
A RED TAPE EVALUATION IN SELECTED INDIGENOUS COMMUNITIES

FINAL REPORT FOR

THE OFFICE OF INDIGENOUS POLICY COORDINATION

**MORGAN DISNEY & ASSOCIATES PTY LTD
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CONTENTS

Contents	2
Acknowledgements	4
Acronyms	5
Executive summary	6
<i>The evaluation</i>	6
<i>Red tape – the quantity and quality of administrative burden</i>	6
<i>Organisational cultures</i>	8
<i>The approach to reducing the burden</i>	9
<i>Conclusion</i>	12
1. Introduction	14
2: Background	18
2.1 Accountability environment for Australian Government agencies	18
2.2 Past government reports on red tape in Indigenous organisations	25
2.3 What are reasonable requirements and what is red tape	34
3: Mapping the organisations and their capacity	37
3.1 What the organisations are providing	39
3.2 Budget size of organisations	40
3.3 Sources of funds.....	40
3.4 Number of grants received	42
3.5 Size of grants	42
3.6 Governance.....	45
3.7 Capacity of the organisations	45
4: Extent of the burden on Indigenous organisations	47
4.1 Sources of grants.....	47
4.2 Grant applications	49
4.3 Reporting requirements for organisations.....	50
5: The nature of the red tape burden on Indigenous organisations	52
5.1 Views of Indigenous organisations and ICC staff	52
5.2 Time taken on applications	52
5.3 Time taken on reporting	56
5.4 Use made of reporting information by the organisations	58
5.5 Use made of reporting by the funding bodies.....	59
5.6 Multiple grants for similar purposes	61
5.7 Short form contracts for small grants	65
5.8 Capacity of the organisations in grant management and reporting	68
5.9 Perceived burdens.....	71
5.10 Performance indicators not related to activity	73
5.11 Understanding risk and developing community capacity.....	78

6: The way forward	80
6.1 How real is the experience of red tape?	80
6.2 Addressing the challenge of program funding.....	80
6.3 What are the options	81
6.4 Plan for Action	84
6.5 Possible areas for investigation	86

Appendix A: Australian & state and territory Government agencies consulted.....	90
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Appendix B: Comments on red tape definitions and examples	91
Definitions and examples of 'red tape' from ICC staff	91
Definitions and examples of 'red tape' offered by staff of Indigenous organisations	93

Appendix C : Common suggestions from ICC staff and organisations	95
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Tables

Table 1: Number of grants received by organisations.....	42
Table 2: Source of grants.....	48
Table 3: Type of funding grant	49
Table 4: Number of agencies and programs from which organisations receive grants	61
Table 5: Performance measures for family violence grants to one organisation.....	63
Table 6: Frequency of reporting for grants through PFAs.....	67
Table 7: Reporting requirements CHIP municipal services grants	67
Table 8: Reporting requirements CHIP infrastructure grants.....	67
Table 9: Reporting requirements CDEP grants	68

Figures

Figure 1: Location of organisations visited	38
Figure 2: Size of grants.....	44
Figure 3: Rating of performance indicators	75
Figure 4: Plan for Action.....	85

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ACRONYMS

AG's	Attorney General's Department
CDEP	Community Development and Employment Program
CHIP	Community Housing and Infrastructure Program
DCITA	Department of Communications, Information Technology and the Arts
DEH	Department of Environment and Heritage
DEST	Department of Education, Science and Training
DEWR	Department of Employment and Workplace Relations
DIMIA	Department of Immigration, Multicultural and Indigenous Affairs
DoFA	Department of Finance and Administration
DoHA	Department of Health and Ageing
E-sub	Electronic submission lodgement
FsCSIA	Department of Family and Community Services and Indigenous Affairs
FVRAP	Family Violence Regional Activities Program
FVPLS	Family Violence Protection Legal Service
GMS	Grants Management System
ICC	Indigenous Coordination Centre
MOU	Memorandum of Understanding
OATSIH	Office of Aboriginal and Torres Strait Islander Health
OIPC	Office of Indigenous Policy Coordination
ORAC	Office of the Registrar of Aboriginals Corporations
PFA	Program Funding Agreement
PI	Performance Indicator
PBS	Performance Budgeting Scheme
RPA	Regional Partnership Agreement
SRA	Shared Responsibility Agreement

