Maningrida Council) are separately funded to provide. This substitution occurs as a result of the failure of mainline Commonwealth and Territory departments and agencies to provide resources on a needs-based and rigorously calculated basis.

5.19 The ANAO considers that ATSIC will face growing handicaps, or lose valuable opportunities, in addressing the range of intergovernmental issues presented by CDEP funding activities⁵³ if it does not move quickly to establish an information-collection capability on the non-employment impacts flowing from CDEP in the local government sphere. ATSIC could use this information in discussion and negotiation with other areas of Government to sharpen the focus of definition of the respective responsibilities of ATSIC and other funding agencies in the provision of municipal services. When added to the funding provided by ATSIC's CHIP and Municipal Services activities, ATSIC would possess an awareness of the overall flow of resources it provides to these activities (directly in the case of CHIP and CDEP administration and equipment funds, indirectly in the case of the component of funds that would otherwise be disbursed by Centrelink). With this awareness ATSIC would be able to advance its strategic goals as set out in its Corporate Plan and its statutory role. Such a step will advance its negotiating position in dealings with, and enhancing coordination of, the different funding agencies alongside which it is operating.

5.20 Accordingly the ANAO considers that ATSIC should examine what steps might be taken to obtain systematic information about the municipal services outputs being delivered by this program. Such examination could focus on measures other than ones requiring onerous new reporting requirements on CDEP organisations. A first step could be to identify orders of magnitude by tasking Regional Offices to provide estimates based on material included in periodical reporting provided by CDEP organisations and data collected on field visits and field visits by grant management officers. This would be done as part of the activity recommended in Recommendation No. 7 in Chapter 6 on Regional Offices assuming a coordinating role in assembling data about the flow of funds to Indigenous communities in their areas. The tasks of the Regional Offices could be kept to manageable proportions by initially restricting the ambit of reporting to focus on the two groupings⁵⁴ of councils and areas identified by the Commonwealth Grants Commission (in its current Indigenous Funding Needs Inquiry) in which significant levels of substitution by ATSIC's CDEP are seen to be taking place.

⁵³ See Chapter 6 for fuller discussion of these issues.

⁵⁴ See paragraph 4.18, 3rd dot point.

Recommendation No.5

5.21 The ANAO recommends that ATSIC collect information from its Regional Offices about the amount of funds provided by, and through, CDEP which are spent on services akin to Municipal Services.

ATSIC's response

5.22 Agreed.

The National CDEP Office will be contacting Regional Offices to develop a basis for determining the amount of funds provided by and through CDEP which are spent on services akin to Municipal Services.

6. Coordination with Other Service Providers

This chapter reviews the arrangements ATSIC has in place for coordination of its Municipal Services activities with other service providers operating in this area, so as to assist in achieving ATSIC's strategic objectives.

6.1 ATSIC's legislation requires it to ensure coordination in the formulation and implementation of policies of Commonwealth, State and local government affecting Aboriginal and Torres Strait Islanders. In the Municipal Services sphere the intergovernmental environment is extremely complex and rapidly changing. Roles and responsibilities of local, State and Commonwealth Government agencies in service provision in Indigenous communities at the local level are not well defined in many areas of Australia. The lack of clarity about responsibilities increases where services are to be delivered in areas more remote from population concentrations. The task is widened when the Municipal Services role is defined to include maintenance and/or operating costs of essential services such as power and water supplies. For its program management to be fully effective, ATSIC must have the capacity to monitor developments on the part of other service providers in all three spheres of government, to understand their legal and policy frameworks and to respond in a timely way as policies and attitudes change in different parts of Australia.

Coordination with State Governments and their agencies

6.2 Recent Annual Reports of ATSIC show that a feature of its management of CHIP has been to develop cooperative partnerships with other governments and agencies at the State level. It has done so where appropriate in tandem with the efforts of other Commonwealth portfolios such as through the Commonwealth/State Housing Agreement's Aboriginal Housing Rental Program. ATSIC appears to have given close attention to the negotiation of bilateral agreements with States for housing and essential services.⁵⁵ Such agreements typically aim at providing joint

⁵⁵ See Chapter 4's discussion of performance information where ATSIC managers emphasised the importance of these agreements in monitoring the success of the Municipal Services activity.

planning arrangements so as to reduce gaps in service provision and in using the resources of different agencies more efficiently (including pooling of funds). They may lay down agreed timetables for the extension of State-based services to include previously unserved communities. ATSIC has explained that these agreements replace earlier uncoordinated or poorly aligned activities between ATSIC and State agencies, which frequently resulted in unplanned gaps and duplication of administrative effort.

6.3 The ANAO noted the progress being made on these agreements and the priority being given in the organisation to negotiating them.⁵⁶ The ANAO also noted that in its present organisation structure ATSIC, while focussing the management and delivery of local programs on the Regional Councils, has also strengthened ATSIC's State-specific policy development and negotiation capability through the creation of ATSIC State Policy Centres in the State capitals.

6.4 The ANAO further noted that such partnership agreements between ATSIC and State agencies entail a degree of interdependence between the services of organisations with quite separate accountability environments and control systems. They form part of the movement towards 'network bureaucracy' in service delivery which the ANAO has observed to be increasingly favoured in Australia as well as in other western countries.⁵⁷ As such, they raise the possibility of weaker levels of accountability as the lines of responsibility are multiplied and outcomes achievement become dependent on unclear points of interaction. The ANAO noted that ATSIC's national managers were cognisant of accountability issues and were devoting considerable efforts towards managing the risks of unclear lines of responsibility as they engaged in these negotiations.

⁵⁶ Highlights of earlier agreements are:

- In the Northern Territory: establishment in 1995 of the Indigenous Housing Authority of the Northern Territory (IHANT), which has pooled Commonwealth CSHA and non-NAHS ATSIC housing funding in the Territory with Territory Government funds;
- In South Australia: the 1997 Agreement for the Provision of Essential Services Infrastructure in Aboriginal Communities in South Australia under which ATSIC and the South Australian government cost-share on provision and maintenance of power, water and sewerage facilities for Indigenous communities.

Information on some other agreements is in Attachment 4.

⁵⁷ See *Balancing Accountability and Efficiency in a More Competitive Public Sector Environment*, a presentation by the Auditor-General for Australia at the Government in Excellence Summit 2000—Reinventing Government—A Manifesto for Achieving Excellence and Managing for Results, Singapore, 25 May 2000.

6.5 A potentially significant milestone in ATSIC's sponsorship of such partnership arrangements was undertaken in Western Australia during the course of the present audit. Then, an agreement on essential services was negotiated and signed between ATSIC and the Western Australian Government.⁵⁸ This agreement will significantly develop the existing cost-sharing framework for ATSIC and the WA Government (through the Minister for Housing, Aboriginal Affairs and Water Resources) to provide power, water and waste water infrastructure to 67 specified Aboriginal communities in 2000–01 increasing by an additional five communities in 2001–02.

6.6 The ANAO noted that the Agreement lays down a statement of intent in which the WA Government has agreed that the State will progressively assume increased responsibility for all aspects of essential services delivery to selected large, permanent, remote, Indigenous communities.⁵⁹ It specifies responsibilities of the different parties in considerable detail.

6.7 The Agreement has entailed a negotiation process leading to the identification and quantification of 'community service obligations' in regard to commercialised delivery of essential services.⁶⁰ ATSIC and the WA Government identify themselves as sharing such obligations. This suggests that an important strategic threshold for ATSIC has been crossed in its definition of its role as 'supplementary'. Its signing underlines the need for ATSIC to develop a statement of its role which recognises the different dimensions of its character.

6.8 Negotiation of such agreements is a major task of the National Housing and Infrastructure Centre (NHIC) and the new State Policy Centres in ATSIC. Ensuring that such agreements result in better value for money for ATSIC's program expenditure must be an important accountability feature for ATSIC in undertaking such 'networked bureaucracy' arrangements. This task adds to the need for high levels of understanding in ATSIC's State Policy Centres about the financial interaction of ATSIC programs and State ones. It also suggests that the need for very close inter-agency coordination at the Regional level (see paragraph 6.29).⁶¹

⁵⁸ Agreement for the Provision of Essential Services to Indigenous Communities in Western Australia, signed on 18 October 2000. The Agreement was signed at the same time as a Joint Communique between the Government of Western Australia and the Aboriginal and Torres Strait Islander Commission was issued, which defined principles, general priorities and other framework attributes of the intended State/ATSIC partnership.

⁵⁹ *ibid.*, Section 8.0: *Statement of Intent*.

⁶⁰ See Chapter 3, paragraph 3.12.

⁶¹ In the case of one Regional Office the ANAO noted some confusion about the financial consequences of the agreement on funds available to the Regional Office's budgets.

6.9 The Commonwealth Grants Commission's Indigenous Funding Inquiry has also drawn attention to the value of partnership arrangements between spheres of government and Indigenous communities in meeting Indigenous needs, especially where pooling of funds are involved between Commonwealth Specific Purpose Payments (SPPs) and the States.⁶²

Local government at State level

6.10 The ANAO noted that agreements with the States which ATSIC negotiates should if possible cover all the main areas of interaction of ATSIC with municipal services, not only essential services which appear to be the focus of recent and current negotiations.

6.11 State Governments are closely involved with local government in their States, politically and constitutionally (see Appendix 4 for detailed material on this close involvement). The legislation under which local government is constituted is State legislation. State government departments administer this legislation and advise State Governments on policy. They also have a major role to play in decisions on any State-specific funding of Indigenous communities in local services areas. State grants commissions play a crucial role in channelling Commonwealth-origin financial assistance to local government in their respective States⁶³. State grants commissions are generally closely interested in Indigenous community governing structures as they impinge on local government. There is keen debate and interest in some States, especially in Queensland and the Northern Territory, to develop and change these governance systems and structures. Local governments maintain State-based representative structures, which are the local government associations, in State capitals. These associations are generally interested in, and well informed about, issues in provision of local council services to State residents.

6.12 The ANAO noted that in the four States visited during the course of this audit, other than in the Northern Territory, ATSIC's contacts with State grants commissions appear infrequent. State grants commission officers were often quite unclear about ATSIC's role and the character and extent of its funding of local government services in their States. Several responded positively to suggestions that the new ATSIC State Policy Units might create opportunities for dialogue.

⁶² CGC Indigenous Funding Inquiry *Draft Report*, *op cit*, p. 59.

⁶³ See paragraphs 6.38 et seq for fuller discussion of Commonwealth funding.

6.13 ATSIC's contacts with the State Governments' own local government departments also appeared to be uneven. In those States which provide State-origin revenue to local governing bodies involving Indigenous communities (Queensland through the Deed of Grant in Trust system, the Northern Territory through the Operational Subsidy scheme for non-municipal or 'Association' local governing bodies), ATSIC maintains reasonably close relationships with the respective State departments.⁶⁴ The ANAO observed that in Western Australia and South Australia ATSIC at State Office level had little regular dialogue with the State Government agencies dealing with local government on these funding issues. Some State Government officials advised the ANAO that they hoped the new ATSIC State Policy Centres would enable closer dialogue.

6.14 The potential advantages of such dialogue arose in audit field work in South Australia. The ANAO was advised by South Australian Government officials that legislation in South Australia (the Local Government Act 1999) which came into effect early in 2000, specifically mandates South Australian State agencies including the South Australian Grants Commission to take other funding available to local councils into account in determining allocations of funds to them. South Australian State agencies informed the ANAO that the legislation required them, before making financial allocations to local government, to identify all the funding flowing from all sources including ATSIC into South Australian local government areas. With such funds identified, the legislation then obliged the agencies to offset grants that otherwise might be made to relevant local governing bodies, which are sourced from Commonwealth Financial Assistance Grants (see Appendix 3), by the amount of any such funds. As such provisions effectively negate ATSIC's supplementation policy for its Municipal Services funding, there is clear value in early dialogue and mutual understanding of roles of funding agencies between ATSIC and the State agencies, before legislation drafting is finalised.

6.15 In regard to local government associations in the States, ATSIC's working contacts varied widely, with the strongest being in South Australia.

6.16 The ANAO considers that ATSIC should maintain strong, open and systematic communications at senior policy levels in each State with all the agencies which control or influence State and local government funding arrangements and delivery of municipal services. These agencies are principally the grants commissions, the local government departments,

⁶⁴ The Northern Territory's Department of Local Government and the Queensland Department of Aboriginal and Torres Strait Islander Policy Development.

the local government peak representative bodies and the aboriginal affairs departments. The objective of these communications links would be to ensure that State agencies and ATSIC had a full understanding of each other's roles and their respective planning arrangements, and lay a basis for more effective coordination.

