

Capacity Development for Indigenous Service Delivery
(Audit Report No. 26 2011-12)

Opening Statement by Ian McPhee, Auditor-General

JCPAA, 13 March 2013

1. Chair, members of the Committee, Audit Report No. 26 of 2011–12 considered the extent to which key departments involved with the delivery of Indigenous programs and services sought to reduce the risks posed to service delivery by potential capacity constraints in Indigenous organisations.
2. The departments involved in the audit were the: Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA); Department of Education, Employment and Workplace Relations (DEEWR); and Department of Health and Ageing (DoHA).
3. Indigenous organisations play an important role in the Australian Government's overall service delivery model, especially in remote communities. At the time of the audit, in 2010–11, an estimated \$1.34 billion in grant funding was provided to Indigenous organisations through programs administered by FaHCSIA, DEEWR and DoHA that are either Indigenous-specific or have a large Indigenous component. The capacity of these organisations to deliver services is an important factor in achieving the overall outcomes sought by the Government.

4. Where capacity constraints to service delivery exist, risks arise to the achievement of outcomes and require an appropriate response from government departments. For departments, there are two key approaches that can be undertaken to promote service delivery capacity: working actively with individual organisations to develop internal capacity; and ensuring their administrative arrangements do not unduly impact on the utilisation of capacity for service delivery.
5. The ANAO found that the three Australian Government departments had developed approaches to assessing risk associated with the service delivery capacity of organisations, but mainly in relation to internal capacity issues. In general, less attention was paid to factors which can affect the utilisation of capacity by organisations. These included: the large numbers of Indigenous programs across departments; the high number of short-term and small value funding agreements; and the amount of administration that is associated with individual funding agreements.
6. At the time of the audit, there had been some efforts by the departments undertake reforms to address administrative burdens or 'red tape'. These efforts were not uniform across departments and overall progress has been uneven.
7. Similarly, departments were implementing a range of capacity development activities. However, no department had an overarching policy which drew these efforts together or provided guidance for staff implementing capacity development activities, and there was no overarching framework at a whole-of-government level.
8. The ANAO made three recommendations which were agreed by the departments. The first and second recommendations relate to the three departments taking a longer-term view of service delivery outcomes and, where appropriate, factoring this

into program administration arrangements. The third recommendation relates to FaHCSIA leading the development of a specific capacity development strategy, and a supporting implementation approach across Australian Government departments, to address common capacity issues.

9. I and the audit team will be happy to answer any questions the Committee may have.