EXECUTIVE SUMMARY

The evaluation

This evaluation of the administrative burden of government funding programs on Indigenous organisations was undertaken between mid-2005 and January 2006. The evaluation involved a sample of half of the Indigenous Coordination Centres (ICCs), and 22 Indigenous organisations in receipt of government funding and nominated by the 14 ICCs in the sample. The evaluation set out to establish the extent and nature of the administrative burden commonly known as 'red tape'. At the time the evaluation was conducted, the Office of Indigenous Policy Coordination (OIPC) sat within the portfolio of the Department of Immigration and Multicultural and Indigenous Affairs (DIMIA). The transition of OIPC to the new Department of Family and Community Services and Indigenous Affairs (FaCSIA) has created new opportunities for change.

Red tape – the quantity and quality of administrative burden

Australian Government funding programs operate under a clear accountability framework that places obligations on both the funding agency and the organisation receiving funding. We have not identified anything within this framework which, in and of itself, creates red tape or unreasonable burden on funded organisations. It is our assessment that **actual** red tape is less than **perceived** red tape, and that many of the issues raised as examples of red tape, are in fact about relationships, program management practices, and capacity of government agencies, ICCs and funded organisations. We have therefore concluded that red tape or unreasonable burden is created primarily at the operational level in how the accountability framework is translated into departmental and local practices.

We found that the extent of the administrative burden on Indigenous organisations in getting and reporting on grants was greater when:

- applications for grants are required every year, rather than on a three year basis, with the latter requiring only an annual budget update
- reporting is more frequent. However this is a necessary requirement when frequent reporting is used to monitor high risk organisations or projects.
- organisations use many sources of funds from two levels of government, each with discrete reporting requirements and discrete contact staff.

In examining the nature of the red tape or administrative burden on Indigenous organisations, we found that all organisations accepted that accountability and transparency around the use and benefits from grants funds was important and

entirely reasonable. What they did dispute is whether much of what is currently required actually assists governments or their governing bodies to manage risk, to assess what outcomes are being achieved, and therefore to account well (including to communities) for the use of funds. The evaluation team also began to question the usefulness and impact of using the term 'red tape' in the public administration discourse, given how poorly understood and misused the term appears to be as a concept and in practice.

We found that applying for, and reporting on, grants was commonly perceived to be burdensome and beset with red tape, although this was not altogether borne out by the data we collected on the time taken (and implicit cost) of these obligations.

Nevertheless, the expressed frustration, of both Indigenous organisations and ICC staff in the sample represented, around having to take time away from urgent, daily service delivery, or operational matters, to comply with conditions of grants in reporting was considerable. We identified several practices and behaviours that contribute to the frustration:

- Relatively small exposure or risk in small grants is not recognised in the way these grants are treated. This is significant because just under half the grants are for \$50,000 or less, and just over 60% are for less than \$100,000. In general, small grants are treated the same as much larger grants with, for example, similar reporting frequency, and large numbers of performance indicators for which data has to be collected: data that is not necessarily useful to the organisation in managing the grant activity. The time taken to report on the smaller grants is generally the same as for larger grants, making the cost per dollar of income very much higher on small grants than large grants.
- Annual applications are required for the 66% of grants from programs that continue year after year, even though little changes in the circumstances or risk profile of the funded organisations year after year.
- Organisations are receiving little feedback on their reports, and funding departments appear to be making relatively limited use of the information being collected. Of particular concern is that there is minimal analysis or monitoring of the cash position of the organisations, leaving one of the major risks for funding departments unmonitored, despite the effort going into reporting.
- Performance indicators are not very closely matched to funded activity in the majority of funding agreements. As reported in Section 5.10 *Performance indicators not related to activity*, a little over 75% of the schedules have a majority of indicators that are not likely to be useful in managing the activity or organisation well, or informing future policy and program settings. In effect,

this means that in 75% of the schedules, performance reporting requirements meet the generally agreed definition of 'red tape'.

On the other hand we found some examples of development of flexible practice that met accountability requirements while enabling organisations to focus on achieving outcomes for their communities. These examples are outlined in a number of places in the report—for example the practices to manage the risk of being breached provided at the end of *Section 5.8 Capacity of the organisations in grant management and reporting*.

Organisational cultures

In addition to the processes or mechanisms of program funding, which influence the burden in time and frustration on Indigenous organisations, there are some organisational cultures, expressed in behaviour and attitudes, which contribute to the perception of red tape.