6.17 As discussed in Chapter 5, at present, a large part of ATSIC's outlays in the CDEP effectively provides municipal services to Indigenous communities. This contribution is not properly acknowledged in the current dialogue between ATSIC and State agencies. In seeking enhanced coordination at State level, ATSIC's negotiating position in pursuing clearer delineation of roles and responsibilities would be strengthened if it had available a comprehensive statement of the financial resources being delivered through all relevant ATSIC programs that impact on essential services and local government or municipal services in the specific State. This would entail ATSIC assembling financial data from CDEP expenditure as well as CHIP because the interaction between CHIP and CDEP in providing municipal services to local communities is important to local funding agencies. The negotiations with the States on such issues as essential services provision would then be informed by fuller understanding among State agencies of the real extent of ATSIC's role and contribution.

6.18 Such arrangements could be assisted by efforts towards better coordination with the National Office of Local Government discussed below (see paragraphs 6.31–6.38).

6.19 The ANAO considers that ATSIC should develop a set of guidelines or best practice principles to support its negotiations in the States on central funding issues and on all areas of municipal and essential services delivery involving Indigenous people. With ATSIC in all States possessing dedicated policy units (which the ANAO understands are designed in part to enhance ATSIC's intergovernmental policy dialogue), such guidelines would assist achievement of consistency across the States in ATSIC's communications with State agencies, and help ensure that no significant area of interest to ATSIC such as state grants commission activities remained uncovered. Implementation by State policy units of the guidelines would enhance ATSIC's effectiveness in leveraging better outcomes from other funding sources. They would support existing initiatives such as the sector-specific coordination committees, (eg. the Environmental Health Needs Coordination Committee in Western Australia).

6.20 Such guidelines would benefit from association with the clear articulation of ATSIC's different municipal services funding objectives (see Recommendation No.3 in Chapter 3).

Recommendation No.6

6.21 The ANAO recommends that ATSIC develop guidelines for its State Policy Units to implement nationally consistent communications arrangements with State agencies on funding issues involving municipal and essential services to Indigenous communities. The guidelines would in particular provide for:

- a consistent pattern of formal liaison mechanisms being created between ATSIC's State Policy Centres and the major State agencies, including State grants commissions and State local government organisations;
- ATSIC being in a position to place before central State agencies a comprehensive statement of the financial resources being delivered through all relevant ATSIC programs that impact on essential services and local government or municipal services in each State; and
- ATSIC's National Office being able to maintain effective monitoring and reporting to the Board of Commissioners as well as to the State Advisory Committees of ATSIC.

ATSIC's response

6.22 Agreed.

As part of the ATSIC administrative restructure, State Policy Units have responsibility for consulting with State and Territory agencies on support available and necessary for communities and organisations, including the provision of municipal and essential services. There are two principal frameworks through which ATSIC has engaged in dialogue with State and Territory governments on issues relevant to this audit:

- Memoranda of Understanding between the Commission and State Governments covering matters of policy principle, recognition of parties' standing, the basis for future dialogue and cooperation and key areas of mutual interest. Such Memoranda have been negotiated in Victoria and Western Australia and are under consideration in South Australia, Queensland and Tasmania.
- Various Bilateral agreements between the Commonwealth, ATSIC and State and Territory governments on provision of housing, infrastructure and related services to indigenous people.

In the context of the 2001 CHIP Policy review, specific guidance will be developed, where necessary, to translate Memoranda and/or Agreements into consistent approaches to liaison with State/Territory agencies and monitoring of program impacts.

Coordination at the Regional Office level

6.23 In Western Australia several regional forums have been formed to assist coordination of State agencies' activities and Commonwealth (mainly ATSIC) efforts at the rural shire level. ATSIC is closely involved in service delivery coordination in the Cape York Peninsula. However, overall, few formal regional coordination bodies for dealing with issues of local services to Indigenous communities have been formed.

6.24 Responsibility for ATSIC liaison, at the level of the ATSIC Regions, with stakeholders and community organisations operating in the Region is distributed between the Regional Council and its Chairman, and ATSIC Regional Office staff.

6.25 In the Regions it visited, the ANAO noted that ATSIC Regional Office managers and staff maintain working contacts with the relevant regional offices of other Commonwealth bodies, State organisations and local government bodies on operational matters. ATSIC Regional Office managers and staff were observed to use opportunities to seek to coordinate their activities as far as possible with those of other bodies. However, the awareness of ATSIC regional managers and other staff in Regions of local government structures and the jurisdictional framework, and sensitivity to the implications of such knowledge to ATSIC's longer term strategies, varied fairly widely among the Regional Offices visited, and among staff. A number of ATSIC personnel interviewed by the ANAO considered that Regional Councilors, rather than ATSIC staff, carried the main responsibility for stakeholder liaison, policy (as distinct from operational) coordination, and other 'political' or strategic activity. No Regional Council member with whom the ANAO had discussions felt that the roles of ATSIC Regional Office staff members were circumscribed in this way. On the other hand, the view was expressed that Council chairs and members would welcome Regional Office staff being systematically involved in policy coordination, stakeholder liaison and advocacy.

6.26 The audit did not seek to examine general issues in ATSIC Regional Office roles and responsibilities. Without proceeding to such an examination, the ANAO nonetheless considers that clarity in tasking the Regional Offices on appropriate levels of staff involvement in coordination, stakeholder liaison and policy advocacy, at least in regard to CHIP and Municipal Services, could be improved.

6.27 In particular, ATSIC should issue guidelines to Regional Managers to ensure that they have arrangements in place for regular meetings of ATSIC staff with State, local government other agency and essential services organisations. ATSIC Regional Council members would be involved in such meetings to the extent that they found convenient. The extent of coverage of ATSIC interests by existing arrangements for coordination (as in Cape York Peninsula for example) would determine whether ATSIC should move to create any new standing mechanisms for consultation. ATSIC would need to be prepared to be the lead agency in this initiative. The guidelines should provide that a primary task of the coordination mechanism would be to establish and maintain a clear picture of sources, target communities and amounts of funding from all sources for Indigenous communities in 'residential site support'. This task would be achieved through routine information exchanges. An example of this type of process in operation was found in the Port Hedland Region in Western Australia.

6.28 At the State level, information generated through the proposed network of forums in the ATSIC Regions would be available for use in presenting a consolidated picture of ATSIC's financial inputs for Municipal Services to State Governments as recommended in Recommendation No. 6 above.

Recommendation No.7

6.29 The ANAO recommends that ATSIC should:

- develop and distribute to Regional Offices guidelines for managing inter-agency collaborative arrangements at the Region level;
- ensure that, where satisfactory coordination processes are not in place, coordination arrangements involving the ATSIC Regional Office are established in all ATSIC Regions where there is significant CHIP program expenditure; and
- assemble consolidated data generated from these processes in each State, for use by ATSIC in monitoring the performance of its own programs and exercising increased leverage on State agencies where appropriate.

ATSIC's Response

6.30 Agreed.

Similar to the arrangements outlined in the response to Recommendation 6, under the ATSIC restructure, Regional Managers and Regional Policy Units have responsibility for coordinating, with local governments and State and Territory agencies at the local level, the provision of municipal

and essential services to Indigenous communities. ATSIC will establish guidelines for consultation at this level, complementary to those to be used for State level consultation mechanisms. ATSIC will monitor the outcomes of consultations at Regional level with particular emphasis, by the National Housing and Infrastructure Centre, on municipal and essential services provision against identified needs. Data obtained from these arrangements will be collated and used to demonstrate the outcomes of coordination and to encourage increased funding and other forms of support from State and local government agencies.

ATSIC and Commonwealth local government funding

6.31 The Commonwealth provides financial assistance through the States to local government. These payments, or Financial Assistance Grants (FAGs), are made under Commonwealth legislation, the *Local Government (Financial Assistance) Act 1995*. Separate funds are provided under this Act for general purposes and for local roads. Appendix 3 provides details on Commonwealth payments to assist local government.

6.32 The Commonwealth legislation requires that the needs of Indigenous people should be taken into account by local government entities which receive funding. This legislative requirement is also reflected in 'National Principles' determined by the Commonwealth under the legislation to guide State grants commissions in the development of procedures for the distribution of FAGs.

6.33 The legislation provides that the funds are untied once in the hands of the local government entities. Accordingly, no legal obligations are placed on local councils to apply any funds that may have been included in allocations provided from Commonwealth funds in recognition of the needs of Indigenous people, to actual Indigenous community needs.

6.34 The requirements of the Commonwealth legislation involve an annual reporting arrangement to the Parliament through the responsible Commonwealth Minister. This reporting requirement brings to account Commonwealth Government implementation of the administration of the Act, including the ways in which the Act has operated to meet the needs of Aboriginal and Torres Strait Islander people.

6.35 The responsible Commonwealth Minister is the Minister for Territories, Regional Services and Local Government, who administers Commonwealth legislation and policies on local government. The Minister receives advice on these matters from the National Office of Local Government, part of the Regional Services, Development and Local Government Division, within the portfolio of Transport and Regional Services (DTRS). In compiling its advice to the responsible Minister, the DTRS may receive information from any source. As the Commonwealth's agency for administration of Indigenous service delivery, ATSIC is well placed to provide inputs to the DTRS in its support to the Commonwealth Minister for Territories, Regional Services and Local Government in the Minister's administration of the Act.

6.36 At the request of the Commonwealth Government in June 2000, the Commonwealth Grants Commission commenced a review of the *Local Government (Financial Assistance) Act 1995*. It published a Draft Report in January 2001 which, as required by its terms of reference, included consideration of the effectiveness of the provisions in the Commonwealth legislation in meeting its stated purposes including that in regard to services to Aboriginal and Torres Strait Islanders. The Commission is due to provide a final report to the Minister for Finance and Administration in late June 2001.

6.37 In its draft report the Commission has presented the preliminary finding that

*the Aboriginal and Torres Strait Islander principle has not been consistently addressed by the Local Government Grants Commissions (LGGCs) and is not required in a framework of principles directed towards distributing untied grants on a needs basis.*⁶⁵

It states that

*we [the Commonwealth Grants Commission] do not think a separate Aboriginal and Torres Strait Islander purpose fits in a process to distribute untied grants. Nor should such a National Principle be required while there is a grant distribution process based on relative needs.*⁶⁶

The shape of a new legislative scheme outlined by the Commission in the draft report would provide no place for a purpose specifically for Aboriginal and Torres Strait Islanders' needs.⁶⁷ However, the Commission advised that '*the removal of the principle does not mean that Local Government Grants Commissions will cease to assess the needs of Aboriginal and Torres Strait Islander peoples.*' The draft report states that

⁶⁵ *Draft Report of the Review of the Local Government (Financial Assistance) Act*, Commonwealth Grants Commission, Canberra January 2001, p. ix.

⁶⁶ *ibid*, Chapter 3, paragraph 62.

Any assessment of relative need requires LGGCs to recognise the needs of Aboriginal and Torres Strait Islanders in both mainstream and discrete communities, and to incorporate these assessments into its grant distributions. Providing a needs based approach is retained, removing the Aboriginal and Torres Strait Islander principle should not, of itself, change the level of grants received by any LGB.⁶⁸

6.38 Other chapters of this audit report, and Appendices 3 and 4, examine the interaction of the three spheres of government in Australia on local government funding issues affecting Indigenous communities. While noting that local government funding is outside ATSIC's responsibilities, the ANAO considers that there are three separate areas where ATSIC could assist DTRS in the support role it plays to the responsible Commonwealth Minister, and therefore advance ATSIC's legislative objectives in regard to working towards ensuring that appropriate municipal services are provided for Indigenous Australians:

- (a) In some cases, ATSIC's municipal services role is filling gaps left by the interaction of government spheres. In particular the Commonwealth's FAGs legislation prescribes arrangements under which bodies can be 'declared' by the Commonwealth Minister, on the advice of the State Minister, to be local governing bodies and so become entitled to FAGs. DTRS advise that currently, 34 Indigenous local governing bodies⁶⁹ have been 'declared' and now routinely receive FAGs. Most Indigenous community organisations that receive ATSIC Municipal Services funds do not have such beneficiary status. The Commonwealth Grants Commission's Draft Report on its inquiry into the *Local Government (Financial Assistance) Act 1995* noted that these eligibility provisions of the Act have resulted in 'many discrete indigenous communities' being declared eligible and that this had 'increased the flow of funds to them'⁷⁰. DTRS advises the Minister for Territories, Regional Services and Local Government on such matters. ATSIC could assist DTRS and States to identify suitable Indigenous community organisations. As part of this activity it could help such potential beneficiary organisations to understand the operation of the Commonwealth's statutory requirements and so facilitate access to the grants. This would be a useful role for ATSIC to play in bringing more Indigenous communities into mainstream funding arrangements.

