Canberra ACT
25 September 2014

Dear Mr President
Dear Madam Speaker

The Australian National Audit Office has undertaken an independent performance audit in the Department of the Prime Minister and Cabinet titled *Food Security in Remote Indigenous Communities*. The audit was conducted in accordance with the authority contained in the *Auditor-General Act 1997*. I present the report of this audit to the Parliament.

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

Yours sincerely

Ian McPhee
Auditor-General

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

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## Abbreviations

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<th>Abbreviation</th>
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<tr>
<td>ABA</td>
<td>Aboriginals Benefit Account</td>
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<td>ABA AC</td>
<td>Aboriginals Benefit Account Advisory Committee</td>
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<td>ABA SIP</td>
<td>Aboriginals Benefit Account Stores Infrastructure Project</td>
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<td>CATSI Act</td>
<td>Corporations (Aboriginal and Torres Strait Islander) Act 2006</td>
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<td>CGGs</td>
<td>Commonwealth Grant Guidelines</td>
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<td>COAG</td>
<td>Council of Australian Governments</td>
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<td>CPR</td>
<td>Commonwealth Procurement Rules</td>
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<td>DPMC</td>
<td>Department of the Prime Minister and Cabinet</td>
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<td>FaHCSIA</td>
<td>Department of Families, Housing, Community Services and Indigenous Affairs</td>
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<td>IAS</td>
<td>Indigenous Advancement Strategy</td>
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<td>MUL</td>
<td>multi-use list</td>
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<tr>
<td>NHEAP</td>
<td>national healthy eating action plan</td>
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<tr>
<td>NTER</td>
<td>Northern Territory Emergency Response</td>
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<tr>
<td>NTNER Act</td>
<td>Northern Territory National Emergency Response Act 2007</td>
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<tr>
<td>NTSO</td>
<td>Northern Territory State Office</td>
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<tr>
<td>PCRA</td>
<td>Provider Capacity Risk Assessment</td>
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<td>RFQ</td>
<td>request for quote</td>
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<td>SES</td>
<td>Senior Executive Service</td>
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<td>SFNT Act</td>
<td>Stronger Futures in the Northern Territory Act 2012</td>
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<td>SRS</td>
<td>Strengthening Remote Stores</td>
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Glossary

BasicsCard BasicsCards are issued to those on Income Management and are used to purchase food and essential items.

Book up Book up is informal credit offered by stores or other traders. It allows people to obtain goods or services and pay the store or trader later.

Income Management Income Management is a policy under which a percentage of a person’s welfare payments is quarantined to be spent only on priority goods and services, such as food, housing, clothing, education and health care.

Outback Stores Outback Stores is an Australian Government owned company which provides retail support on a fee-for-service basis to community stores in remote Indigenous communities.
Summary and Recommendations
Summary

Introduction

1. Food security is defined by the Council of Australian Governments (COAG) as the ability of individuals, households and communities to acquire appropriate and nutritious food on a regular and reliable basis using socially acceptable means.\(^1\) Similarly, under the *Stronger Futures in the Northern Territory Act 2012* (SFNT Act), food security means a reasonable ongoing level of access to a range of food, drink and grocery items that is reasonably priced, safe and of sufficient quantity and quality to meet nutritional and related household needs. Food security is determined by peoples’ local food supply, and their capacity and resources to access and use that food.\(^2\)

2. The Australian Government is implementing a number of initiatives to support food security in remote communities with the broader objective of improving the health and wellbeing of Indigenous people. There are an estimated 80,000 Indigenous Australians living in remote communities. Many of these people have poor access to fresh and nutritious food, largely due to their distance from major centres. Poor nutrition has been linked to poor community health outcomes, and is recognised as a significant contributing factor to the total burden of disease for Indigenous Australians.\(^3\)

3. A community store is often the primary source of food and other goods in a remote community and, as such, has an important role to play in improving the social, economic and health outcomes of people in these communities.\(^4\)

Historically, market failure has been recognised as a characteristic of the

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\(^2\) ibid.


community stores sector in remote Australia, mainly due to the small size of the market, high operating costs and poor retail, management and governance practices. The number of remote community stores is estimated to be around 175 across Australia.5

4. The Australian Government’s approach to food security in remote Indigenous communities includes:

- being a party to COAG’s 2009 National Strategy for Food Security in Remote Indigenous Communities (the Strategy). The Strategy was designed to provide a coordinated response aimed at developing a secure, sustainable and healthy food supply to remote Indigenous communities, and increasing the purchase and consumption of this healthy food by Indigenous Australians. The actions outlined in the Strategy for completion by mid-2010 were the development of national standards for stores and takeaways, a national quality improvement scheme, the transition of community stores registered under state legislation to the Corporations (Aboriginal and Torres Strait Islander) Act 2006, a national healthy eating action plan, and a related national workforce action plan;

- the Community Stores Licensing Scheme, under the SFNT Act, which is intended to enhance the contribution of community stores to achieving a reasonable ongoing level of access to a range of food, drink and grocery items that is reasonably priced, safe and of sufficient quantity and quality to meet nutritional and related household needs; and

- funding to provide targeted assistance to community stores in selected communities, including:
  
  - $13.4 million over 10 years from 2012–13 to assist store owners and operators in the Northern Territory through the Strengthening Remote Stores grants; and

Summary

- $55.8 million under the Aboriginals Benefit Account Stores Infrastructure Project\(^6\) for the construction of 12 new stores, the refurbishment of six existing stores, and upgrades to or the construction of 10 houses for store managers in 18 communities in the Northern Territory.

5. From July 2014 the Australian Government revised its program delivery arrangements for Indigenous Affairs and introduced the Indigenous Advancement Strategy (IAS) as the overarching policy framework. Under the IAS framework, a large number of existing programs have been incorporated into five broader programs. Food security initiatives now form part of the Safety and Wellbeing Programme.

Audit objectives and criteria

6. The objective of the audit is to assess the effectiveness of the Department of the Prime Minister and Cabinet’s\(^7\) implementation of food security initiatives for remote Indigenous communities. To conclude on this objective, the ANAO’s high-level criteria considered the implementation of the National Strategy for Food Security in Remote Indigenous Communities, the management of the Community Stores Licensing Scheme and the management of funding programs supporting selected food security initiatives in the Northern Territory.

Overall conclusion

7. Improving the ability of people in remote Indigenous communities to maintain a reasonable and ongoing level of access to a range of food, drink and grocery items that is reasonably priced, safe and of sufficient quantity and quality to meet nutritional and related household needs is recognised as an

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6 The Aboriginals Benefit Account (ABA) is a special account established under the *Aboriginal Land Rights (Northern Territory) Act 1976*. The ABA receives monies through a special appropriation which is generally equivalent to the value of royalties mining companies pay to the Australian and Northern Territory governments for their mining activities on Aboriginal land in the Northern Territory. The responsible Minister may direct payments to be made from the ABA for the benefit of Aboriginal people living in the Northern Territory; these payments are referred to as beneficial payments. An ABA Advisory Committee has been established to advise the Minister in relation to the making of beneficial payments.

7 Primary responsibility for food security rested with the Department of Families, Housing, Community Services and Indigenous Affairs until 18 September 2013. Following an Administrative Arrangements Order, responsibility for the delivery of Indigenous programs was transferred to the Department of the Prime Minister and Cabinet.
important contributor to improving Indigenous people’s health status. In line with Australian Government policy, the Department of the Prime Minister and Cabinet (DPMC) (and prior to that, the Department of Families, Housing, Community Services and Indigenous Affairs [FaHCSIA]), has implemented initiatives designed to improve food security for Indigenous Australians living in remote communities, predominantly in the Northern Territory.

8. Acknowledging the relatively recent transfer of Indigenous Affairs responsibility to DPMC, overall, the administration of the food security initiatives over time has been mixed. Of the five desired actions under the National Strategy for Food Security in Remote Indigenous Communities (the Strategy), only the national healthy eating action plan for remote Indigenous communities has been completed (although this included two actions related to workforce development), despite a timeframe for the completion of all actions other than Corporations (Aboriginal and Torres Strait Islander) Act 2006 registration by mid-2010. Against expectations, the Strategy did not establish a framework to coordinate food security initiatives, and as a consequence, the Australian Government’s food security initiatives have operated in isolation from each other and are mostly focused in the Northern Territory. As such, the Strategy’s contribution to food security is limited. In view of the expected improvements in general health outcomes that have been linked to improving food security, it would be timely for DPMC to review the current status of the Strategy and provide advice to the Australian Government on options in relation to the actions that are yet to be completed.

9. In relation to the licensing of community stores, DPMC has adopted the processes developed by the former FaHCSIA to support the administration of the Community Stores Licensing Scheme and licences have now been awarded to 97 out of an expected 110 community stores. As most of the relevant stores have now been licensed, the department’s attention will now be more focused on the ongoing regulation of community stores. The original administrative processes for licensing were developed under the Northern Territory National Emergency Response Act 2007 and reflect the more prescriptive requirements of that Act. However, in adopting the processes developed by FaHCSIA, DPMC has not made adjustments to reflect the risk-based approach to licensing intended under the Stronger Futures in the Northern Territory Act 2012 (SFNT Act). In practice, this means that DPMC continues to require all stores to comply with a minimum list of stock and operational requirements based on store and community size rather than applying a tailored approach based on the specific risks identified in a community store. A consequence of this
approach to requirements is the imposition of potentially unnecessary stock and operational requirements on community stores, representing a cost to those stores, some of which are financially vulnerable and have limited capacity to absorb additional costs. DPMC should review its current approach to licensing requirements to ensure that it aligns with the risk-based and tailored approach to licensing considerations of the SFNT Act.

10. The department currently collects information through licence monitoring visits, such as stock levels and pricing, that could be used to measure the availability and accessibility of healthy food in stores. However, the information collected through monitoring visits is stored as individual records in the department’s record management system and there is no consolidation of data. This has constrained the ability of the department to assess the effectiveness of the licensing scheme over time and provided little focus on the measurement of results which makes changes in availability and access to healthy food arising from initiatives difficult to track. Further, there is scope to make greater use of point of sale data to track changes in purchasing patterns and consumption. Building on existing approaches, the department should develop a stronger outcomes focus through the better capture and use of performance information, with consideration of the use of proxy measures to assess the contribution to broader health outcomes arising from food security initiatives.

11. Administration of the two supporting funding activities could have been improved. DPMC has administered $1.7 million in Strengthening Remote Stores (SRS) grants to support community stores in the Northern Territory. The department’s approach to the allocation of grants in 2013–14 to support community stores did not fully align with publicly released guidelines and resulted in a number of different organisations receiving funding than had the advertised process been followed. Applicants have a right to expect that grants will be awarded on the published criteria and it can be detrimental to the conduct of a transparent and equitable result where this does not occur. As a result of the introduction of the Indigenous Advancement Strategy (IAS), the SRS grants will not be used for future funding rounds with all grant funding to be administered through the IAS. While the arrangements for grant funding have changed, in administering grant processes in the future DPMC should

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8 The first Indigenous Advancement Strategy grant funding round opened on 8 September 2014.
remain mindful of the need to ensure a transparent approach to the selection of grant applications that is consistent with the advertised processes, particularly in view of the general nature of the selection criteria of the IAS.

12. The second funding initiative, the Aboriginals Benefit Account Stores Infrastructure Program (ABA SIP), involves the upgrade of community store infrastructure in 18 selected communities in the Northern Territory. As at July 2014, the ABA SIP has delivered the refurbishment of two stores, the refurbishment of a manager’s house and the construction of a new manager’s house in two communities. The implementation of the ABA SIP was slow, and was confronted by a number of management and land tenure issues that needed to be resolved before detailed planning and construction work could commence. While these risks were identified in early planning, these matters have had a greater impact on the timeframe than expected. As a consequence, the implementation of the ABA SIP has taken longer than planned but no review has occurred to confirm that the remaining ABA SIP projects in the selected 16 communities are still priorities. Giving greater consideration to the impact of the ABA SIP on the viability of other stores in, or near, a community may reduce the potential for activities that create greater long-term food security risks to communities.

13. It is reasonable to expect that the food security initiatives in the Northern Territory—the Community Stores Licensing Scheme, SRS grants and the ABA SIP—have made a contribution to food security outcomes. However, the overall effectiveness of specific food security initiatives, and achieving long-term food security consistent with the Australian Government’s policy objectives, is often influenced by a range of other factors. The current activities are predominantly focused on the supply of affordable and healthy food to remote communities through community stores. Food security is also related to the purchase and consumption of healthy food and needs to be supported by initiatives focused on education and behavioural change. The Strategy allowed for some focus on these issues, but as noted above, limited progress has been made on the Strategy. With the recent changes to government administrative arrangements, there are opportunities for the department to adopt a more integrated approach to food security, with a greater focus on complementary activities that also encourage changes in consumer purchasing and consumption patterns.

14. The ANAO has made four recommendations. These relate to DPMC: providing options to the Australian Government in relation to the parts of the
Strategy that are yet to be completed; improving the effectiveness of its administration of the Community Stores Licensing Scheme through ensuring the consistency of current store requirements with the SFNT Act and better capturing, consolidating and using performance information to assess regulatory outcomes; and considering the departmental grants assessment processes to ensure consistency with published guidelines.

**Key findings by chapter**

**National Strategy for Food Security in Remote Indigenous Communities (Chapter 2)**

15. The National Strategy for Food Security in Remote Indigenous Communities (the Strategy) outlined five actions to support improvements to food security in remote Indigenous communities and was developed by a multi-agency working group in six months as requested by the Council of Australian Governments (COAG). However, in focusing on developing the Strategy in the required timeframes, less attention was given to how achievable the desired outcomes were and how progress towards outcomes would be measured across these jurisdictions. As a result, and despite a timeframe for completion of most actions by mid-2010, of the five strategic actions, only the national healthy eating action plan for remote Indigenous communities has been completed (although this incorporates two actions related to workforce development). The incorporation of stores under the Corporations (Aboriginal and Torres Strait Islander) Act 2006 (CATSI Act) remains ongoing with 23 stores registered since the commencement of the Strategy, with a total of 75 registered CATSI Act stores. While pilot projects in two states were initiated, and some activity occurred, the pilots were not completed. No further action on other elements of the Strategy has been undertaken since responsibility for Indigenous Affairs was transferred to DPMC in September 2013 and no reports have been provided to COAG on the progress or results of the Strategy.

16. The Strategy outlined COAG’s expectations in relation to specific actions to improve both the supply and consumption of healthy food and reduce the consumption of unhealthy food in remote Indigenous communities. Together these actions would be expected to contribute to improving health outcomes for Indigenous people in remote Australia and help close the gap in Indigenous disadvantage. The then FaHCSIA’s briefings indicate that it considered that progress in implementing the Strategy was constrained by a lack of dedicated funding and the generally limited engagement from the
states and territory. Overall, the Strategy has made only a limited contribution to food security as activities were not completed as planned. The full implementation of the Strategy relied upon effort from all jurisdictions, but with a central coordinating role to be played by the Australian Government, initially through the then FaHCSIA. The lack of progress in relation to the Strategy represents a missed opportunity to better coordinate food security initiatives to increase the supply and consumption of healthy foods in remote Indigenous communities. As DPMC is now responsible for coordination and delivery of Indigenous programs, the department should review the current status of the Strategy and provide advice to the Australian Government on options in relation to the actions that have yet to be completed.

Community Stores Licensing in the Northern Territory (Chapter 3)

17. The Community Stores Licensing Scheme is designed to enhance the contribution of community stores in the Northern Territory to food security for Aboriginal communities in the Northern Territory. Processes and practices to manage the Community Stores Licensing Scheme under the Stronger Futures in the Northern Territory Act 2012 (SFNT Act) were established by the former FaHCSIA. The management processes developed by FaHCSIA have been adopted by DPMC and, since September 2013 when DPMC took on responsibility for licensing, this has led to three newly licensed stores, consultations in 11 communities, and monitoring and/or assessment visits to community stores. There are currently 97 stores, out of an anticipated 110 stores, that have been licensed, largely in line with requirements under the SFNT Act. Of the 97 stores currently licensed, 94 stores had received their licences in the period prior to September 2013.