The first organisational culture issue is that a recognition or understanding is needed in government of the necessity for multiple funding sources to be used to build viable programs. There is not enough recognition of this in the practice of funding agencies. It is commonly, and inevitably, the case in community based organisations in the non-government sector, that a particular strategy or service run by an organisation will be funded from multiple funding programs and that each of these several sources of funding will not be discretely tied to a unique activity which can be easily distinguished from all other activities.

Where several departments have programs with the same objectives, and each are making grants to the one organisation to fund the same activity or service, the opportunity for staff from all departments to work collaboratively to develop a single agreement and a common reporting arrangement with the one Indigenous organisation is not being taken. An example of a single agreement of funding in one of the organisations visited is provided in *Section 5.6: Multiple grants for similar purposes*.

While multiple funding sources are necessary to the financial operation; multiple bodies to deal with, multiple grants to apply for, multiple contracts with terms and conditions and multiple reports to complete creates an administrative burden for organisations which, by and large, have a relatively small administrative capability.

The second organisational culture issue is that the operating paradigm of funding agencies is one of rigid compliance, rather than of enabling communities to achieve outcomes through capacity building and development. The rigid compliance paradigm is displayed in the often less than sensible reporting requirements applied

to the Indigenous organisations. It is displayed also by departmental staff who adopt, without the application of judgement, departmental or government 'standard procedures', such as standard contracts, or standard performance indicators which do not match the project activity or purpose. Other examples demonstrating this compliance paradigm in action include putting undue emphasis on receiving reports to a rigid timeframe, or 'breaching,' without checking the actual circumstances.

While this paradigm dominates there is a risk that the focus will continue to be more on compliance than on:

- achieving outcomes for communities
- developing organisational and community capacity
- assisting organisations to deal with their very specific circumstances
- using management methods and controls that make sense for their circumstances and current capacity.

The findings from this evaluation suggest that this current paradigm contributes little to achieving real outcomes for Indigenous communities. Rather, it contributes to frustration for both organisations and funding program managers, and underlies most of the practices which we have found are contributing to red tape.

The approach to reducing the burden

We have considered three main options available to government to address some of the issues regarding red tape raised in this evaluation and in other reports and initiatives which have made similar findings. These three options are outlined in the full report. The option we propose addresses both the current compliance paradigm and the funding mechanisms. We consider that there are two strands to the approach that needs to be taken to reduce the actual and perceived burden on Indigenous organisations in getting and accounting for grants:

- the Secretaries' Group needs to examine the current paradigm of compliance that drives much current practice in accountability regimes, and consider how this paradigm
 - contributes to the real and perceived burden on Indigenous organisations,
 - reduces an emphasis on community outcomes as the major desired result of the funding
- OIPC needs to examine practices within the ICCs and work with other departments to achieve a number of actions designed to make some improvements in the mechanisms and processes around grant funding.

Improving administrative requirements, without also changing the paradigm within which these are applied to a focus on community outcomes, rather than on compliance, will not result in sufficient change to the real or perceived red tape.

A change of paradigm

We suggest that there is an alternative paradigm that is more consistent with the broader policy approach to Indigenous affairs than currently exists. This paradigm is based on the concept of mutual responsibility, and we have set out in Chapter 6 the characteristics of mutual responsibility. This paradigm shift does not require massive change, nor is it a costly option. In fact, it is a relatively low cost option, with an emphasis on change management, organisational and cultural change and training. The leadership provided through OIPC, the Secretaries' Group and the State and Territory Managers of Australian Government agencies provides a solid foundation for this shift. This cultural change would be assisted by the establishment of a service charter supported by a leadership statement from the Secretaries Group. Within the context of this paradigm shift, we suggest a number of areas for investigation that would address the structural issues and organisational behaviours which manifest in both real and perceived 'red tape'.

This paradigm shift would require:

- an ongoing commitment to finding whole of government solutions to funding and supporting Indigenous organisations and communities, and to ways of working in partnership
- a commitment to negotiating and focusing at the outset on accountability for the achievement of outcomes, rather than outputs
- negotiating, testing and evaluating alternative funding agreements across programs and agencies that focus on outcome reporting, shared risk assessment, and simplified and single reporting
- training and skill development for funding program managers and administrators in organisations
- a commitment to capacity building in Indigenous communities and organisations over time, and to creative ways of doing so, including the use of the skills and resources in the business community and initiatives in capacity building programs in the fields of international development, and volunteering
- development of the role of ICCs and OIPC at the regional and central levels in the improvement and coordination of whole of government and cross government efforts to support and fund organisations and reduce the administrative burden on organisations.