⁶⁷ The Draft Report states in its 'Future Directions' chapter:

These recommendations would make the current principle relating to the needs of Aboriginal people and Torres Strait Islanders redundant. To separately specify that LGGCs [Local Government Grants Commissions] should distribute financial assistance grants on the basis of the needs of Aboriginal peoples and Torres Strait Islanders would duplicate the requirement of the relative needs principle because these needs would be encapsulated within that principle.

ibid, Chapter 4, paragraph 30.

⁶⁸ *ibid*, Chapter 3, paragraph 62.

⁶⁹ 29 are Association Councils in the Northern Territory and 5 are Aboriginal Communities in South Australia.

⁷⁰ *ibid*, Chapter 3, paragraph 63.

- (b) Decisions were made by the Council of Australian Governments (COAG) in 1992 on coordinated Commonwealth/State and local government actions to address deficiencies in service provision to Indigenous communities. A 'National Commitment' was resolved.⁷¹ These decisions have not been modified and continue to provide the framework for Commonwealth/State agency cooperation and negotiation on Indigenous funding issues. The Local Government Ministers' Conference has been the forum in which actions taken in relation to the National Commitment have been discussed. The Commonwealth Minister for, Regional Services, Territories and Local Government is the Commonwealth's representative on this Conference. In the context of National Reconciliation, the Prime Minister stated in November 2000 that:

*In respect of the second action item, I have asked my portfolio ministers to review their programmes and services. This review will consider the extent to which programme guidelines allow for flexible local community responses, and the extent to which their programmes are integrated with the range of other federal, state and local government at the local community level. It is important that the Commonwealth staff and funded agencies are working together, as well as with ATSIC and state and local government colleagues, and with local Indigenous communities, to address the complex issues faced by Indigenous people.*⁷²

The DTRS provides the Commonwealth Minister with advice on such matters. ATSIC, with its extensive Regional program delivery and capacity to monitor the performance of local government in its field of operations, has considerable expertise that would be of benefit to the DTRS in the latter's role of advising the Commonwealth Minister.

- (c) The National Office of Local Government within DTRS maintains close contact with the Australian Local Government Association (ALGA) and the State local government representative organisations, and monitors local government developments across Australia. ATSIC has close links with ALGA, which operates (with ATSIC financial support) a program to encourage local government to develop services for Indigenous people. The ANAO notes that the National Office of Local Government, among Commonwealth agencies concerned with local government services, is in a position to influence developments in ways consistent with ATSIC's objectives.

⁷¹ The *National Commitment to improve Local Government Service Provision to Australia's Indigenous Communities* see Chapter 1.

⁷² *RECONCILIATION Australia's challenge*, Final report of the Council for Aboriginal Reconciliation to the Prime Minister and the Commonwealth Parliament, December 2000, Appendix 2 Part 1.

6.39 Despite the existence of these avenues for ATSIC to pursue enhancement of the quality of Commonwealth local government funding in regard to the needs of Indigenous people, ATSIC advised the ANAO that it had not sought to sustain a high-level dialogue with DTRS in the last few years, in part because of limited resources.

6.40 The ANAO considers that ATSIC's legislation requires it to pursue such avenues as it mandates the agency '*to ensure coordination in the formulation and implementation of policies of Commonwealth, State and local government affecting Aboriginal and Torres Strait Islanders*'. DTRS provides policy advice to the Commonwealth which is directly relevant to this ATSIC obligation. In addition, it is efficient for ATSIC to be closely involved in consultation with DTRS because in the absence of such consultation a significant capability in the Commonwealth sphere, obtained at some cost to Commonwealth revenue, is not being utilised.

6.41 Such action by ATSIC would be timely in view of the imminent Government consideration of the report of the Commonwealth Grants Commission on the review of the *Commonwealth's Local Government (Financial Assistance) Act 1995* referred to in paragraph 6.38 above. In addition, as one of the preliminary findings of that review is that indicators to assess the performance of local governing bodies in providing services to Aboriginal and Torres Strait Islanders had not been developed (as had been intended in 1995)⁷³, ATSIC could provide assistance to DTRS to develop such indicators and so enhance the quality of reporting to the Parliament on performance of the local government system under the Act with regard to services provided to Indigenous communities.

6.42 For these reasons there would appear to be value in ATSIC maintaining a dialogue with DTRS on such matters at a suitably senior level. The purpose of the dialogue, which could be undertaken in a routine interdepartmental manner and with a low level of resourcing, would be to:

- convey ATSIC's knowledge of local services funding arrangements in the ATSIC Regions to assist DTRS in its statutory task of monitoring the operation of the Commonwealth's *Local Government (Financial Assistance) Act 1995* in its objective of meeting Indigenous peoples' needs;

⁷³ *ibid*, Chapter 3, paragraph 61.

- encourage and facilitate open information sharing arrangements between the two agencies to enhance the effectiveness of Commonwealth and State efforts to improve the services available to Indigenous people; and
- assist DTRS to design and implement any initiatives which the Commonwealth might take in the local government policy or funding sphere, including any which might be developed at whole-of-government level in the context of National Reconciliation following the Prime Minister's November 2000 statement on this subject.

Recommendation No.8

6.43 The ANAO recommends that ATSIC should maintain close dialogue with the Department of Transport and Regional Services at senior level on matters of Commonwealth interest in Indigenous local services funding.

ATSIC's response

6.44 Agreed.

ATSIC will engage in ongoing dialogue with the National Office of Local Government (NOLG) on Indigenous local government issues. It should be noted that ATSIC had a long-term relationship with NOLG up until 1999, including a contractual relationship with NOLG and the Australian Local Government Association to pursue improved delivery of services to Aboriginal and Torres Strait Islander peoples from 1993-1998.

Over recent years, ATSIC has also developed and maintained a close working relationship with the Department of Transport and Regional Services on a national review of the provision of airstrips and related facilities to remote Indigenous communities. This review is continuing.

DTRS's response

6.45 Agreed. The Department would welcome a closer dialogue with ATSIC on these issues.

Appendices

Appendix 1

CHIP Expenditure by Regional Office 1999–2000

<i>Region</i>	<i>Municipal Services \$</i>	<i>Other CHIP \$</i>	<i>Total \$</i>
NSW			
State Office	0	12 227 886	12 227 886
Sydney	0	0	0
Lismore	0	2 262 228	2 262 228
Tamworth	0	1 075 000	1 075 000
Queanbeyan	0	382 832	382 832
Bourke	0	4 995 000	4 995 000
Wagga Wagga	0	1 217 934	1 217 934
Total	0	22 160 880	22 160 880
Victoria⁷⁴			
Total	842 049	3 872 026	4 714 075
Queensland			
State Office	0	16 061 518	16 061 518
Brisbane	0	3 321 123	3 321 123
Rockhampton	543 500	1 944 168	2 487 668
Mt Isa	331 545	1 660 238	1 991 783
Townsville	0	3 080 447	3 080 447
Cairns	1 779 593	3 497 916	5 277 509
Roma	820 412	2 918 295	3 738 707
Total	3 475 050	32 483 705	35 958 755
WA			
State Office	0	3 137 654	3 137 654
Perth	224 719	1 195 979	1 420 698
Kalgoorlie	4 401 873	6 416 081	10 817 954
Geraldton	613 346	2 746 665	3 360 011
Port Hedland	3 159 199	4 580 685	7 739 884
Derby	1 874 093	6 941 636	8 815 729
Kununurra	3 530 735	8 851 206	12 381 941
Broome	1 891 908	6 209 983	8 101 891
Total	15 695 873	40 079 889	55 775 762
SA			
State Office	0	7 254 355	7 254 355
Adelaide	1 013 574	224 260	1 237 834
Northern Areas	4 813 551	3 814 888	8 628 439
Ceduna	1 020 973	420 000	1 440 973
Total	6 848 098	11 713 503	18 561 601

⁷⁴ There is only one Regional Office in Victoria.

<i>Region</i>	<i>Municipal Services \$</i>	<i>Other CHIP \$</i>	<i>Total \$</i>
Tasmania⁷⁵			
Total	236 742	770 583	1 007 325
NT			
State Office	0	57 027 573	57 027 573
Darwin	2 536 482	1 886 964	4 423 446
Nhulunbuy	1 880 000	699 051	2 579 051
Katherine	2 308 953	694 837	3 003 790
Tennant Creek	693 206	341 287	1 034 493
Alice Springs	3 855 750	1 953 336	5 809 086
Total	11 274 391	62 603 048	73 877 439
Central Office	0	8 839 982	8 839 982
National Total	38 372 203	182 523 616	220 895 819

⁷⁵ There is only one Regional Office in Tasmania.

Appendix 2

CDEP Expenditure by Regional Council 1999–2000

<i>Region</i>	<i>Wages \$</i>	<i>On-costs \$</i>	<i>Total \$</i>
NSW			
Sydney	4 178 380	1 423 550	5 601 930
Lismore	12 437 579	4 168 740	16 606 319
Tamworth	9 072 578	2 862 160	11 934 738
Queanbeyan	2 508 737	939 220	3 447 957
Bourke	9 919 752	3 217 578	13 137 330
Wagga Wagga	6 271 922	2 259 422	8 531 344
NSW Total	44 388 948	14 870 670	59 259 618
Victoria			
Tumbuka	3 138 145	1 176 730	4 314 875
Binjorra	3 123 621	1 446 550	4 570 171
Vic Total	6 261 766	2 623 280	8 885 046
Queensland			
Brisbane	1 505 023	472 520	1 977 543
Rockhampton	2 343 906	775 102	3 119 008
Mt Isa	6 777 773	2 212 929	8 990 702
Townsville	2 044 780	633 747	2 678 527
Cairns	12 794 465	3 928 529	16 722 994
Cooktown	28 105 416	8 999 557	37 104 973
Roma	6 848 246	2 166 582	9 014 828
Qld Total	60 419 609	19 188 966	79 608 575
WA			
Perth	4 085 114	1 339 678	5 424 792
Narrogin	9 780 702	3 505 754	13 286 456
Kalgoorlie	2 881 249	1 049 526	3 930 775
Western Desert	12 383 458	3 917 103	16 300 561
Geraldton	7 549 781	2 359 610	9 909 391
Port Hedland	6 788 187	2 183 277	8 971 464
Derby	16 729 313	5 438 316	22 167 629
Kununurra	11 043 150	4 236 554	15 279 704
Broome	13 366 947	4 033 351	17 400 298
WA Total	84 607 901	28 063 169	112 671 070

<i>Region</i>	<i>Wages</i> \$	<i>On-costs</i> \$	<i>Total</i> \$
SA			
Adelaide	4 888 031	1 643 290	6 531 321
Northern Areas	11 975 906	4 091 002	16 066 908
Ceduna	5 936 105	2 003 964	7 940 069
SA Total	22 800 042	7 738 256	30 538 298
Tasmania			
Tas Total	461 951	396 070	858 021
NT			
Darwin	1 727 636	625 891	2 353 527
Jabiru	17 050 385	5 178 295	22 228 680
Nhulunbuy	17 057 020	5 240 707	22 297 727
Katherine	16 916 714	5 249 101	22 165 815
Tennant Creek	7 130 877	2 258 099	9 388 976
Alice Springs	5 004 026	1 601 294	6 605 320
Papunya	9 333 997	3 620 523	12 954 520
NT Total	74 220 655	23 773 910	97 994 565
National Total	293 160 872	96 654 321	389 815 193

Appendix 3

The Commonwealth and Local Government Funding

1. In law, constitutional responsibility for local government in Australia lies with the States and the Northern Territory. State/Territory legislation in turn creates the framework of local government in each State. This State legislation typically prescribes how local governments should operate, specifying matters such as governance arrangements. State legislation regulates, though in varying degrees, the services to be provided, on a State-by-State basis. This leads to a wide variety of situations across Australia. Most local governments are not involved in capital investment in essential services such as electricity provision nor in housing, though many are involved in various commitments for recurrent expenditure such as maintenance costs.

2. The Commonwealth provides financial assistance to local governments in several ways. Apart from financial subsidies (see below) local government agencies may receive direct Commonwealth funding for specific purposes. These include aged care services, disability services and natural disaster relief. Some funding may be for capital investments. These arrangements are usually administered through the relevant Commonwealth Departments such as Family and Community Services and Defence. The National Office of Local Government estimated that these Commonwealth specific funding arrangements comprised over \$203 million in 1998–99 without taking into account ATSIC expenditure.⁷⁶

3. The Commonwealth also takes direct initiatives in regard to local government through the National Office of Local Government in the Department of Transport and Regional Services. This activity is discussed at the end of this attachment.