18. While the number of stores to be licensed has been almost achieved and new licensing activity is a smaller aspect of DPMC’s focus, there is scope to improve the department’s effectiveness in a number of aspects of regulatory practice in relation to the ongoing management of the licensing scheme. In particular, a more structured review of requirements under the scheme, improved public advice of what the requirements are, and regular communication of this to store managers would assist in achieving better outcomes. Further, while the department has adopted the operating policies developed by FaHCSIA, there are some inconsistencies in the application of operating policies, particularly in relation to risk management. This detracts from DPMC’s stated risk-based approach to licensing of stores and potentially leads to sub-optimal regulatory outcomes for licensed stores. Current
compliance monitoring activities also reflect standard requirements under the previous Northern Territory National Emergency Response Act 2007, rather than the more streamlined requirements of the SFNT Act. As a result, the requirements imposed on licensed stores can be unnecessary and present a cost to small businesses. As the department’s efforts will now be more focused on the ongoing regulation of community stores, the department should take steps to ensure the current approach to imposing store requirements aligns with the more streamlined SFNT Act.

19. Managing stores in remote communities presents many challenges. There is general acceptance by licencees interviewed by the ANAO of the licensing scheme and recognition that the scheme has had a positive impact on the range of healthy food and store operations in the Northern Territory. Significant amounts of relevant information are collected through monitoring and assessment visits conducted by the department. On the basis of feedback received by the ANAO and previous reviews undertaken by FaHCSIA, the licensing scheme is likely to be making a positive contribution to food security outcomes. However, the management of information collected does not readily support accurate assessments of the contribution of community stores to improving food security and tracking changes arising from the operation of the licensing scheme. In the context of the remaining eight years of the SFNT Act, the department should develop measures to reflect on the outcomes achieved through the Community Stores Licensing Scheme, including the development of proxy measures to assist in assessing the scheme’s contribution to improving longer-term health outcomes for Indigenous people.

**Funding Initiatives to Support Food Security (Chapter 4)**

20. The ANAO considered two main funding initiatives to support food security in remote communities in the Northern Territory. Under Strengthening Remote Stores (SRS) grants, which was in place until July 2014, $3.2 million has been granted to community stores since 2012–13. In 2013–14, DPMC used established procedures in order to administer SRS grants. Sixty-eight eligible applications were received and assessed. However, in conducting the assessments, the department added an additional step to the assessment process that was not publicly advertised. This led to the recommended rejection of seven applications that may otherwise have been recommended for approval had the advertised selection criteria been used. The department also negotiated revised applications with a select group of applicants prior to finalising the assessment process. This raises concerns in
relation to the equitable treatment of applicants. While the administrative arrangements in relation to SRS grants have changed, there is benefit for the department in applying the lessons from SRS grants to future grant processes to promote a transparent approach to the selection of grant applications that are consistent with the advertised processes.

21. The second main funding initiative, the Aboriginals Benefit Account Stores Infrastructure Program (ABA SIP), was initially agreed in 2008 and scheduled to commence in April 2011. The commencement of the ABA SIP was delayed by approximately two years and it did not start until late 2012. The implementation of the ABA SIP has been slower than expected: two out of 18 expected projects have been completed, with a further four projects underway. The delays, coupled with cost increases, have put pressure on the ABA SIP’s remaining budget and the desired food security outcomes. Both the then FaHCSIA and now DPMC have sought to contain the scope and cost of the ABA SIP through re-scoping store designs and obtaining co-contributions from store corporations.

22. The original driver of the ABA SIP was the food security risks presented by poor infrastructure in community stores. As a result of the time that has passed since the initial scoping of the project, there has been a change in the infrastructure that supports food security in many communities where construction is planned under the ABA SIP. As the ABA SIP was initially expected to be completed within two years, FaHCSIA did not develop a review mechanism that would confirm the high priority rating given to the 18 communities in mid-2010. However, in view of the delays that have subsequently been experienced, an assessment of the continued need to build new, high risk and often potentially unviable stores in communities where existing stores are now licensed would be an important step to support value for money in the longer-term.

23. Many of the stores involved in the ABA SIP are also sensitive to fluctuations in business due to seasonal and population changes. These influences can affect the ongoing viability of a store and its continued presence in a community. Where stores are not commercially viable, consideration has been given to improving their viability by offering takeaway food options, increasing floor space and installing fuel infrastructure. In some cases, further
financial and operational underpinning is provided through Outback Stores⁹, where Outback Stores have been engaged by the community to provide management services. In communities where an ABA SIP supported store is directly competing with other stores, this support may adversely affect the ongoing viability of other functioning community stores and the continued operation of these stores.

**Summary of entity response**

24. The Department of the Prime Minister and Cabinet (the Department) welcomes the audit report on Food Security Initiatives in Remote Indigenous Communities. The Department considers that the report provides a fair overview of the management and implementation of the food security initiatives in remote Indigenous communities.

25. The Department agrees with the audit recommendations, noting the qualifications in relation to recommendations 1 and 4. Work has already commenced to address issues raised by the audit, in particular amending processes to ensure community stores licensing administration and monitoring aligns with the requirements of the *Stronger Futures in the Northern Territory Act 2012*, reviewing the current risk framework for community stores licensing and developing design specifications for a community stores licensing information management system.

26. The Australian Government is committed to working more closely with Indigenous Australians on the priority areas of getting children to school, adults to work and making communities safer. A new Indigenous Advancement Strategy began on 1 July 2014 and replaced more than 150 individual programmes and activities with five flexible, broad-based programmes. The new flexible programme structure will support a new way of working with Indigenous people, communities, industries, business and service providers, allowing for joint development of solutions that will work over the long term, including through regional or local solutions.

27. The Safety and Wellbeing Programme, under the new Indigenous Advancement Strategy, is about ensuring the ordinary law of the land applies in Indigenous communities, and that Indigenous people enjoy similar levels of

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⁹ Outback Stores is an Australian Government owned company which provides retail support on a fee-for-service basis to community stores in remote Indigenous communities.
physical, emotional and social wellbeing enjoyed by other Australians. Activities that support Indigenous health and wellbeing and complement (not duplicate) those health services delivered by the Department of Health will be considered under this programme.

28. The Department thanks the Australian National Audit Office and the audit team for its significant work in conducting the audit. The report provides valuable information to make continued improvements to food security for people living in remote Indigenous communities.
Recommendations

Recommendation No.1  
(Paragraph 2.28)  
In order to ensure that the Australian Government has derived the desired benefits from the National Strategy for Food Security in Remote Indigenous Communities, the ANAO recommends that DPMC review the current status of the Strategy and provide advice to the Australian Government on options in relation to the actions that have yet to be completed.

DPMC response: Agreed, with qualifications.

Recommendation No.2  
(Paragraph 3.14)  
In order to more effectively align current regulatory practices with legislation, the ANAO recommends that DPMC review the alignment of its current licensing requirements approach with the risk-based and tailored approach to imposing and monitoring licensing requirements of the Stronger Futures in the Northern Territory Act 2012.

DPMC response: Agreed.

Recommendation No.3  
(Paragraph 3.47)  
In order to improve the effectiveness of performance measurement for the Community Stores Licensing Scheme, the ANAO recommends that DPMC review the capture, consolidation and use of performance information to better assess the contribution of licensing to food security and broader health outcomes.

DPMC response: Agreed.

Recommendation No.4  
(Paragraph 4.22)  
In order to align future food security grants administration with the Commonwealth Grant Rules and Guidelines, the ANAO recommends that DPMC consider the departmental assessment process, to provide assurance that processes and assessment methodologies are consistent with the published guidelines.

DPMC response: Agreed, with qualifications.
Audit Findings
1. Introduction

This chapter covers the background and context for the Australian Government’s commitments to food security in remote Indigenous communities.

Background

1.1 An estimated 80,000 Indigenous Australians live in remote communities and have poor access to fresh and nutritious food, largely due to their distance from major centres. Poor nutrition has been linked to poor community health outcomes, and is recognised as a significant contributing factor to the total burden of disease for Indigenous Australians.10

1.2 Food security is defined by the Council of Australian Governments (COAG) as the ability of individuals, households and communities to acquire appropriate and nutritious food on a regular and reliable basis using socially acceptable means.11 Similarly, under the Stronger Futures in the Northern Territory Act 2012, food security means a reasonable ongoing level of access to a range of food, drink and grocery items that is reasonably priced, safe and of sufficient quantity and quality to meet nutritional and related household needs. Food security is determined by peoples’ local food supply, and their capacity and resources to access and use that food.12

1.3 The House of Representatives Aboriginal and Torres Strait Islander Affairs Committee noted in its 2009 report Everybody’s Business that a community store is often the ‘primary source of food and other goods ... [and that] the local store has the potential to play a pivotal role in improving the


12 ibid.
social, economic and health outcomes of remote Indigenous communities.’

There are approximately 175 community stores across Australia, with most servicing communities of fewer than 500 people. The committee also noted that the Australian Government has a role in ensuring that people living in remote areas have access to a secure food supply. Market failure has been a characteristic of the community stores sector in remote Australia largely due to the small size of the market and high operating costs. However, the committee recognised that progress in the way community stores operate and the quality of food they provide is expected to improve the social, economic and health outcomes of Indigenous people.

1.4 In remote community stores there is often a disproportionate supply of processed foods with an excess of ‘energy dense, poor nutrient items’ and community stores in remote communities, on average, sell half the fruit and one-quarter of the vegetables per capita of that of the Australian population overall. There are many possible reasons for this, but contributing factors are likely to be the length of travel time to stores, the transport methods of food to stores, and shelf life of products (with many communities receiving delivery once a week or less). Some communities are able to supplement the local store with small scale community gardens, hunting, fishing and bush tucker, but this is not always the case.

1.5 The price of basic healthy foods is often significantly higher in remote locations than in major cities. In a 2012 survey in the Northern Territory, the

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17 House Standing Committee on Aboriginal and Torres Strait Islander Affairs, Everybody’s business: inquiry into community stores in remote Aboriginal and Torres Strait Islander communities, pp. 53–57.
cost of a standard basket of food items was up to 49 per cent higher in community stores than in Darwin supermarkets (an increase from 45 per cent in 2011).\(^{18}\) Studies show similar patterns across Queensland, South Australia and Western Australia.\(^{19}\)

1.6 Many of the principal causes of poor health in Indigenous communities can be linked with poor nutrition, such as cardiovascular disease (which is a leading cause of death for Indigenous people), type two diabetes and kidney disease.\(^{20}\) Research indicates that low fruit and vegetable consumption accounts for five per cent of the total life expectancy gap between Indigenous and non-Indigenous people in Australia.\(^{21}\)

**Australian Government initiatives to address food security**

1.7 The Australian Government is implementing a number of initiatives to improve food security in remote Indigenous communities. These include:

- the National Strategy for Food Security in Remote Indigenous Communities;
- the Community Stores Licensing Scheme under the *Stronger Futures in the Northern Territory Act 2012* (SFNT Act); and
- funding to provide targeted assistance to community stores in selected communities.

1.8 The Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) was the lead entity responsible for Indigenous Affairs until 2013. An Administrative Arrangements Order made on 18 September 2013 transferred responsibility for Indigenous programs and relevant legislation to the Department of the Prime Minister and Cabinet (DPMC).

1.9 From July 2014, the Australian Government revised its program delivery arrangements for Indigenous Affairs and introduced the Indigenous


\(^{19}\) House Standing Committee on Aboriginal and Torres Strait Islander Affairs, *Everybody’s business: inquiry into community stores in remote Aboriginal and Torres Strait Islander communities*, p. 53.

\(^{20}\) ibid, pp. 21–26.

\(^{21}\) ibid, p. 25.
Advancement Strategy (IAS) as the overarching policy framework. Under the IAS framework a large number of existing programs have been incorporated into five broader programs. Food security initiatives now form part of the Safety and Wellbeing Programme.

**National Strategy for Food Security in Remote Indigenous Communities**

1.10 The National Strategy for Food Security in Remote Indigenous Communities (the Strategy) was developed and agreed to by the Council of Australian Governments (COAG) in December 2009, with a formal review that was scheduled for December 2012. The Strategy is a schedule to the National Indigenous Reform Agreement which sets out the overarching policy framework for Indigenous affairs. The parties to the Strategy are the Australian, Queensland, South Australia, Western Australia and Northern Territory governments.

1.11 As part of COAG’s approach to Closing the Gap on Indigenous Disadvantage, the Strategy was expected to make a significant contribution to the food security and health outcomes of the estimated 80,000 Indigenous people living in remote Australia. The Strategy outlined five actions to improve both the supply and consumption of healthy food and reduce the consumption of unhealthy food in remote Indigenous communities:

- **Action 1**: National standards for stores and takeaways servicing remote Indigenous communities to ensure that the services and products provided are safe, reliable and of acceptable quality.

- **Action 2**: A national quality improvement scheme for remote communities’ stores and takeaways to support implementation of national standards and ensure that stores and takeaways meet the agreed minimum national standards.

- **Action 3**: Facilitation of the incorporation of stores under the *Corporations (Aboriginal and Torres Strait Islander) Act 2006* (CATSI Act) to ensure high standards of governance and accountability of stores and takeaways in remote communities.

- **Action 4**: A national healthy eating action plan for remote Indigenous communities with the aim of building community capacity to promote healthy eating.
• **Action 5:** A national workforce action plan to improve food security in remote Indigenous communities by building the demand for healthy food through increasing the nutrition workforce, and supply of healthy food, through building a sustainable workforce for remote community stores and takeaways. Actions 4 and 5 were subsequently combined.

**Community Stores Licensing in the Northern Territory**

1.12 The *Stronger Futures in the Northern Territory Act 2012* (the SFNT Act) came into effect on 16 July 2012. The objective of this Act is ‘to support Aboriginal people in the Northern Territory to live strong, independent lives, where communities, families and children are safe and healthy’. The SFNT Act contains specific provisions relating to food security and enables the Australian Government to implement special measures for the purpose of promoting food security for Aboriginal communities. In particular the Australian Government is aiming to enhance the contribution made by community stores in the Northern Territory in relation to food security for Aboriginal communities through the licensing of these stores.

1.13 The Community Stores Licensing Scheme requires a store in a food security area to hold a community store licence where the store is an ‘important source of food, drink or grocery items for an Aboriginal community’. The scheme applies to the whole of the Northern Territory, unless excluded by the responsible Australian Government Minister. The regional centres of Darwin, Palmerston, Alice Springs, Tennant Creek, Katherine, Nhulunbuy, Humpty Doo and Virginia, have been excluded as these centres were considered to have a sufficient level of competition, higher levels of consumer awareness and provide access to a range of food and grocery items. As of July 2014, 97 community stores were licensed under the Community Stores Licensing Scheme in the Northern Territory.

1.14 As explained in the SFNT Act, licensed community stores are required to meet acceptable standards in relation to the range, quantity and quality of goods offered for sale. The operation of stores is also subject to specific conditions in respect of retail management, governance and financial integrity. Sanctions and penalties may be applied to stores which do not meet

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23 ibid, p. 52.
requirements, including the removal of a licence and the legal right to operate a community store.

**Strengthening Remote Stores grants**

1.15 To support community stores in providing access to healthy and nutritious food for people living in Aboriginal communities and other remote areas, the Australian Government allocated $13.4 million over ten years from 2012–13 to assist store owners and operators to meet community store licensing requirements. Funding is provided to community store owners and operators and service providers to support:

- emergency repairs and maintenance;
- minor infrastructure upgrades;
- innovative solutions to food security;
- governance support; and
- retail mentoring.

1.16 As noted at paragraph 1.9, the introduction of the IAS has incorporated a range of programs into five flexible, broad-based programs. From 8 September 2014, when the first IAS funding round commenced, grants to support food security initiatives will be administered through the Safety and Wellbeing Programme of the IAS using the IAS grant guidelines.

**Aboriginals Benefit Account Stores Infrastructure Project**

1.17 A second funding stream to support community stores is the Aboriginals Benefit Account (ABA) Stores Infrastructure Project (ABA SIP). Funding of $55.8 million has been approved by the responsible Minister since 2011 for the construction of 12 new stores, the refurbishment of six existing

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24 The Aboriginals Benefit Account is a special account established under the Aboriginal Land Rights (Northern Territory) Act 1976. The ABA receives monies through a special appropriation which is generally equivalent to the value of royalties mining companies pay to the Australian and Northern Territory governments for their mining activities on Aboriginal land in the Northern Territory. The Minister for Indigenous Affairs may direct payments to be made from the ABA for the benefit of Aboriginal people living in the Northern Territory; these payments are referred to as beneficial payments. An Account Advisory Committee has been established to advise the Minister in relation to the making of beneficial payments.

25 The Minister responsible for the Aboriginals Benefit Account is the Minister for Indigenous Affairs. In 2008, when the ABA commenced, the responsible Minister was the Hon Jenny Macklin. As at July 2014, the responsible Minister is the Senator the Hon Nigel Scullion.
stores, and upgrades to or the construction of 10 houses for store managers in 18 communities in the Northern Territory. The funding aims to contribute to:

- healthy food being available to people living in remote Northern Territory communities;
- community stores having purpose built infrastructure which supports effective retail practices and minimises stores’ operating costs; and
- housing of an acceptable standard to help attract suitably skilled store managers.

1.18 Communities have been allocated funding following an assessment of priority by a panel appointed by the ABA Advisory Committee.26 To be eligible to receive funding:

- the stores must be licensed in accordance with SFNT Act;
- the store businesses must be owned by community-based Indigenous corporations; and
- land tenure for the stores and store managers’ housing must be secured through long-term leasing arrangements.

**Previous reviews and evaluations**

**Everybody’s Business—Remote Aboriginal and Torres Strait Community Stores**

1.19 The House of Representatives’ Aboriginal and Torres Strait Islander Affairs Committee of the Australian Parliament completed an inquiry into the operation of local community stores in remote Aboriginal and Torres Strait Islander communities in 2009. The committee examined a range of issues in relation to the role of community stores in remote Indigenous communities including governance models, food supply, quality and cost, competition issues, store management and their impact on the health and economy of remote Indigenous communities.

1.20 In its report the committee noted the important role community stores play within remote Indigenous communities. This report discussed the need

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26 The ABA Advisory Council is made up of a Chair, appointed by the Minister for a three year term, and 14 members elected by the four Northern Territory Land Councils.
for flexibility in how community stores operate to respond to the different operating environments and the need to meet the diverse needs of remote Indigenous communities. The committee noted that ‘while there is no simple recipe for success, there are a number of initiatives which would greatly assist communities and store managers to achieve the best outcomes appropriate to each area’. Accordingly, the committee made 33 recommendations to improve the operation of community stores in remote Indigenous communities. No formal response to the Committee’s report has been made as at July 2014.

**Evaluation of Community Stores Licensing**

1.21 An evaluation of community stores licensing was commissioned by the then FaHCSIA in 2011. The evaluation focused on:

- assessing the outcomes of the licensing scheme on store operations;
- assessing the effectiveness of the assessment, licensing and capacity building components of the licensing scheme; and
- assessing the outcomes of the licensing regime on food security.

1.22 Overall, stores licensing was found to be having a positive impact on food security. The evaluation found that there was improved access to food that is safe and of sufficient quality and quantity to meet household needs. The evaluation found that while improved food security in remote Aboriginal communities in the Northern Territory cannot be solely attributed to stores licensing, licensing is likely to have contributed to improvements. Other areas where the evaluation identified improvements in practice following the introduction of the licensing regime included retail management and financial management. However, the evaluation also identified concerns about the high cost of food in remote community stores, the quality of food sold by takeaway stores and store governance. No recommendations were made.

**Internal reviews of the Aboriginals Benefit Account Stores Infrastructure Project**

1.23 FaHCSIA commissioned a review of the ABA SIP in 2011 to provide an independent appraisal of the effectiveness of operations and decision-making processes. In 2013 an internal audit was conducted that focused on the effectiveness of project governance. Both reports identified strengths around project governance and management, as well as recommending constructive steps to improve effectiveness.
Audit objective

1.24 The objective of the audit is to assess the effectiveness of the Department of the Prime Minister and Cabinet’s implementation of food security initiatives for remote Indigenous communities.

Scope

1.25 The scope of the audit includes consideration of the progress of the National Strategy for Food Security in Remote Indigenous Communities to which the Australian Government is a party, the Community Stores Licensing Scheme in the Northern Territory under the SFNT Act and the administration of funding to support improved access to nutritious food in remote Indigenous communities in the Northern Territory.

Criteria

1.26 To conclude on the audit objective, the ANAO’s high-level criteria included consideration of:

- the implementation of the National Strategy for Food Security in Remote Indigenous Communities;
- management of the licensing of community stores; and
- management of funding programs supporting selected food security initiatives in the Northern Territory.

Audit approach

1.27 In conducting the audit, members of the audit team have:

- examined information and documents held by the department relating to food security in remote Indigenous communities;
- analysed data collected from the department in relation to food security;
- interviewed representatives from the Australian Government;
- interviewed representatives from remote store management companies, community store owners and managers, and other key stakeholders;
- undertaken a number of site visits to remote Indigenous communities to interview a range of community stakeholders; and
considered submissions received through the ANAO Citizen’s Contribution Facility.

1.28 The audit was conducted in accordance with the ANAO Auditing Standards at a cost of $476 632.

**Report structure**

1.29 Table 1.1 outlines the structure of this report.

**Table 1.1: Structure of report**

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Overview</th>
</tr>
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<tbody>
<tr>
<td>Chapter 2 National Strategy for Food Security in Remote Indigenous Communities</td>
<td>This chapter discusses the development, implementation and outcomes achieved through the Council of Australian Governments’ National Strategy for Food Security in Remote Indigenous Communities.</td>
</tr>
<tr>
<td>Chapter 3 Community Stores Licensing in the Northern Territory</td>
<td>This chapter covers the implementation and ongoing management of the Community Stores Licensing Scheme under the <em>Stronger Futures in the Northern Territory Act 2012.</em></td>
</tr>
<tr>
<td>Chapter 4 Funding Initiatives to Support Food Security</td>
<td>This chapter examines funding initiatives to support food security in community stores in the Northern Territory: Strengthening Remote Store grants and the Aboriginals Benefit Account Stores Infrastructure Project.</td>
</tr>
</tbody>
</table>

Source: ANAO.
2. National Strategy for Food Security in Remote Indigenous Communities

This chapter discusses the development, implementation and outcomes achieved through the Council of Australian Governments’ National Strategy for Food Security in Remote Indigenous Communities.

Introduction

2.1 The National Strategy for Food Security in Remote Indigenous Communities (the Strategy) was developed at the request of the Council of Australian Governments (COAG) to provide a coordinated response to the structural and systemic issues that had led to poor food security for many remote communities. The Strategy was aimed at both: providing a secure, sustainable and healthy food supply to remote Indigenous communities; and increasing the purchase and consumption of this healthy food by Indigenous Australians. The Strategy was endorsed in 2009 by the Australian, Queensland, South Australian, Western Australian and Northern Territory governments.

2.2 The ANAO considered whether the National Strategy for Food Security in Remote Indigenous Communities has been implemented in line with expectations. This chapter covers:

- coordination and planning of the Strategy;
- development and completion of actions under the Strategy;
- development and implementation of the pilot projects under the Strategy; and
- monitoring, review and outcomes of the Strategy.

Coordination and planning

2.3 In July 2009, COAG met to review its Closing the Gap commitments in relation to Indigenous disadvantage. As part of discussions on Indigenous health outcomes, it was recognised that improving the affordability and availability of healthy food in remote Indigenous communities was critical to addressing poor health outcomes and closing the gap in life expectancy. As such, COAG requested that the Working Group on Indigenous Reform prepare a national strategy to improve food security for people living in remote Australia. The Strategy was to be developed by the end of 2009 and was to
contribute to improved health outcomes for Indigenous Australians in remote communities by:

- taking a nationally coordinated approach to ensuring food security in remote communities;
- developing a nationally-consistent licensing scheme for remote community stores;
- improving the operation and financial management of remote community stores to address issues of poor governance and market failure;
- improving the accessibility and affordability of healthy and nutritious foods in remote Indigenous communities; and
- increasing the proportion of income in remote communities spent on consumption of nutritious food.

2.4 The Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) was the lead entity in the Commonwealth for the development and implementation of the Strategy. As the chair of COAG’s Working Group on Indigenous Reform, FaHCSIA was also responsible for coordinating the efforts of the states and territories in relation to the Strategy. A Food Security Sub-Group was established to develop the Strategy within the required timeframes. All parties to the Strategy were to nominate officials from their jurisdictions to progress the work outlined in the Strategy.

2.5 In line with the timeframe established by COAG, the Food Security Sub-Group convened regularly between July 2009 and December 2009 to develop the Strategy. The initial efforts of the then FaHCSIA were successful in coordinating the development of the Strategy: a proposed Strategy was presented and agreed to by COAG in December 2009. The Strategy outlined five agreed strategic actions:

- **Action 1**: National standards for stores and takeaways servicing remote Indigenous communities to ensure that the services and products provided are safe, reliable and of acceptable quality.
- **Action 2**: A national quality improvement scheme for remote communities’ stores and takeaways to support implementation of national standards and ensure that stores and takeaways meet the agreed minimum national standards.
• **Action 3**: Facilitation of the incorporation of stores under the *Corporations (Aboriginal and Torres Strait Islander) Act 2006* (CATSI Act) to ensure high standards of governance and accountability of stores and takeaways in remote communities.

• **Action 4**: A national healthy eating action plan for remote Indigenous communities with the aim of building community capacity to promote healthy eating.

• **Action 5**: A national workforce action plan to improve food security in remote Indigenous communities by building the demand for healthy food through increasing the nutrition workforce, and supply of healthy food, through building a sustainable workforce for remote community stores and takeaways. Actions 4 and 5 were subsequently combined.

2.6 The actions under the Strategy were all designed for completion by mid-2010 so that they could be usefully trialled and tested in the pilot projects. The only action not for completion by mid-2010 was the incorporation of stores under the CATSI Act as this was considered a longer-term activity and remains ongoing.

2.7 The initial development of the Strategy was consistent with the timeframes established by COAG. However, the timeframes did not allow for detailed considerations of implementation of the activities outlined under the Strategy or how progress towards outcomes would be measured. The then FaHCSIA’s briefings to the Minister indicated that the development of the Strategy was rushed and shared concerns from the states about the ability to fund the implementation of activities under the Strategy, given that no new funding had been allocated.

**Development and completion of actions**

2.8 At the outset, the Strategy was designed to be targeted and action-oriented so that actual progress could be made in communities. Initially, the timeframes associated with the activities were planned to be longer but the then Minister considered that the lead times were too long. As such, the timeframes were revised to reflect that most actions were to be completed by mid-2010. The associated timeframes for actions under the Strategy also reflected the critical nature of the initiatives and desire for action to be achieved.

2.9 Initially, some progress was made in implementing the Strategy. However, the full implementation of activities under the Strategy has not
occurred and COAG agreement was not been obtained to no longer progress activities. The status of each of the actions as at July 2014 is discussed below.

**Action 1: National standards for stores and takeaways**

2.10 The national standards for stores and takeaways were to be developed and piloted by mid-2010. However, the department advised the then Minister that the states were not supportive of regulation or standard approaches. Further, the department considered that the use of the term ‘standards’ was problematic as the circumstances of stores varied so greatly it was seen as impossible to specify requirements. No action has been taken since.

**Action 2: A national quality improvement scheme**

2.11 The national quality improvement scheme was to be developed and piloted by mid-2010, however this did not occur. The department advised the then Minister in September 2011 that the states would not agree to participate in an assessment of the current situation or commit to any schedule of improvements. No action has been taken since.

**Action 3: Incorporation of stores under the CATSI Act**

2.12 The incorporation of stores under the CATSI Act was intended as an ongoing activity unlike the other actions which were to be completed by mid-2010. The Office of the Registrar of Indigenous Corporations, through DPMC, advised the ANAO that as at June 2014, the total number of community stores registered under the CATSI Act is 75 (all in the Northern Territory, Western Australia and South Australia). The total number of stores which have been incorporated since the beginning of the Strategy in December 2009 is 23 (22 in the Northern Territory and one in Western Australia). Incorporation of community stores is still occurring; however, since 2012 the rate is much slower at around two to three per annum.

**Action 4: National healthy eating action plan**

2.13 The national healthy eating action plan (NHEAP) was developed in 2010 and consists of 17 actions to: increase the demand for healthy food; facilitate access to healthy food; improve the supply of healthy food; build a sustainable and quality workforce; and ensure effective ongoing monitoring and evaluation. At its February 2011 meeting COAG agreed that the NHEAP would be incorporated into the National Indigenous Reform Agreement as a schedule. The NHEAP was the only action under the Strategy that was completed.
Action 5: A national workforce action plan

2.14 Work commenced on developing a national workforce action plan through the Food Security Working Group and a draft was developed. The plan was to have been considered by COAG by mid-2010. The NHEAP later included two actions that related to the nutrition and stores sector workforce. As a result, the two actions were combined. DPMC advised that this approach was agreed to with the Food Security Sub-Group in an effort to streamline implementation of the Strategy and in recognition that workforce actions and initiatives to promote healthy eating are interrelated.

2.15 The department later tried to revitalise the workforce element of the Strategy but this did not progress. FaHCSIA considered that the financial position and staffing reductions in state and territory governments affected the states’ willingness to participate more actively in developing a workforce plan. No further action has been taken since.

Development and implementation of pilot projects

2.16 A key element of the Strategy was the establishment of pilot projects to inform the completion of the desired actions. As noted in paragraph 2.6, four of the five actions under the Strategy were all designed for completion by mid-2010 so that they could be usefully trialled and tested in the pilot projects. Specifically, the pilot projects were to:

- test the draft national standards and effective mechanisms for achieving them, including consideration of a national quality improvement scheme;
- consider options to all five actions of the Strategy to improve food security;
- inform the final national workforce action plan;
- inform the national healthy eating action plan; and
- develop a regional food security model to support and coordinate the implementation of the actions outlined in the Strategy.

2.17 Fourteen stores in 13 communities volunteered to be pilot sites. Of these, eight were in South Australia and five were in Western Australia. Despite being participants in the Strategy, no sites were put forward for Queensland or the Northern Territory. The then FaHCSIA was not able to reach agreement with the Queensland Government on possible pilot sites and
did not advise the then Minister on the status of selecting a pilot site from the Northern Territory. The pilot sites are set out in Table 2.1.

Table 2.1: Pilot sites under the Strategy

<table>
<thead>
<tr>
<th>State or territory</th>
<th>Pilot sites</th>
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| Western Australia  | Dampier Peninsula - Ardyaloon, Lombadina, Djarindjin, Beagle Bay  
East Kimberley - Balgo |
| South Australia    | APY Lands - Amata, Mimili, Pukatja (two stores), Kaltiji, Pipalyatjara, Indulkana, Watarru and Kanypi |
| Northern Territory | No participating sites |
| Queensland         | No participating sites |

Source: FaHCSIA.