Commonwealth financial subsidies to local government

4. The principal Commonwealth involvement with local government is through its system of payments to subsidise local government operations. This system operates through the States but with a significant measure of Commonwealth statutory control. The Department of Transport and Regional Services (DTRS) has administrative responsibility for this function.

⁷⁶ *Local Government National Report 1998–99*, National Office of Local Government, Department of Transport and Regional Services, Canberra 1999.

5. While the functional responsibility for local government lies with the States, an important part of Commonwealth/State financial relations is the regular allocation of Commonwealth revenue to the States for the purposes of contributing to local government funding. These are through the provision of Special Purpose Payments paid through the States. The Commonwealth's policy is to provide some financial assistance to each local governing body, to promote fiscal equity among local councils across Australia. The aim is, as far as practicable, to ensure that all councils within a State have the same fiscal capacity.⁷⁷ The Commonwealth funds, which started being paid in 1974–75, came to contribute an average of 12 per cent of local government revenues by 1998–99, or \$1.201 billion. The payments, called 'Financial Assistance Grants' or FAGs, are made under the *Local Government (Financial Assistance) Act 1995* and are in two parts—general purpose grants and local roads grants, although both components are untied funding in the hands of local authorities.

6. The flow of FAGs funding passes through two 'cascades', one at the Commonwealth level where payments are distributed between the States and the Northern Territory on an equal per capita basis for general purpose grants and on an historical shares basis for the local roads grants; the other at the State level where State grants commissions determine allocations to local government entities within respective States. Methodologies adopted by the various grants commissions vary.

7. The Commonwealth legislation in its Objects clause⁷⁸ provides that:

...The Parliament wishes to provide financial assistance to the States for the purpose of improving:

- (a) the financial capacity of local governing bodies; and*
- (b) the capacity of local governing bodies to provide their residents with an equitable level of services; and*
- (c) the certainty of funding for local governing bodies; and*
- (d) the efficiency and effectiveness of local governing bodies; and*
- (e) the provision by local governing bodies of services to Aboriginal and Torres strait Islander communities.*

⁷⁷ *ibid.*

⁷⁸ *Local Government (Financial Assistance) Act 1995*, Part 1 s.3.

The legislation goes on to state that in providing this financial assistance the Parliament's goals are to:

- (a) *increase the transparency and accountability of the States in respect of the allocation of funds under this Act to local governing bodies; and*
- (b) *promote consistency in the methods by which grants are allocated to achieve equitable levels of services by local governing bodies.*

To achieve these goals the legislation provides for the formulation of national principles for the purpose of allocation of funds by the States to local governing bodies and for reporting to the Parliament on outcomes.

8. The legislation provides for various functions to be performed by the Commonwealth Minister responsible for the Act, and by the Treasurer.

9. All councils constituted under State local government Acts are automatically entitled to receive grants. But 'informal' local governing bodies such as Aboriginal and Torres Strait Islander community councils located outside local government areas, may be made eligible for grants if approved by the Commonwealth Minister.⁷⁹

10. The national principles which have been formulated, reflecting the legislation, include one dealing with local government services to Indigenous communities (though it refers to them not as communities but as '*Aboriginal peoples and Torres Strait Islanders within their [ie local government] boundaries*'). The fifth of five national principles for the general purpose grants states that:

Financial assistance shall be allocated to councils in a way which recognises the needs of Aboriginal peoples and Torres Strait Islanders within their boundaries

11. A footnote to this Principle explains it more fully as

address[ing] the specific need for the provision of equitable council services to Aboriginal and Torres Strait Islander communities and indicates that the level of grants received by councils reflects the Aboriginal and Torres Strait Islander population within council boundaries.

⁷⁹ Section 4(2) of the *Commonwealth (Financial Assistance) Act 1995* provides for a body declared by the Minister, on the advice of the relevant State Minister, by notice published in the Gazette, to be a local governing body for the purposes of the Act. See also Local Government National Report, *op cit* p. 19.

12. Reviews of the grants process are undertaken periodically. At the time of field work for the present audit, a review of the Act was being undertaken by the Commonwealth Grants Commission.

13. Regular consultations take place between Commonwealth staff of the National Office of Local Government in the Department of Transport and Regional Services and State grants commission personnel.

14. As indicate above the FAG payments are made as tied grants to the States in two streams, one general purpose and the other for local road funding.

15. For the General Purpose component, is intended to improve 'horizontal equalisation', that is, to even out the resources councils have across Australia regardless of such varying factors as their individual revenue-raising ability, their remoteness (and therefore the different costs facing them) and the distribution of serviced populations. However, in distributing this component, all councils must receive at least the 'minimum grant'. That is, they should receive at least 30 per cent of the grants they would have received if the grant had been allocated between councils on an equal per capita basis.

16. The local roads component is distributed between the States and Territories on a fixed share basis and then between local councils in accordance with their relative roads needs and so as to preserve their road assets.

17. While the funds from the Commonwealth are tied as to allocations made through the State to the local governing body recipients after the Commonwealth Minister has approved the allocation recommended by the relevant State grants commission, the grants are untied in the hands of the recipients. That is, councils can use the funds in accordance with their own priorities. The Commonwealth does require an annual audited statement of payments made by the States to local governing bodies, Councils are not audited. If local governing bodies do not actually use FAG funding to provide services in accordance with the Act and the National Principles, that is, to improve the provision of services to Aboriginal and Torres Strait Islander communities, there is nothing in the current statutory arrangements that requires them to do so.

Other Commonwealth and national initiatives in local government related to services to Indigenous communities

18. The Commonwealth Government has pursued, or given support to a number of initiatives at the national level in regard to Indigenous local government needs.

19. Indigenous affairs policy embraces all functional interests of government, especially those that have impacts on social and living conditions. With Indigenous health, housing, education and employment issues having been identified at Commonwealth and State levels as priority concerns in overcoming aboriginal disadvantage, and recognition of the importance of coordination of the resources available at Commonwealth and State levels, attention has been directed at developing bilateral agreements or understandings between the Commonwealth and the States in functional areas, especially in housing.

20. The role of local government is linked closely to advances on many of these matters.

21. Initiatives for shaping the direction of local government, improving local government efficiency and addressing coordination issues across Australia's local councils have been under way at various levels and in various forums for a number of years. Much of the effort has been directed at developing the capabilities of local government, to seek to ensure that the local government sphere plays an appropriate role in nation-wide economic restructuring and improved competitiveness while also enhancing community living standards.

22. Within the Commonwealth's field of interest and policy objectives for local government in general, a number of steps in regard to service provision for Indigenous people have been taken or are in progress.

23. Examination has been given to questions of how local government mechanisms may be used, improved, developed or modified to assist Indigenous communities to overcome the evident disadvantage in their living conditions. The activities that have been set in train operate in the various governmental spheres. Initiatives have been made by the Commonwealth and State Governments; the local government 'industry' through peak State and National local government associations; and by the initiative of some individual councils.

24. Major landmarks in these efforts are:

(a) The National Commitment to improving services to Aboriginal and Torres Strait Islander communities

25. The Council of Australian Governments (COAG) signed the National Commitment in 1992. The Commitment reflected concerns about:

- the lack of progress by all spheres of government;
- the need for a sharper focus on outcomes;
- a priority on services to discrete communities;
- priority issues related to infrastructure provision, housing, power, water, waste disposal, sewerage and roads; and
- other priority issues, including health services.⁸⁰

26. A special Local Government Ministers Conference (LGMC) resolved in 1994 that the adequacy of services provided at the local government level should be examined systematically, in conjunction with an examination of the State financial capacity to provide services to Aboriginal and Torres Strait Islander communities. The Conference in a later session agreed that an investigation jointly funded with ATSIC and managed by the Australian Local Government Association (ALGA) should be undertaken. This was duly done and the results, including a baseline survey of data, were presented to the LGMC in June 1998. The Local Government Ministers at their 1999 Conference agreed to use the report as it impacts on their jurisdictions⁸¹.

27. In line with the Conference's 1995 resolution, State by State reports on local government services to Indigenous communities and related developments, provided by those States that separately identify such services, have been provided annually to the LGMC and published in the Local Government National Report.

28. COAG commitment has led to a number of portfolio-specific initiatives outside of DTRS and the Local Government Ministerial Council. These have been in the areas of housing and essential services, and have taken the form of various bilateral arrangements between the Commonwealth and several States (see Appendix 4).

⁸⁰ Quoted in *Local Government Services to Aboriginal and Torres Strait Islander Communities: its Capacity to Achieve the National Commitment to Improve the Outcomes for Aboriginal and Torres Strait Islander Peoples*, Local Government Ministers' Conference, June 1998, Vol 1 p. 2

⁸¹ Local Government National Report 1998–99, *op cit* p. 58.

(b) Local Government Development Program

29. The Local Government Development Program (LGDP), which operated until 1999 as an administered item in the Department of Transport and Regional Services, provided Commonwealth funding to develop best practice management and more efficient local council services through planning, training and institutional strengthening.

30. The LGDP assisted a number of specific initiatives for services to Indigenous people taken in individual States, such as the Remote Area Management Project (RAMP) in the Northern Territory.

31. A nation-wide project funded jointly by the Department of Transport and Regional Services through the LGDP and ATSIC was the Aboriginal Policy Officer Program. This project was established in 1992 to assist implementation of the National Commitment made at COAG on service delivery to Indigenous communities. It entailed funding of a national policy officer position in the Australian Local Government Association. LGDP funds were additionally utilised, initially as full funding and later as partial funding matched with funds provided by State local government associations, in the Northern Territory, Queensland, New South Wales, South Australia and Victoria, to employ policy officers in the respective State associations. The LGDP contributed some \$0.8 million over the last three years to this project. It was regarded as a seeding project, with the LGAs taking over full responsibility for these positions when Commonwealth funding through the LGDP ceased. With the termination of the LGDP in 1999, no LGA has continued the position though the national officer in the ALGA has been maintained (see under ALGA below). LGDP funds were also provided to the Western Australian Municipal Association to provide Aboriginal liaison support.

32. The LGDP contributed funds to the Australian Local Government Association to maintain the National Aboriginal and Torres Strait Islander Reference Group. The Group is a forum for discussion of local government issues of relevance to Indigenous communities and for exchange of best practice ideas among Indigenous local government elected representatives and staff personnel.

Australian Local Government Association

33. The Australian Local Government Association (ALGA) has directed particular attention to service improvement to Indigenous communities since the COAG National Commitment of 1992. It has maintained, jointly funded with ATSIC, the national Aboriginal Policy Officer position, taking over the funding contribution of the now-terminated LGDP.

34. ALGA has established an Aboriginal and Torres Strait Islander Reference Group comprising representatives of local governing bodies and State local government associations with interests in Indigenous services. Its role is to advise the ALGA Executive on issues in the provision of local government services to Indigenous communities.

Appendix 4

Funding Arrangements in Selected States and the Northern Territory

1. As indicated in Appendix 3, the Australian constitutional framework municipal services and local government are a State responsibility, not a Commonwealth one. Nor is it a normal Commonwealth responsibility to provide essential services in territories where it is not the administering power. ATSIC's establishing legislation gives it the mandate to ensure coordination in the formulation and implementation of policies affecting Aboriginal persons and Torres Strait Islanders by Commonwealth, State, Territory and local government, without detracting from the responsibility of State, Territory and local governments to provide services to their Aboriginal and Torres Strait Islander residents.⁸²

2. The patterns of local government funding and service provision are widely different across the States. There are complex inter-relationships between local government, the State Governments and the Commonwealth Government. The National Office of Local Government notes⁸³ that because of this '*... there is a somewhat blurred division of the respective roles and responsibilities if the three spheres of government. Financial transfers involving local government tend to reinforce this blurring...*'

3. This Appendix presents information about services similar to ATSIC's Municipal Services (ie. including essential services) provided to Aboriginal and Torres Strait Islander communities by the four States where most of ATSIC's municipal services expenditure is made. As Table 1 indicates, these states are South Australia, the Northern Territory, Queensland and Western Australia. Between them these States account for more than 95 per cent of the ATSIC funds flowing through this program.

⁸² *Aboriginal Torres Strait Islander Commission Act 1989*, Part 1 s.3(d).

⁸³ *Local Government National Report 1998–99*, p. 6.

SOUTH AUSTRALIA

4. The South Australian Government provides funding of activities related to ATSIC's municipal services role through

- allocating Commonwealth FAG funds to local government bodies (State Grants Commission). This includes funding to a number of Aboriginal community bodies as detailed below;
- providing operational essential services funding totaling \$2.7 million to a number of discrete Indigenous community areas through the Division of State Aboriginal Affairs (DoSAA) under a bilateral agreement between ATSIC and the South Australian Government signed in 1997; and
- providing State funds through the Aboriginal Housing Authority under a bilateral housing agreement with the Commonwealth.

FAG funds

5. South Australia allocates the funding available to the State under the Commonwealth Local Government (Financial Assistance) Act 1995 in ways consistent with the Commonwealth legislation's requirements: that is:

The over-riding principle is one of Horizontal Fiscal Equalisation, which is constrained by a requirement that each local governing body must receive a minimum entitlement per head of population as prescribed in the Commonwealth legislation⁸⁴.

6. Three categories of recipients are included: incorporated areas (located mainly in the urban areas of Adelaide, the large provincial centres and rural shires—the incorporated areas occupy only about 15 per cent of the total State land area); the Outback Areas Community Development Trust (about 20 per cent of the State's land area); and five Aboriginal community areas.⁸⁵ All bodies have been approved by the Commonwealth Minister as eligible recipients of FAG funds.

7. The Outback Areas Community Development Trust was established in 1978 to have broad responsibility for community development activities in the outback areas of the State, with particular emphasis on functions normally undertaken by local councils. It is prescribed as a local governing body for the purposes of the South

⁸⁴ Local Government Grants Commission of South Australia, *Annual Report 1998–99*, Adelaide, p. 10.

⁸⁵ The 5 communities are Anangu Pitjantjatjara, Gerard Community Council Inc., Maralinga Tjarutja, Nepabunna Community Council Inc. and Yalata Community Council Inc.

Australian Grants Commission's recommendations to the Commonwealth Minister. The Trust provides funding, on an application basis, to community bodies in its area. Three centres in the Trust region where Aboriginal populations predominate are Maree, Oodnadatta and Copley. More than one organisation in each township may be funded by the Trust but it is required to work in parallel with the service provision of other SA Government agencies such as the Division of State Aboriginal Affairs, for example in provision of essential services.

8. The five Aboriginal community areas have been recognised since 1994–95 as local governing authorities for the same purpose of allocation of Commonwealth funds.⁸⁶

9. Because of lack of comparable data, allocations of FAGs to the non-incorporated entities are not calculated on the same basis, compared to the other local governing bodies. They are made on a per capita basis compared to a more complex formula involving separate revenue and expenditure components of calculations for the councils. A per capita grant has been established for the Trust. In the case of the five Aboriginal community areas, the South Australian Government engaged a consultant to undertake a review of their expenditure needs against their revenue capacity, and including comparisons with communities in other states. A five year per capita grant program for these communities with a growth factor was established after this review⁸⁷. That period is now at an end and the South Australian Government is examining funding needs of these communities. Under recently enacted State legislation, the Government's agencies including the State Grants Commission must take account of other funding available to local governing bodies in deciding the allocation. This funding appears to include ATSIC's funds.

10. In allocating funds to incorporated councils, the South Australian system recognises a cost relativity index which takes account of the proportion of Indigenous residents within LGA boundaries. The methodology also recognises the cost impact of non-resident usage of infrastructure in some council areas such as Port Augusta, Ceduna, Coorong and Port Lincoln which experience significant numbers of Indigenous visitors.

⁸⁶ *ibid*, p. 12.

⁸⁷ *ibid*.

Essential Services

11. The bilateral agreement⁸⁸ provides for ATSIC to contribute at least \$2.7 million in capital funding per annum on a rolling triennial basis to DoSAA for essential services infrastructure in discrete Indigenous communities in the State, and for DoSAA to provide *'the operation and maintenance of essential services infrastructure on a matching basis'*.

12. The agreement provides for a coordination framework for ATSIC and State programs in essential services.

13. Inhabitants of discrete communities comprise about a quarter of the Indigenous population in South Australia (4985 people). It is estimated that of the \$2.7million is provided by the State Government for services operating and maintenance costs⁸⁹ \$1.6 million was for diesel fuel needs and \$0.5 million for some local community access roads.⁹⁰

Indigenous housing

14. Signed in February 1999 the agreement pools the funds of the Commonwealth Department of Family and Community Services (FACS) and ATSIC with South Australian funds allocated for Indigenous housing purposes. The FACS funds are the Aboriginal Rental Housing Program, a component of the Commonwealth State Housing Agreement. Under the bilateral agreement the Aboriginal Housing Authority provides a coordinating centre for the use of these funds with greater Indigenous decision making and community involvement in the delivery of housing programs using the funds of the two spheres of government.

South Australian Local Government Association

15. The Local Government Association of South Australia has been particularly active in initiatives to broaden local government service provision for Aboriginal and Torres Strait Islander groups. In these activities it has worked in close cooperation with the South Australian Government's Office of Local Government, with ATSIC and with the initiatives pursued at the national level by ALGA under the Local Government Development Program.

⁸⁸ Agreement for the Provision of Essential Services Infrastructure in Aboriginal Communities in South Australia, 4 September 1997.

⁸⁹ 'Essential Services in Remote Indigenous Communities', report for ATSIC by Ove Arup and Partners, 1999 p. 26.

⁹⁰ ANAO discussion with CEO of Division of State Aboriginal Affairs, 11 August 2000.

16. A 1994 Strategic Framework was developed to address issues of coordination and integration, community information, inter-governmental relations and the participation of Aboriginal and Torres Strait Islander people in local government⁹¹. This Strategic Framework was reviewed in a major study finalised in August 2000 to assess achievements and set directions for the future. Local, State and Commonwealth Governments (represented by ATSIC) participated in the review⁹².

NORTHERN TERRITORY

17. The Northern Territory Government provides funding of activities related to ATSIC's municipal services role through:

- allocating Commonwealth FAG funds to local government bodies (NT Local Government Grants Commission). This includes funding to a large number of Aboriginal community bodies as detailed below;
- providing Territory operational grants and subsidies to certain Aboriginal Community bodies for essential and other services (Department of Local Government). The organisations funded include some bodies which receive FAGs (as detailed below);
- providing Territory funds through the Indigenous Housing Authority of the Northern Territory (IHANT), set up under a bilateral housing agreement with the Commonwealth in 1995 and involving pooled Commonwealth (FACS and ATSIC) and Territory funds (Department of Housing); and
- providing water, sewerage and power to many communities (NT Power and Water Authority, PAWA).

FAGs

18. NT allocation of FAGs funding for local government takes place in a complex array of bodies with local service provision roles. The NT Government is actively developing a Reform Agenda to restructure the delivery of service provision in the Territory.

⁹¹ *Local Councils belong to Aboriginal People Too—Local Government and Aboriginal Populations Access and Equity Project, 1994*, referred to as the '1994 Morton Report'. Prepared for the SA Local Government Association and funded by ATSIC.

⁹² *Local Councils Belong to Aboriginal People Too—Review Project: A New Strategy*, June 2000; prepared by Janet Gould and Associates Pty Ltd, Adelaide.

19. The Northern Territory Local Government Act has provided since self-government for two formal streams of local government, one Municipal Government and the other Community Government⁹³. Capacity to raise revenue in the classical way through rates on land is one of the distinguishing features of the two groupings. 'Municipal government' applies to the six major population centres in the NT. 'Community government' provides for the local administration of small and remote communities.

20. The existence of the two streams reflects Commonwealth administration history of the Northern Territory, the fact that some 24 per cent of residents of the Territory identify as being of Aboriginal and Torres Strait Islander descent and that a large number of Indigenous people live in rural and remote areas⁹⁴. All the bodies in the two streams receive FAG funds.

21. In addition, some 30 further bodies have become entitled to receive FAGs funds after having been through the recommending process from the Territory Minister to the Commonwealth Minister under the Commonwealth Act⁹⁵. Altogether 67 Municipalities and community government bodies were in 1999–2000 entitled to receive FAG grants. \$17.94 million in Commonwealth funds were distributed.

NT grants and subsidies

22. In addition to the two formal streams of bodies the NT Government recognises several further groupings of local government entities:

- 'association councils' which are bodies incorporated under the NT *Associations Incorporations Act*;
- 'special purpose' towns;
- aboriginal urban living areas or 'town camps'; and
- minor communities and other organisations providing local government services to residents of the Territory⁹⁶.

⁹³ An NT Local Government Association 'Fact Sheet' states that immediately following the achievement of self-government in 1978, the Legislative Assembly '*legislated for community government as an equal partner with municipalities and with greater powers in small communities*' LGANT 2000.

⁹⁴ The majority of Indigenous people in the Northern Territory live in discrete, and generally remote communities (40 456 out of 49 600 people). The Northern Territory has the highest proportion of the total number of indigenous people living in remote communities in Australia. '*Essential Services in Remote Indigenous Communities* Ove Arup 1999 p. 25.

⁹⁵ These are all Association councils but not all Association councils receive funds under FAGs.

⁹⁶ *Report on Local Government Grant Programs 1999–2000*, Department of Local Government p. 5.

23. The NT Government through the Department of Local Government administers a program of 'operational' grants and subsidies to some 61 local governing bodies, which excludes the municipal councils and special purpose towns. This program amounted to \$14.37 million in 1999–2000. An additional \$1.8 million was administered in a Council Loan Program and \$2.5 million to non-municipal councils for capital items such as staff housing, plant and equipment, council offices.

24. The NT Department of Local Government, which provides the administrative base for the NT Local Government Grants Commission, states that it seeks to align the NT Government's operational subsidy scheme with the allocation system for the Commonwealth-origin funds.⁹⁷

25. The NT Government, through the Department of Local Government, also operate a small number of specifically targeted funding schemes. A Minor Communities Program provides assistance to 12 communities that are not eligible for either the Commonwealth FAGS or the NT Operational Subsidy Program. It was allocated \$0.635 million in 1999–2000. Six clusters of town camps received \$800 000 under the Aboriginal Urban Living Areas (AULA) program.⁹⁸ In addition a Capital Funding Program and a Dump Funding Program received \$2.51 million and \$0.571 million respectively.⁹⁹

Housing and IHANT

26. The Northern Territory was the first to negotiate a bilateral housing agreement with the Commonwealth following the 1992 COAG resolution. It was signed in June 1995.

27. Under the Agreement pooled funding, for 2000–2001, amounting to some \$30 million is made available, \$16 million under the CSHA, \$14.5 million from ATSIC and \$2.9 million from the NT Government for administration costs.

⁹⁷ Report on Local Government Grant Program 1999–2000, *op cit* p. 9.

⁹⁸ The Tangentyere Council Inc (see Appendix 8) is one of the recipients of funds from this source (\$220 449 in 1999–2000). AULA is reducing funding to recipients at a rate subject to a 5 per cent per year, 'floor'.

⁹⁹ Report *op cit* pp. 9–20.

Water, sewerage and power

28. The Northern Territory Power and Water Authority (PAWA) provides water supply and sewerage to some 80 discrete communities (for sewerage, only for those that do not use septic tank systems) through its own resources under a Community Service Obligation system. It is suggesting that sewerage and water rates may in future be charged to Communities. PAWA also operates and maintains water supplies in some outstation communities.¹⁰⁰

29. PAWA provides power generation in about 80 communities at a significantly subsidised rate.¹⁰¹

QUEENSLAND

30. The Queensland Government provides funding of activities related to ATSI's municipal services role through:

- allocating Commonwealth FAG funds to local government bodies (Queensland Local Government Grants Commission). This includes funding to some Aboriginal community bodies as detailed below;
- providing Queensland funds in operational grants and subsidies to certain Aboriginal Community bodies (Department of Aboriginal and Torres Strait Islander Policy Development). The organisations funded include some bodies which receive FAGs (as detailed below); and
- other funding schemes not necessarily specific to Indigenous communities.

FAGs

31. Queensland allocates Commonwealth-origin FAG funds to local government through the Department of Communication, Information, Local Government and Planning Initiatives. The Queensland Local Government Grants Commission is located within this Ministerial portfolio.

32. The Queensland *Community Services Act 1984*, administered by the Department of Aboriginal and Torres Strait Islander Policy and Development (DATSIPD), incorporates 32 Indigenous communities which receive FAG funds. These 32 communities are the Deed of Grant in Trust communities. Approximately 17,900 people live in them.

33. The Commonwealth's FAG funding allocated to the 32 DOGIT communities was estimated to total some \$4.49 million in 1999–2000.¹⁰²

¹⁰⁰ Ove Arup *op cit* p. 26.

¹⁰¹ *ibid.*

¹⁰² Figures extracted from Local Government National Report 1998–99. See table, paragraph 4.32 below.

34. The *Community Services Act* establishes Aboriginal (mainland) and Islander (Torres Strait) local governing councils, with prescribed arrangements for service delivery, governance and accountability for the registered governing entities or councils. The two groups of councils have separate representative co-ordinating bodies, the Aboriginal Coordinating Council and the Islander Coordinating Council.