2.18 Funding was not specifically provided to the states or community stores to participate in the pilot projects. However, both the Western Australian and South Australian sites were able to access Australian Government funding to support project sites. Western Australian sites were nominated in part as they may have been eligible for National Partnership Agreement on Remote Services Delivery funding or funding support through Outback Stores.27 In South Australia, the sites selected were all part of the Mai Wiru Regional Stores Council (Mai Wiru28) and operating under a common model. Related to the trial, FaHCSIA, in conjunction with the then Department of Health and Ageing, agreed to make a significant contribution to Mai Wiru to support the work of the new corporation over 2010–11 and 2011–12.

2.19 The pilot projects were designed to run through five steps:

- a comprehensive baseline assessment, including using a risk assessment tool;
- a brief report on findings to be provided to owners, managers and community members;

27 Outback Stores is an Australian Government owned company which provides retail support on a fee-for-service basis to community stores in remote Indigenous communities.

28 Mai Wiru Regional Stores Council is an Aboriginal organisation established with Australian Government funding on the APY Lands in South Australia. The goal of the organisation is to ensure Aboriginal people have access to healthy affordable food in their local store. Mai Wiru does not manage the individual stores, but supports the boards and employees in each store to run viable businesses that meet the needs of the local community.
findings were to be used to develop a ‘store and takeaway treatment plan’, addressing identified risks;
• governments were to work with store owners and managers to aid implementation; and
• a comprehensive assessment was to be undertaken one year after the initial baseline assessment.

2.20 Initial baseline assessments were undertaken in May 2010 in all stores except for Balgo, a Western Australian site, which joined the pilot project after initial assessments were undertaken. Risk assessment tools were prepared for each site, and reports on findings were prepared. Feedback from some project sites was that the initial findings were not received until nearly 12 months after the assessment, when the pilots were scheduled to be completed.

2.21 The Australian, Western Australian and South Australian governments worked with individual stores over the year of the pilot, including by:
• funding a healthy eating program to visit pilots stores and communities;
• working with a nutritionist for the Dampier Peninsula, Western Australia;
• upgrading store point of sale systems in two stores; and
• improving store management in one store and developing a takeaway model in one store.

2.22 The then FaHCSIA cancelled the planned final comprehensive assessments (scheduled for one year after the initial assessment) in all sites. The main reason for cancelling the visits was that most stores had withdrawn support for the pilot activities. This was attributed to the slow progress of the Strategy and that some stores felt that a further visit would be disruptive to store operations. FaHCSIA advised the Minister in October 2011 that after the baseline surveys of store needs and circumstances were conducted, there was minimal engagement from the state governments in relation to the pilot sites. No final reporting of the pilot projects was conducted.

2.23 A key element of the pilots was also to test the draft national standards and effective mechanisms for achieving them, including consideration of a national quality improvement scheme. FaHCSIA advised the Minister in June 2010 that the standards and improvement scheme were being trialled as
part of the pilots. However, as at June 2014, the national standards and national quality improvement scheme had not been developed.

2.24 The development of the final elements of the Strategy were to be informed by the outcomes and the solutions identified in the pilot sites. This was unlikely to be achievable because the timing of the actions under the Strategy and the pilot activities were not well aligned. Although some local solutions were identified in the pilot sites, there is no evidence that these have informed the Strategy. As such, although a sensible approach to testing innovative initiatives, the pilots can only be seen to have made a limited contribution to the implementation of the Strategy and food security more broadly.

**Monitoring, review and outcomes**

2.25 Most activities under the Strategy were expected to be complete by mid-2010, but this did not occur and by 2011 momentum had been lost. In the view of the then FaHCSIA, after some initial engagement with the state and territory governments, the involvement of the other parties to the Strategy lessened and then support was withdrawn.

2.26 The lack of funding associated with the Strategy was recognised as an issue even prior to the agreement of the Strategy by COAG. A particular concern of the states that FaHCSIA identified was that improvements to store infrastructure can be very expensive. FaHCSIA explored a number of options for funding and advised the then responsible Minister that some funding may act as an incentive for states to be more active in the Strategy. The lack of funding gave FaHCSIA little leverage to encourage states and territories to participate more actively in the Strategy development. FaHCSIA also considered that the broad nature of the Strategy limited the capacity of the department to track progress and press for specific action.

2.27 In agreeing to the Strategy, COAG agreed that it should receive a report during 2010 on the development of the Strategy. COAG also agreed that a formal review of the Strategy would be undertaken by December 2012, and that more frequent reporting would be included in Overarching Bilateral Indigenous Plans.29 As at July 2014, no formal review of the Strategy has been

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29 Overarching Bilateral Implementation Plans are developed between the Australian Government and a state or territory government to set out the objectives and commitments of each party under the National Indigenous Reform Agreement.
undertaken and limited mention was made of the Strategy in Overarching Bilateral Indigenous Plans with the states and territory.

**Recommendation No.1**

2.28 In order to ensure that the Australian Government has derived the desired benefits from the National Strategy for Food Security in Remote Indigenous Communities, the ANAO recommends that DPMC review the current status of the Strategy and provide advice to the Australian Government on options in relation to the actions that have yet to be completed.

**DPMC response:**

2.29 Agreed, with qualifications. The Department of the Prime Minister and Cabinet agrees that due to the key constraints of limited engagement by the States and Territories and a lack of dedicated funding, the majority of activity under the Council of Australian Governments (COAG) National Strategy for Food Security in Indigenous Communities (the National Strategy) stalled and eventually ceased.

2.30 The Department agrees that a review of the National Strategy would be a useful exercise to identify lessons learned that could inform future policy development and alignment to the Australian Government priorities of getting children to school, adults to work and safer communities. However, the Department believes there is little value in exploring options to pursue the outstanding actions under the National Strategy because there was limited engagement by the States and Territories to progress the National Strategy.

2.31 The Department will focus on achieving food security through the new Indigenous Advancement Strategy, initiatives under the Stronger Futures in the Northern Territory Act 2012 and funding to Outback Stores to manage community stores on behalf of community-based corporations who continue to own the store.

**ANAO comment:**

2.32 Decisions in relation to actions yet to be completed under the COAG National Strategy for Food Security in Remote Indigenous Communities would be a matter for government, but it would be appropriate for such decisions to be informed by departmental advice.
Conclusions

2.33 The Strategy was developed between the Australian Government and each participating state and territory in six months as requested by COAG. However, as the focus was on developing the Strategy in the required timeframes, less attention was given to how achievable the desired outcomes were and to key matters supporting the implementation of actions under the Strategy. The Strategy outlined five strategic actions to support improvements to food security in remote Indigenous communities. Of the five strategic actions, only the national healthy eating action plan for remote Indigenous communities has been completed (although this included two actions related to workforce development), despite a timeframe for the completion of all actions other than CATSI Act registration by mid-2010.

2.34 Pilot projects commenced in March 2010 in 13 remote communities in South Australia and Western Australia. The pilot projects were expected to test the national standards, and inform the development of the quality improvement scheme, the healthy eating action plan and the national workforce action plan. The pilots were an appropriate and sensible step and were also intended to inform the funding arrangements and the development of a regional food security model to support the actions in the Strategy. However, pilot sites were only nominated in two jurisdictions and the pilots were never completed. This limited the contribution that the pilot projects could make to the overall development of the Strategy.

2.35 The Strategy outlined specific actions to improve both the supply and consumption of healthy food and reduce the consumption of unhealthy food in remote Indigenous communities. Together these actions were expected to contribute to improving health outcomes for Indigenous people in remote Australia and help close the gap in Indigenous disadvantage. In the then FaHCSIA’s opinion, progress in implementing the Strategy was constrained by a lack of funding and the lack of ongoing support from the states and territories. As such, overall the Strategy has made a limited contribution to food security as activities were not completed as planned and implementation of actions under the Strategy has not progressed beyond one desired action, although CATSI Act registration is ongoing. In view of the expected improvements in general health outcomes that have been linked to improving food security, DPMC should review the current status of the Strategy and provide advice to the Australian Government on options in relation to the actions that have yet to be completed.
3. Community Stores Licensing in the Northern Territory

This chapter covers the implementation and ongoing management of the Community Stores Licensing Scheme under the Stronger Futures in the Northern Territory Act 2012.

Introduction

3.1 The Community Stores Licensing Scheme was introduced in the Northern Territory as part of the Northern Territory Emergency Response (NTER) in 2007. The licensing scheme is a regulatory approach to the issue of food security in the Northern Territory and is designed to improve food security outcomes for Aboriginal people living in remote areas by enhancing the contribution of community stores to achieving a healthy and nutritious food supply. The scheme was renewed in July 2012 for ten years under the Stronger Futures in the Northern Territory Act 2012 (the SFNT Act). An ongoing licensing scheme was considered necessary to counter the effects of market failure in remote communities, and the broader social and food security consequences for a community if a store fails. In cases where stores are community owned, the consequences of store failure or financial malpractice fall broadly on the community. As part of the supporting funding package, $40.8 million was made available over ten years from 2012–13 to expand the licensing regime into more Northern Territory communities and improve the way the scheme operates.

Community Stores Licensing Scheme

3.2 When the Community Stores Licensing Scheme was initially introduced under the NTER, key food security considerations were, as contained in the assessable matters under section 93 of the Northern Territory National Emergency Response Act 2007 (NTNER Act), see Table 3.1.
Table 3.1: Assessable matters

The assessable matters, in relation to a community store, are the following:

a) whether the community store makes, or will make, available a sufficient quantity and range of safe and good quality food, drink and grocery items to meet the nutritional and related household needs of each Indigenous community it services or may service;

b) the capacity of the manager to promote, and the manager’s promotion of, better nutritional outcomes through methods including, but not limited to:
   i. stock placement and store layout; and
   ii. nutritional displays and demonstrations;

c) the quality of the retail management practices of the manager in relation to matters including, but not limited to, the following:
   i. stock management;
   ii. adequacy of stock storage;
   iii. stock pricing methodology;
   iv. sustainable management of store infrastructure;
   v. point of sale management;
   vi. the practices of the store in relation to maintaining cleanliness and hygiene;
   vii. the practices of the store in relation to ensuring the safety of its customers and employees;
   viii. freight arrangements;

d) whether the financial practices of the owner and manager of the community store support the sustainable operation of the store including, but not limited to, in relation to the following:
   i. financial accounting practices;
   ii. budgeting procedures;
   iii. creditor and debtor management;
   iv. cash and assets management;
   v. procurement practices;
   vi. insurance arrangements;
   vii. management of employment arrangements;

e) the character of the manager, employees and other persons associated with carrying on the business of the community store, including, but not limited to, whether the manager, employees or other persons have a criminal history;

f) the business structure and governance practices of the community store;

g) the community store’s capacity to participate in, and (if applicable) the community store’s record of compliance with the requirements of, the income management regime;

h) matters relating to food security specified by the Minister under subsection 125(2);

i) any other matter relating to food security that the Secretary considers relevant.

3.3 The replacement of the NTNER Act with the SFNT Act enabled the continuation of the Community Stores Licensing Scheme, although a more streamlined licensing regime was introduced so as to promote a risk-based approach to regulation and reduce unnecessary burden on stores. The main change in this respect was to remove the prescriptive requirements established by section 93 of the NTNER Act and to replace them with a set of matters to be considered by the delegate in relation to granting licences. The food security matters under section 46 of the SFNT Act accordingly form the basis of the licensing approach developed by the department, see Table 3.2.

**Table 3.2: Food security matters**

<table>
<thead>
<tr>
<th>Section 46 of the <em>Stronger Futures in the Northern Territory Act 2012</em></th>
</tr>
</thead>
<tbody>
<tr>
<td>The food security matters relating to a community store are the following matters, having regard to the nature and circumstances of the store:</td>
</tr>
<tr>
<td>a) whether the store will provide a satisfactory range of healthy and good quality food, drink or grocery items;</td>
</tr>
<tr>
<td>b) whether the store will take reasonable steps to promote good nutrition and healthy products;</td>
</tr>
<tr>
<td>c) whether the store will satisfactorily address other aspects of the store’s operations which may impact on food security, including:</td>
</tr>
<tr>
<td>i. the quality of the retail management practices of the manager of the store; and</td>
</tr>
<tr>
<td>ii. whether the financial practices of the owner and manager of the store support the sustainable operation of the store; and</td>
</tr>
<tr>
<td>iii. the character of the owner, manager, employees and other persons involved in the store, including whether any of those persons have a criminal history; and</td>
</tr>
<tr>
<td>iv. the store’s business structure, governance practices and employment practices; and</td>
</tr>
<tr>
<td>v. the environment of the store’s premises, the infrastructure of the store’s premises and the equipment available at the store’s premises.</td>
</tr>
</tbody>
</table>

Source: *Stronger Futures in the Northern Territory Act 2012.*

3.4 There were two further changes introduced to licensing as part of the SFNT legislation:

- The scheme was expanded to cover all businesses in specified areas that are an important source of food, drink or grocery items for remote Aboriginal communities. This was estimated to increase the number of licensed stores by 20 percent (from 90 to approximately 110 stores). Locations excluded from the food security area include Alice Springs
and Darwin, where the level of competition and choice in retail outlets make it unlikely that licensing would be required to ensure ongoing access to a reasonable range of food or groceries.  

- More sanctions were introduced ranging from formal warnings to fines, and enforceable undertakings. It was anticipated that sanctions under the SFNT Act would be more widely applied than under the previous legislation.

### Administrative arrangements

3.5 DPMC’s management structure for Indigenous Affairs allocates policy responsibility for broader food security issues to its National Office staff and the program responsibility to its Northern Territory State Office (NTSO) staff. The role of the NTSO is to administer Part 4 (Food Security) of the SFNT Act and manage the Stronger Futures funding package relating to food security. Within the NTSO, teams have been set up to:

- manage the consultation processes for bringing new stores into the licensing scheme and engage with existing licensed stores;
- assess and monitor stores in the northern and southern areas of the Northern Territory; and
- provide community store support and administer the Strengthening Remote Stores grants.

3.6 A key element of the administrative arrangements is to ensure that appropriate delegations are in place to exercise the Secretary’s powers and functions under Part 4 of the SFNT Act. The Act provides the Secretary of the department with a number of powers in relation to the licensing and assessment of community stores in the Northern Territory. The SFNT Act also provides that the Secretary, may, in writing, delegate any of the Secretary’s functions or powers under the Act to a Senior Executive Service (SES) employee or acting SES employee within the department. The Secretary’s responsibilities under the Act have been delegated to several SES officers in the department so as to enable urgent decisions to be made when required. These

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30 The *Stronger Futures in the Northern Territory (Food Security Areas) Rule 2012* prescribes that locations not in the food security area are: Alice Springs, Katherine, Nhulunbuy, Tennant Creek, Darwin City, Darwin Suburbs, Palmerston, Howard Springs, Humpty Doo and Virginia.
delegations were appropriately transferred to SES staff in the DPMC by the Secretary following the Administrative Arrangements Order (AAO) made on 18 September 2013 which transferred responsibility for administration of the SFNT Act to DMPC.

3.7 In order to manage the transition of the licensing scheme from the NTNER Act to the SFNT Act, and establish sound management practices for the scheme more broadly, relevant areas within the then Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) contributed to the development of program documentation. This resulted in a series of fact sheets, implementation guidelines and templates to guide the management of the scheme. These processes and practices established by the then FaHCSIA were adopted by DPMC following the AAO in September 2013 and enable the ongoing administration of the SFNT Act and funding within a consistent framework.

Requirements of stores under the licensing regime

3.8 The food security matters under section 46 of the SFNT Act establish relevant considerations for stores (see Table 3.2 above) and form the basis of licensing requirements set by the department. The requirements vary to reflect the size of the store but will include (to varying degrees):

- a minimum satisfactory range of fruit, vegetables, meat, dairy products and eggs, bread, savoury biscuits, flour, rice, and pasta, condiments, margarine and oil, snack foods, drinks, approved breakfast cereals, infant food and supplies, health hardware, and pet care products;
- promotion of good nutrition and healthy products;
- sound retail practices, business practices, governance practices, employment practices, financial management and reporting practices;
- a satisfactory environment including store premises, infrastructure and equipment.