Queensland Government operational subsidies

35. The Queensland Government allocates its own financial assistance to the DOGIT councils. This was budgeted to be some \$17.5 million in 2000–2001.¹⁰³

36. The financial assistance or operating subsidies received by the DOGIT communities from the State are regarded as revenue in lieu of rates revenue. This is because the DOGIT communities are assessed as having no rateable land.¹⁰⁴ In a change of allocation methodology made in 1998–99, the Queensland Local Government Grants Commission moved from assessing the DOGITs for revenue earning capacity on the same basis as for other councils, to assessing this capacity as zero. According to the National Report on Local Government, this resulted in more equitable treatment of these communities and ‘significant increases in the grant to many of these councils’.¹⁰⁵

37. However, in determining the grant for each local government, other grant contributions from the Commonwealth and the State are taken into account as revenue.¹⁰⁶

¹⁰³ Presumably because of the operation of the distance and accessibility factors in the Commonwealth National Principles, FAG grants to aboriginal (ie mainland) councils in Queensland total some \$1 926 390 whereas they amounted to \$4 484 843 for island councils. These ratios are more than reversed in State funding: aboriginal councils are to receive \$13 322 375 in 2000–2001 whereas island councils will receive \$4 180 984.

¹⁰⁴ Local Government National Report, *op cit* p. 88.

¹⁰⁵ *ibid.*

¹⁰⁶ Other grant revenue taken into account ‘is the State and Commonwealth operating subsidies received by Aboriginal and Torres Strait Islander [ie DOGIT] councils. Sixty-seven per cent of this grant revenue is taken into account. It is discounted as the grant revenue is able to be expended on excluded functions such as water and sewerage and other functions, such as police services, which are not supplied by the non Aboriginal and Torres Strait Islander local governments’. Local Government National Report, *op cit* p. 86.

**Queensland Local Government funding for Indigenous communities
(Deed of Grant in Trust Councils) 2000–2001**

<i>Council</i>	<i>Commonwealth FAG* \$</i>	<i>Queensland Grant** \$</i>
Cherbourg	102 837	1 044 367
Doomadgee	150 203	1 163 533
Hope Vale	133 693	1 039 982
Injinoo	174 085	539 382
Kowanyama	216 517	1 081 532
Lockhart River	148 649	771 565
Napranum		696 307
New Mapoon	169 173	345 287
Palm Island	243 538	1 953 716
Pormpuraaw	107 532	836 601
Umagico	119 351	312 980
Woorabinda	93 522	1 096 099
Wujal Wujal	65 574	675 034
Mapoon		165 018
Yarrabah	201 716	1 600 972
Total Aboriginal councils	1 926 390	13 322 375
Badu	380 098	398 115
Bamaga	258 634	702 843
Boigu	144 879	256 084
Coconut	77 276	155 221
Darnley	156 099	238 116
Dauan	70 123	162 282
Hammond	107 605	175 414
Kubin	88 969	163 562
Mabuiag	114 517	185 608
Murray	254 689	340 419
Saibai	195 472	266 041
Seisia	59 246	187 866
St Pauls	205 400	224 203
Stephen	52 150	84 455
Sue	290 967	175 488
Yam	134 471	220 958
Yorke	222 538	244 309
Total Island councils	2 558 444	4 180 984
Aboriginal Coordinating Council	-	712 827
Island Coordinating Council	-	300 675
Total representative bodies	-	1 013 502
Total councils	4 484 843	17 503 359

* Commonwealth FAG figures are for estimated 1999–2000 (source: Local Government National Report 1998–99).

** Queensland Government grants are allocations for 2000–2001 (source: Queensland Department of Aboriginal and Torres Strait Islander Policy and Development 14 June 2000).

Other programs

38. Notwithstanding the importance of the DOGIT system in Queensland, many more Indigenous people live outside the DOGIT system than within it: some 70 per cent of the Indigenous population are outside the DOGIT system.

39. Approximately 50 per cent of Queensland's Indigenous population live in the larger metropolitan centres such as Brisbane, Townsville and Cairns.¹⁰⁷ A further large number reside in communities, families and groups of varying sizes within the boundaries of the other municipalities and shires of the State. Some of these have high proportions of Indigenous people. Large populations of Indigenous people reside in townships and locations within such Shires as Aurukun, Cook (Coen and Laura), and Burke. About 7 500 Indigenous people live in discrete communities that are not DOGIT.¹⁰⁸

40. The Queensland Department responsible for local government operates the Smaller Communities Assistance Program, in which shires with significant Aboriginal or Islander populations such as Torres, Cook and Burke have been successful in gaining assistance of amounts of up to \$2.6 million, as in the case of Hopevale Aboriginal Council in 1998–99¹⁰⁹. Under another program, the Rural Living Infrastructure Program, other shires and DOGIT councils have won funds for projects.

41. The Department of Aboriginal and Torres Strait Islander Policy and Development operates the Aboriginal and Torres Strait Islander Infrastructure Program, established in 1995 and focusing on improved environmental health through capital works infrastructure investment in Indigenous communities.¹¹⁰ Some other programs have similarly been designed to address Indigenous needs in the Torres Strait region. For example the State is contributing \$15 million to match the Commonwealth's \$15 million for projects to address critical environmental issues in Islander communities represented by the Torres Strait Regional Authority (TSRA) and the Island Coordinating Council set up under the *Community Services Act*.¹¹¹

¹⁰⁷ Department of Aboriginal and Torres Strait Islander Policy and Development, 200–2001 State Budget, Ministerial Portfolio Statement, p. 1–1.

¹⁰⁸ Ove Arup report, *op cit* p. 26.

¹⁰⁹ Local government National Report, *op cit* p. 227.

¹¹⁰ A total budget of some \$61.55m has been committed to this scheme for the period 1995–2000. Local Government National Report, *op cit* p. 227.

¹¹¹ *ibid*.

WESTERN AUSTRALIA

42. The Western Australia Government provides funding of activities related to ATSIC's municipal services role through:

- allocating Commonwealth FAG funds to local government bodies (the Western Australian Local Government Grants Commission);
- providing State funds through a bilateral housing agreement with the Commonwealth signed in 1997 involving joint planning and coordination of the use of Commonwealth (FACS and ATSIC) and State funds (Ministry of Housing/HomesWest); and
- providing State funds for essential services (water, sewerage and power) to specific Aboriginal communities under an Essential Services agreement with the ATSIC now being revised (late 2000).

43. In addition, WA Government agencies have cooperated closely with Commonwealth bodies in coordination of environmental health planning and program delivery. Further, in three regional areas of WA, formalised joint planning arrangements involving local councils and WA Government departments and ATSIC Regional Councils have been set up. These activities do not include formal pooling of funding from State and Commonwealth resources although the 1997 Environmental Health Needs Survey involved closely coordinated project management through combined survey instruments.

FAGs

44. The Western Australian Local Government Grants Commission (WALGGC) allocates Commonwealth FAGs funds to eligible local government bodies under the Local Government Grants Act 1978 (amended in 1985, 1987 and 1997). The Commission is based in the Department of Local Government.

45. The whole of the territory of the State of WA is enclosed in local government area boundaries.

46. A number of local government bodies in WA which receive FAG allocations have very large, even majority aboriginal populations. One of these is Warburton Council (Ngaarnyatjarraku). As the allocation principles take revenue raising capacity on a per capita population basis into account, the allocations to such communities are larger.

47. The 1999 Annual Report of the WALGGC provided no information on the operation of the Fifth National Principle in the National Principles for FAG allocations dealing with the needs of Aboriginal populations in local government area boundaries other than listing this among the National Principles and referring Aboriginal Environmental Health as a disability factor.

48. Aboriginal Environmental Health Allowance has been included since 1995 as a “disability factor” in the WA Schedule of Disability Factors for the methodology employed in the State for allocating the FAG grants. This is described by the Commission as recognising the additional costs incurred by some councils in providing Aboriginal health services especially in remote areas¹¹².

49. Under current distribution principles applying to the Local Roads component of the FAGs, 7 per cent of the available funding is allocated to Special Projects. Of this, one third or \$1.4 million in 1999–2000 is for Roads Serving Aboriginal Communities. The WALGFC maintains a committee which includes an ATSIC representative to advise it on how to allocate this money. State funds are also provided for some local roads for Aboriginal communities.

Housing

50. A three year agreement for the Provision of Housing and Related Infrastructure for Aboriginal and Torres Strait Islander People in Western Australia was signed by the Commonwealth (the then Minister for Social Security and the ATSIC Chairman) with the WA Government (Minister for Housing) in December 1997. It provides for coordination, monitoring, policy formulation, planning and strategic development of Indigenous housing programs. It is currently under joint review to determine successor arrangements.

Essential services

51. Some one third, or 17 680 of the Indigenous population of the State live in discrete communities. Of these about 8000 live in the ‘list of 48’ communities which have been funded for the repair and maintenance of power, water and waste water services by the WA Department of Aboriginal Affairs (AAD) since 1985. In 1997–98 the AAD budget for these services was about \$4.2 million.¹¹³ Under the Agreement for the Provision of Essential Services to Indigenous Communities in Western Australia, made between ATSIC and the WA Government in October 2000, the State will provide such services to an expanded list of 67 communities in 2000–2001, with another five communities to be added in 2001–2002.

¹¹² Western Australian Local government Grants Commission, *Local Government Grants. Principles and Methods of Distribution of Commonwealth Financial Assistance in Western Australia 1999* Perth p. 24. The allowance is based on the number of full-time equivalent Environmental Health Officers assessed by the Health Department of WA as required to service Aboriginal communities.

¹¹³ Ove Arup Report *op cit* p. 26.

52. Over a number of years, ATSIC has provided capital works and power house fuel in these 48 communities (the list has been increased to 62 in the past 2 years) and all aspects of essential services delivery in many smaller communities.¹¹⁴ Power house fuel in the ATSIC CHIP 1997–1998 budget was some \$5.8 million.¹¹⁵

53. A new bilateral Essential Services Agreement was at an advanced stage of negotiation in September 2000, when ANAO field work in WA was undertaken. If completed, this Agreement will break new ground in developing partnership between the State and Commonwealth Governments in delivering services to the Indigenous population of the State.

54. The new Agreement extends joint planning principle and Commonwealth/State coordination for the delivery of essential services to Indigenous communities. By defining roles and responsibilities of the various funding and operating agencies it is intended to provide a framework for negotiation of further agreements in specific functional areas to improve environmental health outcomes. It contains specified linkages to other planning frameworks such as the Housing Agreement (see paragraph 50) and the Environmental Health Needs Coordination process in WA (see paragraph 57).

55. In specific terms the new Agreement would extend the list of 62 communities to 67, with principles and notional timetable for further expansion built into the Agreement. The funding responsibility split between WA and the Commonwealth (ATSIC) remains the repairs/maintenance and capital/power house fuel roles respectively.

56. One clause of the draft Agreement addresses the specific situation of larger outstations. While it provides for the Commonwealth to continue to provide funding for regular maintenance and repair of essential services to emerging communities with populations between 40 and 49, as specified in a Schedule, it anticipates the transfer of this responsibility to the State.¹¹⁶

¹¹⁴ Draft Agreement between the State of Western Australia and the Commonwealth of Australia for the provision of Essential Services to Indigenous Communities in Western Australia, 11 August 2000 p. iv.

¹¹⁵ Ove Arup Report, *op cit*.

¹¹⁶ Agreement, *op cit* Clause 7.1.2. The language used in the draft is: '*with a view to eventual transfer of these communities to State responsibility*'.

Environmental Health Needs Coordination Committee (EHNCC)

57. Building on a number of State and Commonwealth initiatives in the health sector and especially a jointly managed Environmental Health Needs Survey in 1997, an environmental health strategy and planning framework has been developed in WA, in which all the relevant State and Commonwealth agencies with funding responsibilities have committed themselves to a coordination framework.

Regional across-government coordination forums

58. Three regional agreements on service delivery in the Shire of Broome LGA were negotiated in mid 2000. These follow a WA Government initiative to improve planning for Aboriginal communities at local level. The WA Aboriginal Affairs Department, other WA Government departments, the Broome Shire Council and five Aboriginal community organisations and the Chairperson of the Kullari Regional Council of ATSIC are signatories to these service level agreements.

59. Under the agreements, participants have committed themselves to agreed operational arrangements for community layout planning; environmental health services and building inspection services in remote areas of the region. Subject to agreement of the parties, the joint planning forums set up in the three functional areas of municipal services may be extended to 'other large, permanent Aboriginal communities' within the Shire.