3.9 The then FaHCSIA developed an initial list of stock and operational requirements when the licensing scheme was introduced and this list of requirements has evolved over time. The list has been adjusted where new information has arisen, for example about particular foods and/or in response to stakeholder feedback (such as from nutritionists or stores). While DPMC advised that no new items had been added to the list since November 2012, there was not a log of changes that had been made over time.
3.10 As products and information about healthy foods change, a more appropriate approach to developing and maintaining the stock requirements would be to develop a structured review of these requirements on a regular basis and to communicate these to all stores highlighting where changes are made. Where necessary, this review could involve external stakeholders or expertise. This would provide the department with the opportunity to balance the practicality and costs to stores of licensing requirements in relation to stock without necessarily limiting food security outcomes. In particular, the department should be mindful of imposing requirements on community stores that represent a cost to the business and that may affect the viability of stores.

**Licence conditions**

3.11 A major challenge anticipated to the revised licensing scheme under the SFNT Act was that many of the previously unlicensed stores were expected to have some concerns in relation to licensing and the enforcement regime. To balance potential criticisms and any concerns from stores about being licensed, the new legislation emphasised the food security drivers of the licensing scheme; that is, a licence condition would only be imposed on a store where a food security risk existed. A further consideration was to reduce unnecessary burden on business through tailoring regulation to the circumstances of an individual store. Consequentially, under the SFNT Act the only standard condition on all licences relates to monitoring and auditing (section 54).

3.12 Reflecting that regulation should be tailored to the circumstances of an individual store, additional conditions would only be imposed on community store licences to address specific concerns in relation to the operation of a store where the Secretary, or a delegate of the Secretary, determined that it was appropriate to do so. Licence conditions that have been imposed on community stores include the need for stores to:

- inform the department if there is to be a change of store manager or management company;
- ensure that book up\(^{31}\) is not permitted at the store;

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\(^{31}\) Book up is informal credit offered by stores or other traders. It allows people to get goods or services and pay the store or trader later.
• ensure that the store has procedures in place so that income management deductions or BasicsCards\textsuperscript{32} are not used to purchase prohibited items;

• notify the department if there is a change of owner; and

• ensure that the store has in place and implements procedures outlined in a detailed store operational manual.

3.13 The less prescriptive nature of the SFNT Act in relation to food security measures means that, unlike the NTNER Act, there is no longer a standard set of requirements to be applied to all community stores under the licensing scheme. However, DPMC’s approach to imposing requirements on stores has not been adjusted to reflect the change in legislated conditions on all licences; stores are still required to meet a set of standard requirements against all the food security matters. In practice, this means that all stores are currently being required to meet stock and operational requirements that were in place under the previous NTNER Act rather than conditions being informed by a risk assessment of the individual store. Given that one of the considerations of the SFNT Act in relation to food security is to reduce the burden on stores by tailoring regulation to the circumstances of an individual store and taking a risk-based approach to licence conditions, the department should review whether current requirements are consistent with the SFNT Act for the licensing scheme to ensure that the department is not imposing unnecessary costs on businesses. DPMC advised that reducing the regulatory burden on business will primarily be achieved through improvements to risk-based compliance monitoring and the food security matters will continue to be a key element of licensing.

Recommendation No.2

3.14 In order to more effectively align current regulatory practices with legislation, the ANAO recommends that DPMC review the alignment of its current licensing requirements approach with the risk-based and tailored approach to imposing and monitoring licensing requirements of the Stronger Futures in the Northern Territory Act 2012.

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\textsuperscript{32} BasicsCards are used to purchase food and essential items, and are issued to those on Income Management.
DPMC response:

3.15 Agreed. The Department amended its processes when ANAO brought this issue to its attention. Licensing administration and monitoring now aligns with the requirements of the Stronger Futures in the Northern Territory Act 2012.

3.16 The Department of the Prime Minister and Cabinet is currently refining its approach to risk-based compliance monitoring. It is expected that the current risk framework for community stores licensing will be transitioned to the new model over the next 12 to 18 months.

Communication of requirements to licensed stores

3.17 When regulated entities have a clear understanding of their compliance requirements they are generally better able, and may be more willing, to comply with regulatory requirements. Regulators should ensure that information and advice on regulatory requirements is brief, readily available, reliable and provided in user friendly language and formats. Different engagement strategies should also be employed to cater for the diversity of small businesses if appropriate.33

3.18 Until June 2014, the practice for communicating requirements to stores was for Licensing and Assessment Officers to distribute a copy of the monitoring report and checklist to a store manager following a licensing monitoring visit. At this point, the store manager was advised if they had not met the requirements. While this gave a manager the opportunity to update the stock and other matters ahead of the next monitoring visit, it could also leave long periods of time where required stock was not available. DPMC advised that in June 2014 the department changed its practice and now provides the list of requirements in advance of a monitoring visit as well as after visits for most stores.

3.19 Some community store managers interviewed by the ANAO during fieldwork reported uncertainty in relation to the expectations of the store as part of the Community Stores Licensing Scheme. This was particularly the case where a manager was new or the store had not been subject to a licensing visit for a long period of time. Some stakeholders also reported a view that the list

of requirements had grown too long and gone beyond the remit of food security.

3.20 In accordance with better practice, community store operators need to be aware of and understand their compliance obligations, and have the ability to readily access publicly available information about them. Publishing information on the department’s website in relation to requirements under the scheme may assist in better communicating requirements to store operators.

**Determining whether a community store licence is required to be held**

3.21 The SFNT Act sets out the process for determining whether community stores operating in the Northern Territory are required to be licensed. This process involves community consultation and importantly, determining whether the store is an important source of food, drink or grocery items for a particular Aboriginal community.

3.22 At the time of the transition to the SFNT Act, there were approximately 80 unlicensed stores in the food security area. It was estimated that an additional 20 per cent of stores would require a licence, bringing the estimated total number of licensed stores to approximately 110 stores. To reduce the financial risk associated with the absorption of new stores within the scheme, it was agreed to spread the necessary assessment and consultation processes over the first 12 months with the intention of bringing all new stores into the scheme at the same time, at the beginning of 2013–14.

3.23 The consultation processes began in mid-2013, 12 months after the commencement of the SFNT Act and the desired timeframe for consultation. The then FaHCSIA developed internal guidelines for community consultation and determining whether a store requires a licence. The process has evolved and the department has not been entirely consistent with its own guidelines, particularly regarding the process for determining the priorities for consultation. The then FaHCSIA’s guidelines required that a list of all stores in the food security area should be maintained and prioritised for consultation accordingly. Instead, the then FaHCSIA and later DPMC, identified only stores it considered high priority for consultation activities.

3.24 As at July 2014, consultation had been conducted by the then FaHCSIA and later DPMC in 13 communities in relation to 37 stores. On the basis of this consultation, it was recommended that the delegate propose to determine
19 stores as requiring a licence, five stores were not identified as an important source, and the department was undecided in relation to a further 13 stores. Of the 19 stores proposed to require a licence, eight stores were previously licensed. Table 3.3 sets out the consultation that has been conducted as at July 2014 and the proposed outcomes.

Table 3.3: Community consultation to determine if a licence is required

<table>
<thead>
<tr>
<th>Date</th>
<th>Community</th>
<th>Number of community members consulted</th>
<th>Number of stores proposed to be determined</th>
<th>Number of stores licensed following consultation as at July 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>23–24 July 2013</td>
<td>Ti Tree</td>
<td>36 people</td>
<td>4 out of 5 stores</td>
<td>1 store (with pre-existing licence) 3 assessments to be finalised</td>
</tr>
<tr>
<td>8–9 October 2013</td>
<td>Elliot Town Camps</td>
<td>38 people</td>
<td>3 out of 3 stores</td>
<td>3 stores (1 store with pre-existing licence)</td>
</tr>
<tr>
<td>21–23 October 2013</td>
<td>Wurrumiyanga</td>
<td>60 people</td>
<td>3 out of 3 stores</td>
<td>3 stores (1 store with pre-existing licence)</td>
</tr>
<tr>
<td>29 October 2013</td>
<td>Wallace Rockhole</td>
<td>5 people$^3$</td>
<td>Process still underway</td>
<td>0 stores</td>
</tr>
<tr>
<td>30 October 2013</td>
<td>Alyuen</td>
<td>10 people</td>
<td>0 out of 1 stores</td>
<td>0 stores</td>
</tr>
<tr>
<td>26–27 November 2013</td>
<td>Mataranka</td>
<td>20 people</td>
<td>3 out of 4 stores</td>
<td>0 stores</td>
</tr>
<tr>
<td>28 November 2013</td>
<td>Batchelor</td>
<td>17 people</td>
<td>Process still underway</td>
<td>0 stores</td>
</tr>
<tr>
<td>28 November 2013</td>
<td>Pine Creek</td>
<td>10 people</td>
<td>Process still underway</td>
<td>0 stores</td>
</tr>
<tr>
<td>21 January 2014</td>
<td>Adelaide River</td>
<td>4 people</td>
<td>1 out of 3 stores</td>
<td>0 stores</td>
</tr>
<tr>
<td>30 January 2014</td>
<td>Jabiru Town Camps</td>
<td>40 people</td>
<td>Process still underway</td>
<td>0 stores</td>
</tr>
<tr>
<td>27 February 2014</td>
<td>Kakadu Outstations</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Community Stores Licensing in the Northern Territory

<table>
<thead>
<tr>
<th>Date</th>
<th>Community</th>
<th>Number of community members consulted¹</th>
<th>Number of stores proposed to be determined²</th>
<th>Number of stores licensed following consultation as at July 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>22 May 2013</td>
<td>Umbakumba</td>
<td>28 people</td>
<td>2 out of 2 stores</td>
<td>1 store (with pre-existing licence)</td>
</tr>
<tr>
<td>12–14 March 2014</td>
<td></td>
<td></td>
<td></td>
<td>1 assessment to be finalised</td>
</tr>
<tr>
<td>24–25 February 2014</td>
<td>Maningrida</td>
<td>45 people</td>
<td>3 out of 3 stores</td>
<td>2 stores (with pre-existing licences)</td>
</tr>
</tbody>
</table>

Source: ANAO analysis of DPMC’s consultation process. Table updated at July 2014 based on information provided by DPMC.

Note 1: In addition to community members, when undertaking consultations the department may also speak with other local stakeholders such as local service providers, public health nutritionists, health clinics, shire councils and schools.

Note 2: The Secretary, or delegate, may, at any time, determine whether the owner of a community store is required to hold a community store licence. However, before making a determination, the SFNT Act establishes the process that must be followed which includes consulting community members being serviced by the community store. Following consultation, if a store is considered to be an important source of food, drink or grocery items, the next step in the licensing process is for the Secretary, or delegate, to propose to determine that a community store requires a licence and give written notice of the proposed determination to the owner and the manager of the store.

Note 3: In relation to the consultation at Wallace Rockhole, no community members attended the advertised meeting. However, the department consulted with five people who were staff from local service providers.

3.25 Consultation with Indigenous communities can present challenges. Some of the challenges reported by the department in conducting consultation included consultation fatigue, low attendance because of cultural commitments, community members away at sporting events and people being affected by alcohol. Consultation can also be influenced by other factors such as the weather. However, in making regulatory decisions, it is important that sufficient and consistent processes can be demonstrated to support outcomes.

3.26 In one case, where only four community members were involved in consultation, the department advised a store manager that the Secretary’s delegate proposed to determine the store to require a licence. The store manager’s response pointed to a number of concerns with the department’s position including that the store is a service station and the main objective of the store is to sell fuel and products relevant to its customers who are mainly travellers. The department then reconsidered the proposed determination. In this case, and potentially others, had a more robust consultation process been followed, the proposed determination may not have been made. The
department advised that in this case, the relevant store manager did not take the opportunity to provide these views when consultation was occurring.

3.27 The purpose of community consultation is to inform the delegate’s decision on whether a store is an important source of food, drink or grocery items for an Aboriginal community. However, after 12 months of consultations, the department had not agreed to a consistent interpretation of what constitutes an important source of food, drink and groceries items and this has been a matter of internal debate. For example, until November 2013, there were differing views within the department on whether a store selling primarily takeaway food could be an important source of food, drink or grocery items. Where there is no agreement on what constitutes an ‘important source’ under the SFNT Act, licensing decisions are unlikely to be consistent, particularly given the limited numbers involved in consultation. The department advised that the ability to be flexible, taking into account the individual circumstances of each store and community, is a strength of the licensing scheme and that decisions on licensing, including in relation to stores selling primarily takeaway food, are taken on a case by case basis.

Case Study: Community Consultation and Licensing at Ti Tree

Ti Tree is located on the Stuart Highway, 194km north of Alice Springs. There is an Aboriginal population of some 358 who reside in the township and a number of satellite communities.

There are five stores operating at Ti Tree. All stores are licensed BasicsCard merchants meaning people are able to spend their income managed funds at all stores. Many people also shop in Alice Springs, some on a regular basis.

Community consultation was scheduled over two days in July 2013. Thirty-six people were consulted, consisting of 25 women and 11 men. Twelve people were consulted in one group. The number of people available for consultation was lower than expected as many people had not returned from a weekend sports carnival.

The feedback was that most people shopped at four out of the five stores, preferring different stores for different grocery items. However, a group of people also reported regularly shopping at the fifth store for bread, drinks and takeaway food.

The outcome of the consultations was that four out of the five stores would be licensed while no determination would be made for the fifth store. The result for the businesses is that four out of five stores will be subject to licensing requirements and have to adjust their businesses accordingly, while the remaining store is able to continue operating without the same requirements. In similar situations, different outcomes have been reached.

Internal guidance has not been finalised in relation to what is considered an important source of food, drink or grocery items for Aboriginal people.
Assessment of new stores for a community store licence

3.28 A community store can apply for a licence either voluntarily or after a determination has been made by the Secretary, or delegate, under the SFNT Act. The ANAO considered the assessment of seven stores from July–December 2013. Four stores were assessed at the request of the store owners, two were assessed due to a change in ownership and one was assessed at the discretion of the delegate. Five stores were licensed as a result of the assessments conducted in 2013, two of which had not previously been licensed. The assessment process was largely consistent with the requirements under the SFNT Act.

3.29 There are some inconsistencies between the policy developed in National Office and the application of licensing practices. For example, the SFNT Act requires that the Secretary have regard to the food security matters specified in section 46 of the Act when determining whether to grant a licence to the owner of a community store. In this section, the Secretary is required to consider ‘whether the financial practices of the owner and manager of the store support the sustainable operation of the store’. National Office advised that while each application for a community store licence has to be considered on a case by case basis, it will generally be the case that the circumstances of privately run stores will mean that this provision is less relevant to the Secretary when determining whether to grant a community store licence and any associated conditions. However, as part of store assessments (and some monitoring visits), the department was requiring private operators to produce detailed financial information. This may impose an unnecessary compliance cost on small businesses.

3.30 The department has established risk management procedures for assessing the risk of licensing a store. While all of the stores assessed had been subject to a detailed store assessment, an overall risk rating was not completed for each store at the time of assessment. As the risk for stores licensed under the legislation was not consistently completed, it was unlikely that a risk-based approach was driving the department’s approach to compliance monitoring for stores newly licensed or stores licensed under the legislation following a change of ownership. The department advised that as at July 2014, risk assessments have now been completed for all licensed stores and a new risk framework for community stores licensing will be implemented over the next 12 to 18 months (see paragraph 3.16).
Compliance monitoring

3.31 Monitoring and auditing are important provisions under the SFNT Act and are important elements of risk management in relation to ensuring food security for Aboriginal communities by supporting the continuing effectiveness of community stores licensing. A key change in the approach to regulating stores under the SFNT Act was the shift to a risk-based approach to compliance monitoring. Under the NTNER Act, the department managed risk by granting fixed-term licences to stores and then reassessing the store to renew the licence. The term of the licence usually ranged from three months to a year, with store specific licence conditions imposed to manage areas of concern and risk. Under the SFNT Act, licences are issued for the term of the SFNT Act, which is ten years, unless revoked. While licence conditions can be imposed to cover areas of risk in particular stores, FaHCSIA and later DPMC, intended that risk would primarily be managed by the risk-based compliance regime developed by the department, in conjunction with the ability to impose fines and other penalties under the SFNT Act.