Appendix 5

ATSIC'S Management System for Municipal Services

1. All of the funds allocated to Municipal Services are for administration in the ATSIC Regions. They form part of Regional Councils' budgets. Devolution of this activity to ATSIC's regions is in line with the ATSIC historical commitment to strong regional decision-making autonomy in designated service delivery functions.
2. While decision-making on distribution of the funds is made in the Regions, ATSIC maintains strategic and policy control over the activity as part of CHIP, at the National Office level. The National Office also allocates the funds available to the Regional Councils.
3. CHIP is administered by the National Housing and Infrastructure Centre (NHIC), one of several 'responsibility centres' oversighted by the National Program and Network Manager who reports to the ATSIC CEO and the Board of Commissioners. Under the 'ATSIC 2000' organisational restructure implemented on 1 July 2000 the National Housing and Infrastructure Centre is located in Melbourne.
4. The ATSIC Board sets allocations of Regional CHIP funds as part of overall Regional funding allocations, which then go to the Minister for Aboriginal Affairs and Reconciliation for final approval.
5. Advice to the Regions of CHIP allocations is conveyed as part of the total operating budget for each Regional Council, including its running costs. A total allocation for Housing, Infrastructure and Municipal Services is set as part of the overall ATSIC allocation process, and actual Municipal Services funding is influenced by the minimum capital amount allocated for infrastructure. Municipal Services allocations may be increased by a Regional Council decision to utilise discretionary funds for Municipal Services and Regional Councils can also request variations between the CHIP outputs based on demonstrated need. At the beginning of each financial year a Budget Statement issued under paragraph 63(1)(b) of the ATSIC Act is sent to each Regional Council Chairperson. It details the limits of funds the respective Regional Council will be able to administer in their respective regions, breaking them down into their line components.¹¹⁷

¹¹⁷ The individual line components are:

- General allocation
- CDEP Wages
- CDEP Other
- CDEP Participant numbers
- Housing
- Infrastructure and Municipal Services
- Legal Services

The Budget Statement also includes under 'Note Minimum Capital', budget minimums for Capital for Housing and Infrastructure respectively. Note that, as from 2001–02, the CHIP line components will be changed to 'Housing and Infrastructure' and 'Municipal Services' respectively.

6. Some elements of CHIP such as the National Aboriginal Health Strategy (NAHS) are delivered through contracted arrangements. CHIP funds that are directed through the States in jointly managed Indigenous housing arrangements (also involving Commonwealth housing funding from funds administered by the Department of Family and Community Services), and for essential services purposes, under Bilateral Agreements between the Commonwealth and certain States, come from the CHIP allocation but are managed at the State level. This information in respect of the relevant State in which the Region is located and the relevant ATSIC Region is also supplied as an information item in the Budget Statement sent to Chairpersons.

7. The Municipal Services funds, as part of the whole of the CHIP allocation to each region, are then distributed by the Regional Councils.

8. Within the outer limits of this budget framework, actual expenditure levels on Municipal Services are determined by Regional Councils and Regional Offices, assessing submissions from Indigenous community based organisation which have identified a need for Municipal Services¹¹⁸. The Regional Councils, working with the respective ATSIC Regional Offices, manage the grants of funds on an ongoing basis. Regional Managers, not Regional Councils, have the financial delegations to withhold releases of funds if grantees are assessed to be in breach of grant conditions.

9. In administering these funds allocated to them, Regional Councils are required under direction of the Board of Commissioners to comply with policies and procedures determined by the Board. These policies and procedures are promulgated in a series of ATSIC publications. The principal ones are:

- Regional Council Planning Handbook;
- The Regional Planning Framework;
- Funding Procedures Manual;
- *Community Housing and Infrastructure Program—Policy 1997–2000*, July 1997 (reprinted August 1998); and
- *ATSIC Policy for Outstations, Homelands and New and emerging Communities*, January 1999.

¹¹⁸ *ibid.*

10. These are National guidelines, procedures and policies, but the last-mentioned document provides for Regional guidelines to be developed as well if Regional Councils wish to fund new outstations. Regional Councils must comply with the Guidelines in their decision-making and procedures. Within the framework of these guidelines they can adopt procedures and policies specific to their region. They can also apply quite specific standards and performance requirements to grantees, including specific performance indicators.

11. The national guidelines require that Municipal Services, like the rest of the Regional Council's CHIP funds, must be funded on the basis of receipt by Regional Councils of applications in prescribed format from organisations seeking funding. But Regional Councils can decide a range of other important issues such as whether grants will be annual or triennial.

12. Regional Councils are supported by the ATSIC Regional Offices in administering their responsibilities. The Regional Offices are headed by Regional Managers, most at Executive Level 2 level. The Regional Managers are the formal decision-makers on the utilisation of funds. All Regional Office staff are employed under the Public Service Act and the Regional Offices have their own running costs allocations separate from the Regional Councils they service. Some Regional Offices support more than one Regional Council. All Councils have dedicated Regional Council Support Units so that each Regional Council has its own secretariat group of typically three officers. These groups report functionally to the Chairperson of the respective Regional Council rather than to the Regional Manager.

13. The dedicated support units do not normally include the field officers who deal with the individual client organisations of the Regional Council. These officers are grouped in teams organised in a variety of ways: eg. by area of coverage (in some cases the teams are separated between the different Regional Council jurisdictions), by function (ie. CDEP, CHIP and other, etc). The teams of field officers are under the control of the Regional Manager. Normally their immediate supervisor is an intermediate manager responsible for grant operations.

14. Staff members need not be present at Council meetings when grant applications are considered, or indeed at any time. Some Councils appear regularly to involve staff in discussion of grant program issues. Practices among Regional Councils appear to vary widely.

15. The Regional Councils have responsibility for most actual decisions on grants, including issues in aspects of their ongoing management.

16. Regional Office staff have major involvement in grant management processes.

Administration of municipal services 'Activities'

17. Grant applications to ATSIC's Regional Councils from community organisations typically pursue most of the funding opportunities over which the Regional Council has discretion, from CHIP to CDEP to the sectoral areas such as Recreation and Culture and Remote Area Broadcasting (BRACS).

18. Municipal Services in CHIP is one element in the typical grant application.

19. Once a grant application containing a Municipal Services element is approved, the Municipal Services component is identified as one 'activity' under a grant and it is managed as a discrete item, with its own formal budget. However the spending proposals under Municipal Services are almost invariably associated with a range of other funded activities, often in a quite complex fashion. The other funded activities will always include other ATSIC activities in its CHIP and CDEP programs but as well a mix of nationally funded ATSIC projects such as NAHS, Commonwealth/State programs for housing, services provided (or payments made by) other funding bodies such as State Government agencies, State-funded positions such as Essential Services Officers, and Environmental Health Workers. Other Commonwealth bodies such as the Australian Taxation Office, Australia Post or Centrelink may also have roles to play through being involved with a community organisation that provides an outlet or sub-agency for their services.

20. The grant management officer responsible for the Municipal Services activity in any particular area is required to take into account the activities of these linked service arrangements in assessing grant applications and monitoring grantee performance. In some offices following the 'one stop shop' model this coordination role may be a comprehensive one if the one case manager or field officer is responsible for all grants administered by the Regional Council on an organisation-by-organisation basis. But under all the staffing models followed in the Regional Offices the span of knowledge required of each individual case officer is very wide. This knowledge is required even if the field officer has time to deal only with compliance work on grant monitoring. It is required to a much higher degree if the field officer is also required to undertake a proactive community development role.

21. An 'Approved Grant Budget' is generated in the grant management system for a Municipal Services activity once approved. It will be varied from time to time as the grant operates. The Budget matrix in GMS comprises Income and Expenditure components. The Income component typically contains a one-line entry for the amount of the approved grant. With the introduction of the GST a second line includes the 10 per cent loading applied by ATSIC policy to all grants. The Expenditure component matrix includes line items for Salaries, Motor Vehicles, Repairs and Maintenance, Services, Supplies and Travel. Sub-items are provided. Grant management procedures provide rules for the management of these budgets, with escalating requirements for approvals for certain changes going as far as the Regional Council. Regional Council approval is required, for example, for any proposal to use Municipal Services funds for the purchase of capital items. The risk assessment team at the Regional Office level determines whether the Organisation can manage the municipal services grant at block level or on a line by line basis. If the Grant Budget has been approved at the block level the organisation can move funds around within the block. If however, the Organisation is required to report by line item grantees themselves may, without approval from ATSIC, transfer funds by amounts not exceeding 10 per cent of the grant from one line item to another.

22. In the case of grants made to resource agencies for outstation funding, budgets do not provide separate information on funds provided for services to particular outstations. No separate accounting arrangements are made, or datasets generated, for grants that are intended partly or wholly for outstation support purposes. The funds for the different Municipal Services grants purposes are all contained in one item.

Appendix 6

Issues in the Management of the Funding Role in ATSIK's Regions

1. The ANAO team visits to Regional Offices permitted investigation and analysis of some issues in the management by Regional Offices of the Municipal Services grants program. Files provided to the ANAO were examined in detail, relevant entries in the GMS checked and discussions were held with officers and managers.

2. The approach used by ANAO in field work, following discussions with program managers in National Office, was to compare file records against a standard test of key processes by checklist compiled from the Nationally-distributed grants handling manuals. The test checklist was used as a basis to identify any variations in the practices followed by the Regional Offices visited, as well as departures from the national standards. This investigation showed:

Some evidence of difficulties in enforcing compliance

3. Extensive investment is made in compliance monitoring of grantees by case officers in Regional Offices. Under standard terms of offer of grants, grantees are required to deliver Quarterly Financial Statements, provide performance output measures against specified Program Performance Indicators, obtain approvals for under-spending or over-spending against line items in budgets, obtain approvals for various stages of capital procurement and the like, prior to releases of funds for the following quarter.

4. The review found compliance effectiveness was generally sound. However in many if not most of the files reviewed, extensive correspondence and follow-up to secure performance by grantees was required to be done by case officers and more senior staff. The review did reveal several cases of reasonably serious non-compliance, all of which presented major problems for the Regional Offices concerned in view of the dire consequences for the grantee (and for ATSIK's objectives) of non-release of the quarterly funds to these communities. There did not appear to be any guidance or standardised protocols for dealing with such issues and perhaps these matters do need to be resolved on their merits, on a case by case basis.

5. Experience of Regional officers of grantee compliance difficulties and other performance matters provides a basis for narrative reporting by Regional Offices on organisational effectiveness.

Uneven record-keeping practices

6. In some Regional Offices, files produced for the ANAO team's inspection did not include key grant documentation such as Letters of Offer and Letters of Acceptance. Some offices' 'Activity files' contained no record of field visits to particular grantees, though these were known to have been done. Performance Indicator reports were missing from a number of case files. However, ATSIC have informed the ANAO that they are moving towards the provision of a remote access IT capability (Metaframe) to enable project officers to access ATSIC databases during field visits. ATSIC consider that priority should be given to ensuring that reports are available on-line.

7. Other Regional Offices such as that at Port Augusta showed model record-keeping performance and this reflected the actual field work standards which seemed to be achieved.

Irregular liaison visit performance by ATSIC field staff

8. Regions varied widely in the frequency of liaison visits by staff to grantees. The prescribed frequency is quarterly. Some officers achieve this. Others seem to face difficulties in their officers achieving even an annual visit. Periodic visits to outstations funded under resource agencies (that is, not funded directly by ATSIC) appeared to be the exception rather than the rule. ATSIC have indicated that increasing the level of field visits is being addressed by changes to processes that focus more attention on what is being achieved and less on financial book keeping.

Risk assessment follow-up

9. The Risk Assessment Team Report is a mandatory pre-grant approval assessment step under which the Regional Council is advised of the degree and nature of organisational risk presented by a grant applicant. Such risk assessments can determine the amount of close-in grant management and supervision that may be required if the application is approved and funds are allocated. It may be the basis for any special conditions placed by the Regional Council on a grant approval. It is an important surety of the appropriate use of funds.

10. The Risk Assessment Team (RAT) report will typically indicate the need for field visits to grantees in a certain frequency, reflecting assessed levels of risk. In none of the cases which the ANAO team reviewed were these requirements implemented. There were cases of non-follow up of clear high-risk cases. ATSIC's national office perceives that the expectations of their RAT reports have been unreasonable in relation to available resources. With the release of their Risk Management Policy, ATSIC intend to direct training to a professional risk management perspective that distributes available resources in accordance with relative risk.

Client service standards awareness

11. Files showed uneven performance of Offices on routine issues of client liaison such as keeping grant applicants, or ongoing grantees, informed of progress in assessment work or the approval processes.

12. A particular example is in the notification arrangements for grant applicants on the outcome of their applications. The processes involved in Commonwealth budgeting and statutory requirements for decision-making may mean some delay in applicants receiving funding advice after the beginning of a financial year. This delay can cause significant downstream budgetary cash flow problems for grantees, even requiring, as put to the ANAO by one grantee, the temporary layoff of staff.