3.32 The then FaHCSIA developed a risk management framework based on the risks related to the food security matters prescribed by section 46 of the SFNT Act. DPMC has adopted the same approach which involves analysing risk on an individual store basis to identify risks and allocate the store an overall risk rating or value. The overall risk profile for community stores as at July 2014 is presented in Table 3.4.

Table 3.4: Risk profile of licensed community stores as at July 2014

<table>
<thead>
<tr>
<th>Risk</th>
<th>Number of stores</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>58</td>
</tr>
<tr>
<td>Moderate</td>
<td>22</td>
</tr>
<tr>
<td>High</td>
<td>8</td>
</tr>
<tr>
<td>Extreme</td>
<td>9</td>
</tr>
<tr>
<td>Total</td>
<td>97</td>
</tr>
</tbody>
</table>

Source: ANAO analysis of DPMC’s risk documentation. Table updated at July 2014 based on information provided by DPMC.

3.33 The ANAO considered a sample of risk ratings developed by the department against the internal guidelines for the development of risk ratings. A number of risk ratings diverged significantly from internal guidelines or a store’s risk was not assessed in the first place. As the risk rating is the basis for the compliance regime implemented by DPMC, greater care needs to be taken
with the analysis of risks and subsequent identification of a risk rating. DPMC’s approach to risk would also be strengthened by more clearly stating the department’s risk appetite in relation to community stores.

3.34 The degree to which a particular store is monitored and the frequency of monitoring activity is based on a store’s risk rating which should be updated regularly. The ANAO’s review indicated issues with the accuracy of the data and a high number of monitoring visits that could not be verified with a corresponding monitoring report. A comparison of the risk profile and the number of verified monitoring visits indicates that there is not a strong link between the number of required visits and the number of actual visits conducted. The ANAO’s analysis indicates that approximately two-thirds of the expected monitoring visits occurred. The department advised that in some cases, alternatives to monitoring visits may have been used such as regular phone calls with store managers to monitor situations. In other cases, monitoring reports had not been recorded or an assessment visit may have been conducted during the period and a follow-up monitoring visit has not occurred. While this may explain some of the discrepancy, there are still stores which have received greater or fewer than the required visits.

Compliance enforcement

3.35 The principal options to enforce compliance that are available under the SFNT Act include:

- issuing an infringement notice;
- seeking an enforceable undertaking;
- commencing action in court to impose a civil penalty; and
- revoking a licence, noting that it is unlikely that this step would be taken until all other options had been exhausted.

3.36 Pursuing compliance enforcement options can affect the operations of a community store, and consequently, the food security situation within a community. As such, the overarching objective of ensuring food security for a community should be kept in mind. DPMC guidance is clear that where a store is considered to be breaching licence conditions, each store should be dealt with on a case-by-case basis and alternatives to formal action should be pursued in the first instance. Commencing formal action should not be taken lightly, as it may directly or indirectly lead to the community store closing, which could result in the food security of community(ies) serviced by the store.
being affected. Even the issuing of an infringement notice for a relatively small amount of money could lead to the store becoming unviable and thus ceasing to operate.

3.37 In line with departmental guidance about minimising formal compliance activities, such activities have only commenced twice under the SFNT Act. In both cases, it is clear that licensing officers from FaHCSIA, and later DPMC, have pursued alternatives to formal action in the first instance and worked with store managers and owners to resolve identified issues. It is also evident that ensuring the continued food security of the relevant communities was a primary concern when pursuing options.

Managing disputes and disagreements

3.38 In regulatory regimes where decisions are reviewable by administrative processes, it is important that mechanisms are in place to manage complaints and disputes with licensed entities and other relevant stakeholders. Effective disputes and complaints resolution can enhance transparency and reduce unnecessary costs being incurred.

3.39 Previously, complaints about the licensing scheme were progressed through the departmental complaints management process that existed in the FaHCSIA. Under this system, the ANAO is aware of one complaint that was made. Since the licensing scheme was transferred to DPMC in September 2013, a centralised complaints management area has been set up within the department to administer complaints, feedback and enquiries relating to program and service delivery. Two complaints were received prior to the establishment of the area and were dealt with by the responsible officer within the DPMC.

3.40 The existence of a complaints management process in the department has not been widely communicated or advertised. Although two complaints have been received since December 2013, the risk is that stakeholders more generally may not be aware of avenues for redress and consideration could be given to better communicating the established process.

Measuring results

3.41 The objective of the food security part of the SFNT Act is to enable special measures to be taken for the purpose of promoting food security for Aboriginal communities in the Northern Territory and in particular, to enhance the contribution made by community stores. Against this objective, the publicly
reported deliverable is the number of community stores licensed and the key performance indicator is the percentage and number of communities in the food security area served by a licensed store. While these are relevant to report against to assess the level of activity and coverage this does not provide an indication of the contribution that licensing is making over time to availability and accessibility of healthy food or more broadly to the expected health outcomes.

3.42 Stakeholders interviewed by the ANAO were generally positive about the impact of the licensing scheme on remote community stores in regards to such matters as the quality and range of stock, and store retail management practices. A survey by the ANAO of ten sample products in the community stores visited by the ANAO indicated that many stores were stocking required products under the licensing scheme. However, feedback also indicated that the impacts of store licensing (and improving the availability of healthier food options) are likely to be limited where there are not sustained and complementary activities that also encourage changes in consumer purchasing and consumption patterns.

3.43 A significant amount of information is collected by DPMC through the community stores monitoring visits, including:

- general information about the stores such as turnover, store size, community population, proximity to other stores, nature and type of business, opening hours and delivery details;
- compliance with licence conditions;
- governance, financial reporting and retail management information;
- employment practices, including Indigenous employees, qualifications and training;
- range of healthy foods and other necessities in the store, including the availability of fresh food and other products; and
- pricing information including sales price and mark-up on a selected range of food items.

3.44 The information collected through monitoring visits is stored as individual records in the department’s record management system. There is no

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consolidation of data so that it can be used to measure outcomes of the licensing scheme in a meaningful way over time. Information is not collated or used effectively in a strategic way to draw overall assessments of outcomes or to feed back positive messages to store owners and managers about trends and better practice. There is significant scope for the department to make better use of information collected to inform program directions and assess the outcomes of food security initiatives.

3.45 DPMC does not currently collect data about store sales and purchasing patterns. However, through the related Strengthening Remote Stores grants, the department has funded a number of point of sale systems to improve data security, stock management and financial reporting. Modern point of sale systems allow stores to capture sales information such as price margins by category, fresh produce by type and weight, photos of produce, cashier performance/productivity, profitability by volume or supplier. It would be of benefit to the department to explore opportunities for capturing sales data from a sample of stores or other sources. This could then be analysed to understand changing purchase patterns over time and provide a more rounded perspective on access to and availability of healthy food in the Northern Territory.

3.46 The broader objective of the SFNT Act to support Aboriginal people in the Northern Territory to live strong, independent lives, where communities, families and children are safe and healthy. However, there are difficulties associated with measuring broader outcomes as a result of food security initiatives, including the longer timeframes that may be required to observe outcomes. The use of proxy indicators is helpful in situations where direct measurement is difficult. There is scope for the department to consider the use of proxy indicators to develop a stronger outcomes-focused approach to managing the Community Stores Licensing Scheme.
Recommendation No.3

3.47 In order to improve the effectiveness of performance measurement for the Community Stores Licensing Scheme, the ANAO recommends that DPMC review the capture, consolidation and use of performance information to better assess the contribution of licensing to food security and broader health outcomes.

DPMC response:

3.48 Agreed. The Department of the Prime Minister and Cabinet agrees that it would be useful to be able to better capture and analyse performance information. Specifications for a community stores licensing information management system have been developed as a first stage in improving the capture and analysis of performance information. The Department is exploring options to develop the database, subject to available funding.
Conclusions

3.49 The Community Stores Licensing Scheme under the SFNT Act is designed to enhance the contribution of community stores in the Northern Territory to food security for Aboriginal communities. Since the new legislation has taken affect, the then FaHCSIA established processes and practices to manage the Community Stores Licensing Scheme under the SFNT Act. These processes and practices have since been adopted by DPMC and led to three newly licensed stores, consultations in 11 communities and monitoring and/or assessment visits to community stores. As at July 2014, there are currently 97 licensed stores out of an anticipated 110 stores that have been licensed largely in line with requirements under the SFNT Act.

3.50 There is scope to improve the department’s effectiveness in a number of aspects of regulatory practice in relation to the licensing scheme, particularly in relation to the burden imposed on licensed stores. A more structured approach to developing and reviewing the requirements under the scheme would provide greater balance between desired products and the compliance costs for stores. In this context, the department currently imposes minimum stock and operational requirements on all licensed stores. However, the department should review whether the current approach is consistent with the risk-based and tailored approach to requirements provided by the SFNT Act.

3.51 There are some inconsistencies between stated policies and application, particularly in relation to risk management. In this regard, there is not a strong relationship between risk ratings and the desired number of monitoring visits. As risk under the SFNT Act is primarily to be managed through the DPMC’s compliance monitoring activities, the current approach to risk assessment and stores monitoring does not sit comfortably with the risk-based approach to licensing of stores and potentially leads to sub-optimal outcomes for licensed stores.

3.52 There is general acceptance by store operators interviewed by the ANAO of the licensing scheme in stores and recognition that the scheme has had a positive impact on store operations in the Northern Territory. Significant amounts of information are collected through monitoring and assessment visits conducted by the department. On the basis of feedback received by the ANAO and previous reviews undertaken by FaHCSIA, the Community Stores Licensing Scheme is likely to be achieving food security outcomes, however there is limited performance information to make accurate assessments and track change.
4. Funding Initiatives to Support Food Security

This chapter examines funding initiatives to support food security in community stores in the Northern Territory: Strengthening Remote Store grants and the Aboriginals Benefit Account Stores Infrastructure Project.

Introduction

4.1 Community stores can play an important role in improving the health outcomes of people living in remote Indigenous communities. A community store’s primary business is the sale of food, drink and grocery items for an Indigenous community and may also provide other goods and services, such as fuel, takeaway and general merchandise. Some stores may also be an outlet for some Centrelink and Australia Post services. Community stores often operate in difficult circumstances and many are barely viable. This can make capital and infrastructure investment projects unachievable.

4.2 In order to support food security, the Australian Government has established two initiatives to provide funds to support community stores in remote Aboriginal communities in the Northern Territory. The two funding initiatives are the Strengthening Remote Stores (SRS) grants and the Aboriginals Benefit Account Stores Infrastructure Project (ABA SIP).

4.3 The ANAO assessed the effectiveness of the Department of the Prime Minister and Cabinet’s (DPMC) administration of SRS grants and the ABA SIP. This chapter covers:

- SRS grants, including grant selection outcomes, and the grant applications and assessment process; and
- ABA SIP, including project establishment, implementation and procurement.

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35 From 1 July 2014, Strengthening Remote Stores (SRS) grants will be administered through the broader Indigenous Advancement Strategy (IAS). The first grant round of the IAS commenced on 8 September 2014. Accordingly, the ANAO has considered the administration of SRS grants for the 2012–13 and 2013–14 funding rounds.
Strengthening Remote Stores grants

4.4 Funding of $13.4 million over ten years from 2012–13 has been made available to assist stores to achieve better food security for people living in remote Northern Territory communities. This is to be achieved by helping stores to meet community store licensing requirements, by supporting stores to address issues such as the range, quantity and quality of goods available, as well as to improve the integrity of store operations by addressing governance, retail management and financial management. Funding is being provided to community store owners and operators and service providers to support:

- emergency repairs and maintenance;
- minor infrastructure upgrades;
- innovative solutions to food security;
- governance support; and
- retail mentoring.

Grant selection outcomes

4.5 Under the SRS grants in place until July 2014, store owners and operators were eligible to apply for an SRS grant if they were licensed or were required to be licensed under the Stronger Futures in the Northern Territory Act 2012, and if their organisation was one of ten prescribed entity types. Service providers, organisations who were able to provide goods and services to multiple community stores, were also eligible to apply for a grant provided they met the entity type requirement.

4.6 To support administration of the grants, the then FaHCSIA published in 2012 program guidelines which set out the application process and requirements.36 The ANAO examined 25 applications which had been assessed during 2012–13, and found these assessments to have been largely consistent with the guidelines.

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4.7 In 2012–13, grants of $1.5 million were awarded to 33 remote stores. The predominant category of funding in 2012–13 was ‘minor infrastructure upgrades’, which included grants ranging from $1403 for the purchase of a display chiller to $145 200 for a generator. Other examples included: new point of sale systems; new BasicsCard kiosks[37]; improved freezers and cool rooms; and, retail induction and governance training. The average value of grants awarded in 2012–13 was $31 471.

4.8 In 2013–14, DPMC published revised program guidelines and grants of $1.7 million were awarded to 38 remote stores. In 2013–14 the value of grants ranged from $1999 to $115 906, with an average value of grants being $31 163. Again, the predominant category of funding in 2013–14 was ‘minor infrastructure upgrades’. Examples of activities funded in 2013–14 included improvements to air conditioning, freezers and ovens, forklifts, minor refurbishments, system upgrades and governance and retail training.

**Grant application and assessment process**

4.9 To select the grant recipients, a selection process was undertaken in which store owners and operators applied for specific-purpose funds. The first stage of the assessment process was the initial screening of applications for compliance and eligibility; applications that were deemed eligible and compliant progressed to the second stage of the process. The second stage of the process involved an assessment of the application against the following selection criteria:

- the scope of the project and how it will be implemented;
- the need for the project;
- the ability of the funding recipient to implement and manage the project activity(ies) to achieve quality outcomes;
- the experience and qualifications of staff or contractors/consultants who are responsible for delivering the project; and
- the value for money represented by the project, including an indicative budget.

[37] BasicsCards are used to purchase food and essential items, and are issued to those on Income Management. A BasicsCard kiosk allows holders to check their available balance.
4.10 The Commonwealth Grant Guidelines (CGGs) specify that ‘competitive, merit-based selection processes should be used to allocate grants, unless specifically agreed otherwise by a Minister, Chief Executive or delegate.’\textsuperscript{38} If a process other than a competitive merit-based process is adopted, entity staff are required to document why the alternate approach was used. The CGGs also emphasis the principle of competition in assessment criteria, which are defined as: ‘these criteria are also used to assess the merits of proposals and, in the case of a competitive granting activity, to determine applicant rankings.’\textsuperscript{39} The SRS grants guidelines noted that an open, competitive granting process would be used.

4.11 Applicants for SRS grants needed to meet a number of requirements, including addressing the five selection criteria. The guidelines advised that ‘applications will be assessed and prioritised according to the extent to which they meet the selection criteria’.\textsuperscript{40} A six-point rating scale was provided. The guidelines further stated ‘responses will as a whole form the basis for funding consideration.’\textsuperscript{41} The extent to which organisations offer value for money was also to be assessed as part of the assessment process.

Grant selection in 2013–14

4.12 As reflected in the CGGs, it is expected that value with public money will be a core consideration in determining grant recipients under a granting activity.\textsuperscript{42} For competitive application-based grant programs, value with public money is typically analysed by comparing the relative merits of all eligible, compliant proposals, although some programs also include a separate value for money criterion.\textsuperscript{43}

4.13 The 2013–14 SRS guidelines stated that selection criteria (see paragraph 4.9) responses will as a whole form the basis for funding consideration.


\textsuperscript{39} ibid., p. 65.

\textsuperscript{40} Department of Families, Housing, Community Services and Indigenous Affairs, \textit{Strengthening remote stores measure program guidelines suite}, Part B, p. 7.

\textsuperscript{41} Department of Families, Housing, Community Services and Indigenous Affairs, \textit{Strengthening remote stores measure program guidelines suite}, Part C, p. 11


\textsuperscript{43} ibid.
and that all criteria were of equal importance.\textsuperscript{44} The department assessed the eligible and compliant applications against the selection criteria assessment to form a numerical average rating out of five for each application. This enabled the department to rank the 68 eligible and compliant applications from one to 68.

\textbf{4.14} At this point, the department added an additional step that was not specified in the SRS guidelines. This step was to award an additional ‘value for money’ rating to each eligible application. This second rating ‘value for money rating’ assessed the extent that the activity was considered to be a reasonable cost and maximise the food security measure objectives (areas already considered as part of the selection criteria in relation to need and value for money). This rating was determined by a separate team to the selection criteria assessment panel.

\textbf{4.15} This second ‘value for money’ assessment became the basis for funding decisions, rather than the advertised selection criteria. DPMC advised that the second ‘value for money’ rating was used as the minimum threshold for the department to recommend funding, however this was not specified in the SRS guidelines or the department’s selection assessment plan. Only those applications scoring ‘good’ or ‘excellent’ on the ‘value for money’ assessment were recommended for funding. For example, in one case, an application scored the second highest selection criteria score (four out of five) but was not recommended on the basis of the second ‘value for money’ assessment which rated the application as ‘poor’; this changed the application’s ranking from six, to 56. Similarly, another application scored 3.6 out of five on the selection criteria assessment, but the application’s overall ranking was changed from 13 to 57.

\textbf{4.16} The result of the second ‘value for money’ assessment was that it changed the original ranking of applications, and subsequently, the outcome of funding decisions. Of 68 eligible applications, 54 were recommended for funding including applications that were ranked low against the published criteria. However, the assessment, if based solely on average selection criteria ratings as advertised, would have resulted in a different set of recommended grant recipients. This set would have included 47 successful grants, including seven applications currently ruled out due to their overall ‘value for money’


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scores that otherwise performed well against the advertised selection criteria. Further, ten applications awarded selection criteria scores of less than 2.5 out of 5 were recommended, and one application that received the second highest selection criteria score was refused.

4.17 As noted at paragraph 4.12, it is expected that value for money will be a core consideration in determining funding recipients under a grant program. This was reflected in DPMC guidelines in place at the time and the selection management plan. Where competitive funding rounds are used, selection criteria provide an efficient and effective means of differentiating between the eligible, compliant applications that are seeking access to the available funding. Numerical rating scales will only produce useful results if they are reflective of the desired outcomes and, where applicable, weighted accordingly. In this case, it is reasonable that the published selection criteria, which included considerations of value for money and need, would have provided the department with a perspective on the value for money of an application. In departing from this process, the benefit of the additional step was limited and directly affected the success of grant applications as the results of the published selection criteria assessment process were different to the results of the unpublished ‘value for money’ assessment process. DPMC considered that the process adopted was a reasonable approach for the department to follow to achieve best value for money and that it would not have recommended funding applications that did not represent good value for money. However, in adopting this process, the department departed from the published guidelines which both government and applicants would expect the department to follow.

4.18 In 2013–14, applications for funding of $4.8 million were received by DPMC and only $1.7 million in funding was available. A question on the application form asks for a co-contribution from each applicant towards their project. The department advised that in some cases it contacted applicants to negotiate the value of other-source funding. The department advised that it

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45 Department of Finance, Commonwealth Grant Guidelines, p. 30.
47 A recurring theme in the ANAO’s audits of grants administration over a number of years has been the importance of grant programs being implemented in a manner that accords with published guidelines. For example, see ANAO Audit Report No. 41 2012–13 The Award of Grants Under the Supported Accommodation Innovation Fund and ANAO Audit Report No. 25 2013–14 Management of the Building Better Regional Cities Program.
used a chosen threshold of $50 000 to prompt negotiation with applicants. This threshold was chosen based on the SRS guidelines which, as a guide, state that typically grants will be for funding up to a value of $25 000 per activity and up to $50 000 per store.

4.19 The CGGs encourage entity staff to seek input from grant applicants when modifying granting activities as this can reduce the potential compliance costs for applicants and government.48 However, this threshold was not specifically stated in the guidelines or applied consistently for all applications from stores that totalled over $50 000. The department advised that applicants were contacted where the department considered the store had the financial capacity to contribute. The negotiations were undertaken after determining eligibility but prior to finalising the application assessment concerned.

4.20 The department considers that negotiating co-contributions from applicants for grant activities improved the value for money achieved through the grants process as it enabled the department to fund more activities. However, the department should have clearly stated this process in the SRS guidelines to minimise the potential costs to applicants and to ensure all applicants were treated in the same way during assessments. The CGGs require that ‘staff should conduct granting activities in a manner that minimises concerns about equitable treatment’.49 Under future arrangements, if a threshold approach is chosen, the process for applying a threshold and negotiating with applicants should be clearly stated in the published guidelines as part of the program design, and applied consistently across applicants.

4.21 The grants administration framework was developed based, in part, in recognition that applicants have a right to expect that funding decisions will be awarded on the published criteria and it can be detrimental to the conduct of a transparent and equitable result where this does not occur. As noted in paragraph 1.9, the Australian Government’s Indigenous Advancement Strategy (IAS), which was introduced on 1 July 2014, replaced individual programs and activities with five flexible, broad-based programs. As a result, for future years, the SRS grants will be replaced by the IAS program and its grant guidelines. While the SRS grants are no longer operating, in the context of the new arrangements under the IAS, the department should be mindful to

48 Department of Finance, Commonwealth Grant Guidelines, p. 36
49 ibid, p. 59.
ensure a transparent approach to the selection of grant applications that are consistent with the advertised processes. This is particularly important in view of the general nature of the selection criteria developed for the IAS and the provision in the IAS guidelines that additional criteria can be applied to particular types of grant funding in some circumstances.

**Recommendation No.4**

4.22 In order to align future food security grants administration with the Commonwealth Grant Rules and Guidelines, the ANAO recommends that DPMC consider the departmental assessment process, to provide assurance that processes and assessment methodologies are consistent with the published guidelines.

**DPMC response:**

4.23 Agreed, with qualifications. The Department of the Prime Minister and Cabinet agrees it is important that grants administration aligns with the Commonwealth Grants Rules and Guidelines.

4.24 The SRS Programme and Guidelines ceased operation on 30 June 2014. The Australian Government introduced its new Indigenous Advancement Strategy on 1 July 2014 with the objective of achieving real results in the key priority areas of getting children to school, adults into work, and building safer communities. The Indigenous Advancement Strategy replaced more than 150 individual programmes and activities (including the Strengthening Remote Stores grants programme) with five flexible, broad-based programmes.

4.25 The Indigenous Advancement Strategy allows organisations and individuals to apply for funding under one set of guidelines, through one application form, and have a single Head Agreement with the Department. This will reduce the red tape and reporting burden on organisations, freeing them up to deliver better services.

**Risk assessment**

4.26 As part of the grant selection process, Provider Capacity Risk Assessments (PCRA) were conducted to help determine whether applicants had the capacity to successfully implement the requested grants. These risk assessments included consideration of matters such as past performance, governance and finances. Risk assessments are also conducted separately as part of the stores licensing scheme (as discussed under ‘Compliance Monitoring’, paragraphs 3.31–3.34 in Chapter 3).
4.27 In 2012–13, assessments under the grant PCRA resulted in a risk rating of ‘low’ for every applicant provider. This was so even when the same provider was rated a ‘high’ or ‘extreme’ risk under the licensing scheme. For example, one store received an extreme risk rating for licensing, on grounds of poor financial performance and governance, but received a low risk rating for grant funding, enabling it to receive one of the highest amounts of funding for a building upgrade.

4.28 The direct consequence of universally ‘low’ risk ratings was that no application was rejected on the grounds of risk. It is not necessarily the case that risk assessments undertaken for two different purposes should have identical results, however some findings for the same stores were significantly different, suggesting the need to reconcile the two positions. The department advised that low PCRA ratings accurately reflected the risks involved in grant recipients delivering funded outputs, noting that these were generally less complex than those involved in stores licensing.

4.29 In 2013–14, DPMC changed the approach and PCRAs were only undertaken on activities valued at more than $10,000. The result of the revised process is that in 2013–14, five recipients were awarded a risk rating higher than ‘low’ indicating a greater consistency with risks identified through the Community Stores Licensing Scheme.

Aboriginals Benefit Account Stores Infrastructure Project

4.30 The Aboriginals Benefit Account (ABA) is an account established under Aboriginal Land Rights (Northern Territory) Act 1976, to receive and distribute royalty equivalent monies generated from mining on Aboriginal land in the Northern Territory. ABA funds are public monies and the Minister for Indigenous Affairs, on advice from the Aboriginals Benefit Account Advisory Committee (ABA AC)\(^{50}\), can direct money to be allocated for a number of different purposes, including funding for the benefit of Aboriginal people living in the Northern Territory (benefit payments).

4.31 In 2008, when establishing the Aboriginals Benefit Account Stores Infrastructure Project (ABA SIP), the then Minister and ABA AC recognised that without appropriate store infrastructure and good management, a store

\(^{50}\) The ABA AC is made up of a Chair, appointed by the Minister for a three year term, and 14 members elected by the four Northern Territory Land Councils.
struggles to provide the community with sustainable food security and access to affordable healthy food. In this respect, improved community store infrastructure and managers’ housing has been identified as being able to make a contribution to better community access to food, improved store viability and positive health outcomes. As such, the main objectives are to:

- construct or upgrade community stores and store manager accommodation in 18 Northern Territory communities according to best practice and design principles; and
- support efficient retail practices and minimise operating costs, to ensure:
  - stores have good, healthy food accessible to people living in remote Northern Territory communities;
  - stores have purpose built infrastructure which will support effective retail practices and minimise operating costs; and
  - store manager housing is of an acceptable standard to help attract quality store management.

4.32 Community stores that were eligible for ABA SIP consideration were licensed community stores that were Indigenous community-owned (either not-for-profit or the profits are used for community benefit), or Shire-owned, where the Shire was willing to transfer ownership to an Indigenous community organisation.

**Aboriginals Benefit Account Stores Infrastructure Project policy development**

4.33 In December 2008, the then FaHCSIA developed a proposal to use funding from the ABA for remote community stores infrastructure investment. The initial scope was assessed as an immediate need for 40 houses, six new stores and the refurbishment of other stores at an estimated cost of $34 million over two years.

4.34 The in-principle agreement by the then Minister in late 2008 led to the commencement of discussions in 2009 over using ABA funds in a strategic approach for new or upgraded community stores and store manager housing. Previously projects funded through the ABA had been relatively small-scale
and dedicated to individual communities or groups. This approach was supported by the ABA AC in October 2009.\textsuperscript{51}

4.35 Under the ABA SIP, funds have been allocated to the:

- construction of new stores, where existing building are uneconomical to repair;
- refurbishment of existing store infrastructure; and
- construction or refurbishment of store manager housing.

4.36 Early scoping of the ABA SIP led to the size of the ABA SIP increasing both in terms of time, cost and the amount of new and refurbishment building needed. In November 2009 the estimate presented to the then Minister to deliver the ABA SIP had been revised up to $60 million and included an estimated six months to undertake a visitation program to up to 90 stores interested in receiving an infrastructure needs assessment. As a consequence the then Minister directed that the ABA SIP should be developed in a phased approach to ensure that the most urgent upgrades were assessed first and delivered as quickly as possible.

**Aboriginals Benefit Account Stores Infrastructure Project implementation**

4.37 The first draft of an implementation plan was presented to the then Minister in November 2009. The plan focused on the need assessment phases of the ABA SIP and included: the proposed scope of work; eligibility and priority principles for scheduling. Missing from the implementation plan was a timeline setting out the expected timing of the important milestones leading up to and including the commencement of construction work.

4.38 On advice from the ABA AC, an implementation budget of $49.6 million was approved by the then Minister in November 2010 for the ABA SIP and was subsequently increased in 2011 to $55.8 million. The overall scope of works to be delivered by the project has changed over the course of the ABA SIP. The approved number of work elements was reduced from 31 in 2010 to 28 consisting of 12 new stores, six new houses, six store refurbishments

\textsuperscript{51} The role of the ABA AC is to provide governance and strategic oversight for the ABA SIP. DPMC presents and reports to each meeting of the ABA AC on status, progress and issues in relation to the ABA SIP.
and four house refurbishments in 18 communities\textsuperscript{52} in the Northern Territory. Amendments to the scope have been made at various times due to budget constraints and changing community needs.

4.39 The project plan developed in August 2010 proposed work to commence in April 2011. As at June 2014, implementation is behind schedule but work has been completed in the communities of Areyonga and Milikapiti where the stores were upgraded. An existing store manager’s house was upgraded and a new manager’s house built. As at July 2014, work is currently underway in Papunya, Haasts Bluff and Willowra where construction consists of two new stores, two new manager houses, a refurbished store and a refurbished manager house.

Location selection

4.40 The first attempt at identifying the highest infrastructure needs was undertaken in late 2009 drawing on the experience of the operation of the Community Stores Licensing Scheme at 88 licensed stores. At the request of the then Minister, this process of prioritising stores occurred in a short timeframe. Through this process FaHCSIA identified 24 high priority stores. Locations were selected on the basis of one or more existing conditions which were considered to negatively influence food security such as: significant structural problems; significant environmental health concerns; store size; and storage capacity. Store viability was not a criterion considered during this selection process.

4.41 The list of 24 locations was further scrutinised by the ABA Steering Committee on 28 January 2010 (an ABA AC sub-committee formed for the ABA SIP\textsuperscript{53}) and was reduced to 20 stores which were in turn agreed to by the then Minister on 16 March 2010. Following further review, in October 2010 the ABA AC endorsed funding to build new or upgrade existing stores in 18 priority communities and in November 2010 these priority stores were recommended and approved by the then Minister. All communities are still participating in the ABA SIP.

\textsuperscript{52} The approved communities in the project are: Areyonga, Barunga, Beswick, Bulla, Bulman, Canteen Creek, Engawala, Epenarra, Gunbalanya, Haasts Bluff, Jilkminggan, Milikapiti, Papunya, Peppimenarti, Pirlamgimi, Timber Creek, Willowra and Yuendumu.

\textsuperscript{53} Comprising the ABA Advisory Committee Chair and representatives from each of the four Northern Territory Land Councils.
Funding Initiatives to Support Food Security

Aboriginals Benefit Account Stores Infrastructure Project implications on local competition

4.42 The objective of the ABA SIP is to support efficient retail practices, minimise operational cost and provide good, healthy food to local people living in remote communities through the construction of store infrastructure. There are four stores in the ABA SIP which compete directly with other stores in the community. These stores are being upgraded or replaced because the buildings from which they operate were originally identified as not suitable to meet food security requirements.

4.43 Starting in 2007 with the Northern Territory Emergency Response (NTER), the Australian Government invested in a range of measures to improve food security including the Community Stores Licensing Scheme (discussed in Chapter 3). At that time, some stores chose not to be licensed while others were located on non-prescribed land and were ineligible for licensing. In such circumstances, because of the potential negative impact on food security and the need for stores to be licensed to accept Income Management funds, the Australian Government, in conjunction with Outback Stores, established licensed stores in converted community buildings in some communities. In these communities, the original infrastructure assessments for the ABA SIP were conducted on these converted buildings.

4.44 The allocation of funding and the original list of priority stores was established and agreed to in mid-2010 based on the licensing and food security issues in each community at that time. No review process has occurred to reassess the priority needs of both the 18 high priority communities and the other communities since that time. The progress made in licensing community stores and the impact of introduced competition on existing stores highlights the importance of reassessing community needs by monitoring changes in the community retail environment to balance the demand for limited funding.