13. ATSIC agree and have advised that changes for the submission process in 2001–02 will see most grant decisions will be made during April. ATSIC will be working towards ensuring that expenditure approvals are in place during May, so that formal Letters of Offer can be distributed during June.

14. One Office reviewed by the ANAO team showed sensitivity to this issue by initiating the mechanism of a letter of intent or “Advance Letter of Offer”, an informal advisory notice to the applicant showing the amount of the grant for approval and providing the applicant with a basis for financial planning pending receiving the formal Letter of Offer.

Quality assurance

15. It was noted that all Offices visited maintained a Quality Assurance Officer, at senior project officer level, to monitor grant management processes against procedural requirements. While this officer was located outside the management stream responsible for operational grant management work, reporting lines were directly or indirectly to Regional Office management.

Appendix 7

ATSIC's Municipal Services Roles

1. The roles perceived by the ANAO to be undertaken by ATSIC in its Municipal Services activities across a wide diversity of State and regional circumstances arise from:

- filling crucial gaps left by the interaction between the three spheres of government in the Australian federal system, where responsibilities for service provision at the local level are blurred;
- acting because of the limited reach of some essential services providers, in a context of high servicing costs for small communities distant from service points, and where the policy requirements of State governments for service provision by public utilities, and the legal requirements, may create uncertainties about whether service obligations may exist;
- dealing with the consequences of movement of some groups of Indigenous people back to traditional lands, setting up outstations where mainstream services do not exist; called the "Homelands" movement; and
- providing assistance to some Aboriginal and Torres Strait Islander groups because their poverty and relative disadvantage may make reasonable quality services unaffordable for them; moves towards recovery from users of full costs for local government and essential services under micro-economic reform initiatives keeps the demand for assistance strong and growing.

2. The following provides detailed material on the background to these roles.

Gaps in intergovernmental arrangements

3. No nationally agreed framework exists to ensure provision, or even to benchmark minimum standards, of service delivery at the local level to Indigenous communities in Australia. Rural shires often face difficulties in providing services to all their populations when weaker streams of revenue able to be collected locally partly determines the level of services.

4. Federal/State relations in the mix of Commonwealth and State statutes and policies dealing with local government services are extremely complex.¹¹⁹ Some Commonwealth origin funds are directly targeted at

¹¹⁹ The National Office of Local Government in the Department of Transport and Regional Services has noted the complex inter-relationships between local government, the State Governments and the Commonwealth Government and the 'somewhat blurred' division of their respective roles. *Local Government National Report 1998–1999*, p. 6. See Attachment 1.

local councils through the *Commonwealth Local Government (Financial Assistance) Act 1995*¹²⁰ which recognises the need to address Indigenous needs—see Appendix 1. The special needs of some rural and remote Aboriginal and Torres Strait Islander people are recognised in various ways by a number of local governments and relevant State Governments—see Appendix 4. Some States provide special funding arrangements¹²¹ to certain defined Indigenous communities at certain locations.

5. ATSIC's own legislation provides for ATSIC's role to be, among other things, to ensure coordination in the formulation and implementation of policies affecting Indigenous people by Commonwealth, State, Territory and local governments.¹²²

6. Essential services provision is not subject to intergovernmental arrangements and the situation varies from State to State and area to area.

7. Typical of access problems that some Indigenous communities face, especially if they are rural and remote discrete communities, are that:

- the community resides on land that is outside the formal land boundaries of the local government system provided for under the law of the relevant State;
- the community is living on land that is not rateable (for varying formal reasons relating to the legal status of the land including that the land may be Crown land, Aboriginal Lands Trust land or land used for charitable purposes) and the local government considers that it is not funded to provide services to communities that are not directly contributing to the cost of services through paying rates and/or cost-related charges;
- the community may be occupying land as a body corporate or a kind of 'community title' within a rateable 'private' parcel of land where the internal services such as rubbish collection, internal road maintenance, street lighting etc are regarded as a private responsibility; and

¹²⁰ The Commonwealth legislation provides specifically in its Objectives that ' *The Parliament wishes to provide financial assistance to the States for the purpose of improving...(e) the provision by local governing bodies of services to Aboriginal and Torres Strait Islander communities*' (Part 1 S.3). (See Chapter 3 for further discussion of this matter.)

¹²¹ See Appendix 3.

¹²² *Aboriginal and Torres Strait Islander Commission Act 1989*, Objects.

- the community may not be recognisable as a recipient of State funds because it is not appropriately constituted¹²³, or does not have prescribed corporate structure, in terms defined by the relevant statute¹²⁴.

8. Several of these factors may be present in the situation of the one community. The very complexity of legal, fiscal and policy factors may also operate to encourage some local government entities to give the resolution of service problems low priority. Arrangements vary significantly from State to State and from region to region.

Limited reach of some essential service providers

9. The marginal costs of providing and maintaining power, water and sewerage systems to diffused or remote populations, or to very small communities, are in their nature likely to be higher than for larger, concentrated populations.

10. Some communities occupy sites that are geographically beyond the defined service areas of public utilities operating on a State-wide or regional basis or of other distribution systems. In most large States essential services provision to remote area populations is a significant strategic public policy issue, with solutions to it varying widely. Some States operate maintenance services for some essential services through their own Indigenous-specific administrative mechanisms.

The movement of groups to traditional lands

11. ATSIC has provided support through various programs for the Homelands movement over the 1980's and 1990's.

12. ATSIC's 1996 moratorium restricted funding pending new planning arrangements being put in place by Regional Councils.

¹²³ 'Local governing bodies' need to be constituted under the relevant legislation of State or Commonwealth to attract recognition. Particular requirements as to governance arrangements etc need to be met for organisations to be eligible for recognition. For some communities these requirements may be seen to be compromising of their integrity in cultural and other terms.

¹²⁴ These issues arise particularly for 'new and emerging communities' or outstations—see Chapter 1. Wider questions of definition as to what constitutes an Indigenous 'community' often raise difficulties in relation to determining eligibility for services under State (and Commonwealth) law. The ANAO found that issues of appropriate governance arrangements and entitlements to membership status in some Indigenous communities are often complex.

Low income, user-pay charging and issues in community services obligations

13. The disadvantaged situation of many remote Indigenous communities—their high levels of unemployment, low income, education and skills levels, and poor health, join with special needs relating to culture and history to create a further reason for ATSIC's involvement in municipal and essential services. Some communities may not have the financial strength to pay for standards of services now regarded as the norm. They may not have the funds to pay for professional administrative services required for modern accountable public administration. They may not have the knowledge of accounting standards required by most funding agencies. Under culturally determined movement patterns they may receive large numbers of visitors who require accommodation and other services.

14. In regard to receiving normal local government services these communities may not be able to pay rates, charges and other local shire council fees. Essential services providers, whether incorporated or not, are increasingly employing user-pays approaches, in light of National Competition Policy and are regulating services to communities or houses that are in substantial arrears.

15. In these circumstances, ATSIC needs to be closely involved in defining where 'community service obligations' may arise and in identifying funding sources. The situations vary widely from State to State and region to region. Negotiating frameworks may not exist at all in some States so that a task for ATSIC is to facilitate a suitable negotiating environment.

Appendix 8

Communities Visited by the ANAO

1. Aboriginal Development Foundation, NT

The Aboriginal Development Foundation (ADF) was formed in 1969 to assist the ongoing operations of town camps in the Darwin area. Currently the ADF provides support and manages ATSIC grants for Railway Dam, Knucky's Lagoon, Palmerston and Adelaide River town camps. The ADF itself is situated on the Stuart Highway, 20 kms from Darwin, the communities supports are in the most part in and around Darwin, with Adelaide River the furthestmost away, 110 kms down the Stuart Highway.

The ADF acts as a resource agency for these communities, providing CHIP and CDEP programs. The ADF receives approximately \$444 000 a year to assist these four outstations. Currently the Indigenous population affected by this grant is around 184 permanent residents and approximately 230 transient residents. In 1999–2000 the approved Grant Budget for Municipal Services was \$444 000.

2. Tapatjatjaka Community Government Council, NT

Tapatjatjaka Community Government was established in the mid 1990s to replace the Titjikala Incorporated body and is situated at Titjikala Community, approximately 130kms from Alice Springs. Currently they provide support to three outstation communities, Oak Valley, Mt Peachey and Walkabout Bore.

The community council predominantly provides housing assistance to the outstations, and provides Titjikala with essential services and CDEP programs, among others such as BRACS (community broadcasting) and Sport and Recreation. Current funding levels of around \$894 700 benefit a population of around 250–300 Indigenous persons. In 1999–2000 the approved Grant Budget for Municipal Services was \$70 700.

3. Tangentyere Council Incorporated, NT

Tangentyere Council Inc was established approximately 25 years ago to help assist Aboriginal people living in town camps in Alice Springs. Today they service around 18 town camps, which are home to about 1200 Indigenous persons.

The Council not only runs ATSIC programs such as CDEP, but also operates services to assist Aboriginal people in areas such as welfare payments, taxation issues and banking. Essential Services is not as integral a component of their funding as many of these town camps are connected to town supply in Alice Springs. Rather, in this case Municipal Services money is used for salaried positions to oversee the administration of the town camps. In 1999–2000 the approved Grant Budget for Municipal Services was \$1 422 612.

4. White Eagle Aboriginal Corporation, NT

White Eagle Aboriginal Corporation was established in 1985 to represent the Rak Mak Mak Marranunggu Traditional Owners and is located in Batchelor, approximately 100 kms south of Darwin. It was established on a solid base of volunteer labour and the provision of private vehicles until 1998/99. Then it was granted ATSIC funds to assist with the administration of the organisation so as to enable it to meet its commitments in administering programs for Aboriginal people.

There are three community areas, all located on land that has been returned to the traditional owners; Ditkini, Walangurminy and Pandayal. The ATSIC grant of \$118 474 in 1999–2000 stood to benefit around 80 Indigenous persons. In 1999–2000 the approved Grant Budget for Municipal Services was \$68 474.

5. Aboriginal Movement for Outback Survival Incorporated (AMOS—Mt Margaret community), WA

AMOS is situated in North-Eastern Goldfields approximately 30 kms South-West of Laverton, which is 360 kms North-East of Kalgoorlie in Western Australia. The community was originally set up as a mission which started in 1921 by the Uniting Church (United Aboriginal Mission). There are approximately 120 people (20–25 families) in the community at any one time.

Funding is provided by ATSIC under Municipal Services and Community Housing—Operational to provide essential services for water, power, sewerage, administrative costs etc. ATSIC funding also provided for Art/Culture, Women's issues, Sport and Recreation, NAIDOC and Heritage, two kit homes were recently completed using ATSIC funding.

A management support program has been underway for two years which is upgrading existing homes in the community. As well a NAHS project has been approved to provide six new homes, 10 upgrades and road and sewerage upgrades.

Facilities in the community include a primary school, store, power station, administrative building, multi sports court, art centre, women's centre, CDEP work shed and a community work shed. Several old buildings from the mission days are still standing and it is hoped that they will be upgraded. In 1999–2000 the approved Grant Budget for Municipal Services was \$202 831.

6. Davenport Community, SA

Davenport Community is a modern urban community located on the northern edge of the city of Port Augusta, and consisting of 83 hectares of land. The Davenport Community Council Inc. was incorporated on 21 October 1974. The aims of the Council are to establish, promote, operate and coordinate services and facilities for the advancement and welfare of the Davenport Aboriginal Community.

Population of the Community fluctuates between 250 and 300 people. The Council consists of 10 elected members and is responsible for the day to day administration of the community's essential and municipal services; housing; family services; youth centre; sport and recreation; and the Davenport fire service.

The Davenport Community Council has responsibility for providing the funding and administration of community infrastructure and services which are normally provided by Local Government. All housing and other buildings located on the Community are owned and managed by the Davenport Community Council. In 1999–2000 the approved Grant Budget for Municipal Services was \$334 909.

Appendix 9

Commonwealth, National, State and other Stakeholders Consulted

The audit team consulted the following Commonwealth, National, State and other bodies:

Commonwealth and National Bodies

- Department of Transport and Regional Services;
- Commonwealth Grants Commission; and
- Australian Local Government Association.

State bodies

- Queensland Department of Aboriginal and Torres Strait Islander Policy (Development);
- Western Australian Department of Aboriginal Affairs;
- Western Australian Municipal Association;
- SA Department of Environment, Heritage and Aboriginal Affairs—Division of State Aboriginal Affairs;
- Local Government Association of South Australia;
- Northern Territory Department of Local Government;
- The Northern Territory Department of the Chief Minister;
- The Northern Territory Office of Aboriginal Development; and
- State Grants Commissions in;
 - South Australia;
 - Western Australia; and
 - Northern Territory.

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