4.45 The Community Stores Licensing was designed to monitor community stores and provide basic consumer protections to customers of the stores. As such, the situation currently existing in many ABA SIP communities has

54 Outback Stores is an Australian Government owned company with an independent board. Outback Stores manages remote stores on behalf of Indigenous communities on a fee-for-service basis and provides store management services based on commercial principles to viable and unviable stores in remote communities to deliver positive health and nutrition outcomes. As part of the NTER, Outback Stores was funded to support stores that were badly needed in communities but were facing closure due to poor management and build-up of debt.
changed as previously unlicensed stores are now licensed and Income Management is no longer linked to the licensing scheme. As a result of Community Stores Licensing and the time that has lapsed since the initial selection of ABA SIP communities, a review of the need for the additional ABS SIP funded stores would be an important step in some communities rather than building new stores where future viability is uncertain.

4.46 Many stores are generally sensitive to seasonal fluctuations in population and revenue. Many stores included in the 18 priority communities are rated as high risk, not profitable in a sustainable, commercial sense and nine are managed and have been underpinned by Outback Stores at some point since 2010.55 Through the ABA, deliberate attempts have been made to increase the viability of new stores. Store designs have included takeaways, increased floor space and there has been consideration given to the installation of fuel sales to make some unviable stores more viable. While Outback Stores does not directly benefit from the new stores and/or upgrades, Outback Stores may indirectly benefit by having better operating and housing conditions for staff. If store viability increases due to the ABA SIP, the store may also require less Outback Stores support into the future. Establishing licensed stores during the NTER, for which Outback Stores has subsequently been engaged to provide management services, in competition with existing stores can duplicate the services provided within those communities and may impact on the viability of existing stores affecting the long-term food security in a community.

4.47 The Australian Government’s competitive neutrality policies require that government businesses do not enjoy competitive advantages over their private sector competitors simply because of their public ownership.56 While FaHCSIA was aware that competitive neutrality considerations may apply in some cases, this was not resolved by either FaHCSIA or DPMC. This may arise in cases where a store is being operated by Outback Stores, including where a store receives additional support from other government programs not

55 When a store is underpinned by Outback Stores, this means that the store is either unviable or marginal, and has required a government operating subsidy or other non-recoverable cash advances. Outback Stores advised in its response to the report that it is aware of potential competitive neutrality issues and funding is only used on stores where competing stores do not meet the needs of the community as assessed by the Department of the Prime Minister and Cabinet (see Appendix 1).

available to all competitors. Because of the competitive tension created by improving the viability of a new store through government funding, it would be of benefit to the department to take steps to ensure that its actions are consistent with the Australian Government’s competitive neutrality policies to promote efficient competition between government and other businesses.

4.48 DPMC advised that it does not consider a review of participating communities is warranted as the funding has been approved by the ABA AC and Minister. Had a review process been envisaged, it is the department’s view that this would have needed to be included in the program design. DPMC considers there would be a significant reputational risk to the department to withdraw the offer of funding, other than in circumstances where eligibility criteria are unable to be met. However, the department advised that it has: reassessed the priority needs of stores and as a result of this process has made changes to individual projects; and is currently reassessing the ability of up to four stores to meet conditions for funding.

Program progress to date

4.49 An ABA SIP project plan was first developed in August 2010 which identified a number of key milestones and deliverables. Several of these milestones, in particular the expectation that work would commence in April 2011, did not occur. Community engagement and planning commenced in 2010 but the delivery phase of the ABA SIP did not commence until late 2012, with work on the first ABA SIP project in Areyonga not starting until January 2013.

4.50 At the outset, a number of risks were identified by the then FaHCSIA which were likely to affect the timeframes of the project if unaddressed. The risks varied depending on the nature and extent of work recommended for each community. As the project progressed, an internal review found that the complexities involved in the delivery of the ABA SIP became more evident and the initial risks had been underestimated. The late start to the delivery phase can be attributed to a number of issues having a greater impact than expected. The issues encountered included:

- the establishment of the design standards;
- consultation with stakeholders;
- passing all regulatory requirements;
• determining the most appropriate procurement and project management approaches; and

• leasing reforms to land tenure, in particular the development of long-term leases over Indigenous land, designed to support government investment in infrastructure.

4.51 Further delays during the delivery period have been caused by the re-scoping of work elements to fit within budget and changing community needs and the suspension of some project work over the period September 2013 to January 2014. The status of individual projects approved for ABA SIP funding as at July 2014 is presented in Table 4.1.

<table>
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<th>Works Package</th>
<th>Community(s) and work element</th>
<th>Stage</th>
<th>Estimated completion date</th>
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<td>Areyonga store and house</td>
<td>DLP</td>
<td>13 September 2013</td>
</tr>
<tr>
<td>WP2</td>
<td>Milikapiti store and house</td>
<td>DLP</td>
<td>11 February 2014</td>
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<td>WP4</td>
<td>Haasts Bluff store, house and fuel Papunya store and house</td>
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<td>WP14</td>
<td>Barunga store</td>
<td>D</td>
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<tr>
<td>WP15</td>
<td>Timber Creek store</td>
<td>D</td>
<td>December 2015</td>
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Source: DPMC.
Note 1: DLP – defects and liability period; C – construction; P – procurement; D – design and planning.
Note 2: The estimated completion dates in italics are estimates only and subject to resolution of leasing and other issues.
Note 3: The Pirlangimpi and Gunbalanya ABA SIP projects are not reflected in the above list because the construction is being managed through an alternative process not managed by the Management Design Consultant.
4.52 The ABA SIP budget is fixed and is based on 2010 construction costs. The ABA SIP has encountered additional costs in regard to the connection and upgrade of essential services and costs associated with new fuel infrastructure and the decommissioning and decontamination of pre-existing infrastructure. To manage and contain the cost within the existing budget allocation, the ABA SIP has had to re-scope store designs and negotiate with store corporations which possess the ability to contribute to directly purchasing equipment and fit-out items.

Aboriginals Benefit Account Stores Infrastructure Project procurement—use of a multi-use list

4.53 The Commonwealth Procurement Rules\(^57\) (CPRs) describe three methods that entities can use when conducting procurements: open tender, limited tender and prequalified tender.\(^58\) The ABA SIP has adopted one form of prequalified tender—the use of a multi-use list (MUL), which allows DPMC to prequalify suppliers for subsequent procurement of head contractors to deliver works packages.

4.54 The ABA SIP procurement objectives are well defined and well understood. The ABA SIP procurement plan appropriately recognises the MUL as not being a procurement itself but rather an activity that qualifies suppliers who may wish to participate in future procurement processes through a Request for Quote (RFQ). As at June 2014, FaHCSIA had used the MUL to complete three RFQs for three packages of work and DPMC were in the process of using the MUL for another two packages. The three procurements that have been undertaken since the MUL was established have been consistent with the requirements for MULs as set out in the ABA SIP procurement plan and the CPRs.


\(^58\) Department of Finance, *Commonwealth Procurement Rules—Achieving value for money*, p. 26. The rules state that prequalified tender involves publishing an approach to market inviting submissions from all potential suppliers on:
- a shortlist of potential suppliers that responded to an initial open approach to market on AusTender;
- a list of potential suppliers selected from a multi-use list established through an open approach to market; or
- a list of all potential suppliers that have been granted a specific licence or comply with a legal requirement, where the licence or compliance with the legal requirement is essential to the conduct of the procurement.
Conflict of interest

4.55 A conflict of roles, or a conflict of interest, may arise: where entity decision makers or staff involved in grants administration have a direct or indirect interest which may influence the selection of a particular project or activity; and where a grant recipient has a direct or indirect interest which may influence the selection of their particular project or activity during the application process. In addition to actual conflicts of interest, Australian Government staff should also be mindful of perceived conflicts of interest.

4.56 The ANAO identified one issue in regard to the registration of a new Aboriginal corporation to hold the ownership of a proposed new store separate from the land title holding corporation. In this case, particular sensitivities existed in the community in relation to negotiations for the construction of a new community store. Acting as the applicant, an officer of the DPMC, using a personal residential address for communication, submitted an application to the Office of the Registrar of Indigenous Corporation on 19 September 2013 for the registration of a new Indigenous corporation. This DPMC officer became the registered contact officer for the new Indigenous corporation. During this time, the organisation was granted funding through the SRS grants program however the officer was not involved in this process as the process was managed by a separate section of the department.

4.57 The ANAO found no evidence of senior management approval for this involvement. The officer has been removed from the role with the Indigenous corporation. Further, the department advised that the officer was removed from the particular project concerned and the officer immediately ceased leading this project.

Conclusion

4.58 Under Strengthening Remote Stores grants, $1.5 million was awarded by FaHCSIA to 33 stores in 2012–13 and $1.7 million was awarded by DPMC to community stores in 2013–14. This funding was primarily directed towards minor infrastructure upgrades to community stores, including better refrigeration, fresh food display and point of sale systems. The goals of the projects funded were consistent the overarching policy intent of improving food security in remote Aboriginal communities. As a relatively small

59 Department of Finance, Commonwealth Grant Guidelines, p. 58.
program, it is appropriate that the department develop an approach that is fit-for-purpose. However, deficiencies were found with the use of competitive selection methods. In 2013–14, DPMC ran a process where decisions were not based on stated selection criteria and seven applications were rejected that may otherwise have been successful. DPMC also engaged in mid-process negotiations with a selected group of applicants. These departures from the program guidelines are inconsistent with the grants administration framework and raise concerns about the equitable treatment of applicants. While the SRS grants program was replaced by the Indigenous Advancement Strategy on 1 July 2014, in administering grant processes in the future DPMC should be mindful of ensuring a transparent approach to the selection of grant applications that is consistent with the advertised processes.

4.59 The original rationale for the ABA SIP was the food security risk presented by poor infrastructure in community stores. Many of the stores involved in the ABA SIP are also sensitive to profit fluctuations due to seasonal and population changes and these influences can affect the ongoing viability of a store. Where stores are not commercially viable, consideration has been given to improving their viability by offering takeaway food options, increasing floor space and installing fuel infrastructure. In some cases, further financial and operational support is provided through management services offered by Outback Stores. In communities where an ABA store is directly competing with other stores, this support may negatively affect the ongoing viability of other community stores with the overall effect of further destabilising food security in a community. FaHCSIA was aware that competitive neutrality considerations may apply in some cases however this was not resolved by either FaHCSIA or DPMC.

4.60 Two out of 18 projects have been completed under the ABA SIP since the project was agreed to in 2008. The implementation of the ABA SIP has been slower than expected as key risks identified were underestimated. The commencement of the delivery phase was delayed and did not start until late 2012. These delays, coupled with unexpected cost increases, have put pressure on the ABA SIP’s budget and the desired food security outcomes. As a consequence, the implementation of the ABA SIP has taken longer than expected but no review has occurred to confirm the high priority rating given to the remaining 16 communities. As the ABA SIP was initially expected to be completed within two years, FaHCSIA did not develop a review mechanism that would confirm the high priority rating given to the 18 communities in mid-2010. An assessment of the continued need to build new, high risk and
often unviable stores in communities where existing stores are now licensed would have provided greater assurance that the ABA SIP provides value for money in the longer term. However, the department’s view is that a review should have been included at the beginning of the project and is no longer feasible (as noted in paragraph 4.48).

4.61 Overall, it is reasonable to expect that the grants and the ABA SIP are making a contribution to food security outcomes through supporting improved store infrastructure in remote communities. Performance information currently collected by the department focuses on the delivery and completion of infrastructure works. It will be important for DPMC to consider ways to assess the effect that the supplemented investments through funding activities are having on stores’ ability to meet licensing requirements and access to healthy food.

Ian McPhee
Auditor-General
Canberra ACT
25 September 2014
Appendices
 Appendix 1: Entities’ Responses

Dr Andrew Pope  
Group Executive Director  
Performance Audit Services Group  
Australian National Audit Office  
GPO Box 707  
CANBERRA ACT 2601

Dear Dr Pope

Thank you for your letter to the Secretary of 13 August 2014 providing the proposed Australian National Audit Office audit report on Food Security Initiatives in Remote Indigenous Communities (the draft Report). Dr Watt has asked me to respond on his behalf.

The Department welcomes the opportunity to formally comment on the draft Report. We consider the draft Report provides a fair overview of the management and implementation of the food security initiatives in remote Indigenous communities.

However, the Department considers the draft Report would benefit from the inclusion of information about the Australian Government’s new approach to Indigenous Affairs, in particular the introduction of the Indigenous Advancement Strategy. Announced in the 2014 Budget, the Indigenous Advancement Strategy streamlines around 150 Indigenous programmes and activities that were transferred in to the Department of the Prime Minister and Cabinet into five flexible, broad programmes that focus on the Government’s priorities of getting children to school, adults to work and safer communities.

The five new programmes under the Indigenous Advancement Strategy allow the Government to respond to emerging issues quickly and effectively. The new programmes are: Jobs, Land and Economy; Children and Schooling; Safety and Wellbeing; Culture and Capability; and Remote Australia Strategies.

The objective of the Safety and Wellbeing Programme is to ensure the ordinary rule of law applies in Indigenous communities, and to ensure Indigenous people enjoy similar levels of physical, emotional and social wellbeing enjoyed by other Australians. Activities that support Indigenous health and wellbeing and complement (not duplicate) those health services delivered by the Department of Health will be considered under this programme. The Indigenous Advancement Strategy Guidelines are at http://www.dpmc.gov.au/indigenous_affairs/docs/ias_guidelines.pdf.

The Department agrees with the proposed recommendations, noting the qualifications provided for recommendations 1 and 4. In relation to proposed recommendation 4, the
Department agrees it is important that grants administration aligns with the Commonwealth Grants Rules and Guidelines. However, our response reflects that the Strengthening Remote Stores Programme and Guidelines ceased operation on 30 June 2014 and were replaced by the new Indigenous Advancement Strategy.

Attachment A to this letter provides the Department’s summary response to the proposed audit report for inclusion in the Executive Summary and the response to the recommendations for inclusion in the final report. Suggested changes to the draft Report are also attached for your consideration at Attachment B.

Yours sincerely

Liza Carroll
Associate Secretary
Indigenous Affairs
4 September 2014
Outback Stores was established in 2006 to provide food security to remote indigenous communities. Our mission is to make a positive difference in the health, employment and economy of remote Indigenous communities by providing quality sustainable retail stores.

Due to either geographic location or small/ fluctuating populations some stores in remote communities are not commercially viable. For the financial year ending June 2014 we provided $2m in operational underpinning and $1.4m in capital funding to 18 of the 35 stores we manage on behalf of communities.

The operational underpinning we provide allows stores that are not viable to continue to trade and provide food security to communities. Capital underpinning is used to replace obsolete or broken equipment that the stores under Outback Stores management cannot afford to pay for themselves. In some instances this investment assists stores to become more viable long term by reducing operating costs or increasing sales.

Many of the unviable stores we manage have poor infrastructure. Over time we have improved the infrastructure in some stores by providing funding for refurbishments and in one case a new store. The need to further improve infrastructure in old, outdated stores in communities is imperative, however, if new equipment in stores is not maintained correctly it could breakdown prematurely, resulting in reduced food supply to communities. The ABA Infrastructure program on community stores should ease the situation in the communities involved in the program. It should be noted that without accountable, competent management, some stores could still experience financial difficulties and compromise food security.

Outback Stores is very aware of potential competitive neutrality issues. While we do manage stores that compete against other stores, funding is only used on stores where a food security issue exists. This means we only provide funding where competing stores do not meet the needs of the community as assessed by the Department of Prime Minister and Cabinet.

It is important to note that Outback Stores holds a number of management contracts to manage viable stores that do not receive any operation or capital funding. These stores are operated on a commercial basis and profits are returned to the store owners. We compete with other organisations and individuals to secure these management contracts, our performance determines whether or not we retain these contracts as they are fixed term contracts that must be renewed regularly.
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