Improvement of funding mechanisms and processes

There are a number of areas of actions to improve mechanisms and processes around grant funding.

Area for investigation 1: better match the treatment of small grants to the limited risk they represent

Develop and get agreement from all agencies making grants to Indigenous organisations, regarding a policy on the treatment of small grants to Indigenous organisations. This would include using short form contracts, relating frequency or reporting to the scale of identified risks, and using performance measures and performance reporting that are commensurate with the scale of the grant given and activity undertaken.

Area for investigation 2: improve the quality and usefulness of performance indicators used

Review the guidelines for staff in OIPC and in departments located within ICCs for the application of performance indicators and performance reporting regimes to program funding agreements.

Area for investigation 3: support the implementation of improved policy and practical guidance as outlined in Areas 1 and 2 above

Develop and run a series of training sessions/modules for ICC and any other program management staff on how to formulate effective performance reporting arrangements and monitor critical risks.

Area for investigation 4: concurrently, develop a similar training program to the one in Area 3 above for managers and governance bodies of Indigenous organisations

Develop a training program for Indigenous organisations on effective performance reporting and monitoring critical risk, which could be delivered jointly by Indigenous people with relevant expertise and ICC staff. Involvement of ICC staff in running this program would be part of their role of capacity building in their fieldwork with Indigenous organisations.

Area for investigation 5: reduce the effort involved in annual appropriations and annual applications for funds

Investigate, in consultation with other departments, obtaining approval from the Minister for Finance for funding commitments to be made for more than one year. Flexibility to achieve this is currently provided for in Regulation 10 *Approval of future spending proposals* of the *Financial Management and Accountability Act 1997*. Such approval should be sought for as many programs as possible. When three year funding is implemented annual applications for the funding should not be required. Annual review of the progress towards agreed outcomes, leading to confirmation of the funding for another year, would be sufficient accountability. Currently DOHA has

three year funding allocations in place through the Office of Aboriginal and Torres Strait Islander Health (OATSIH), and DCITA is seeking Ministerial approval to make forward commitments in areas of sport, recreation and arts funding.

Area for investigation 6: *pursue the development of single agreements*

Single agreements would particularly assist situations where one Indigenous organisation is applying for and using grants from several programs with similar objectives in order to fund the same strategy or service. The single agreement could have a number of schedules to address the needs of different programs

Area for investigation 7: *give ICCs responsibility and authority in the management of relationships with funded Indigenous organisations*

Negotiate with other departments to enable performance agreements and performance reporting arrangements to be negotiated, within agreed parameters, and managed at the ICC level. It was readily observable in this evaluation, that where organisations reported strong relationships with government officers, red tape was perceived to be less of an issue than where such relationships did not exist.

Area for investigation 8: *review the budgets for and the management of resources in ICCs for making field visits*

Work with departments with staff in ICCs, and with ICC managers, to build collaboration between the departments in the best use of the resources available, to enable ICC staff to have regular face-to-face contact with Indigenous organisations that are being funded.

Further details on these areas of investigation are provided in Section 6.5 *Possible areas for investigation*. It is significant to note that these areas for action have been recommended before as explored in Section 2.2 *Past government reports on red tape in Indigenous organisations*. The *Report on the Royal Commission into Aboriginal Deaths in Custody* (1991) is a notable example¹. Similar recommendations have been made this year for reducing the regulatory burden on business in the Banks Inquiry.²

Conclusion

The findings of this evaluation indicate that there is strong interest among the various stakeholder groups to progress work on the approach to reducing red tape outlined in this report. There are examples of agencies, including in ICCs, exercising common sense and flexibility within existing frameworks and legislation, which can and have reduced the administrative load on organisations. There are some promising ideas

¹ *Royal Commission into Aboriginal Deaths in Custody, National Report*. AGPS, Canberra Vol. 4:21,1991

² Gary Banks, *Reducing the regulatory burden: the way forward*, Inaugural public lecture, Monash Centre for Regulatory Studies May 2006

on the table which could be picked up, and either tested, or implemented very quickly and with low costs. In relation to the paradigm shift many staff would welcome working out of an enabling mindset.

1. INTRODUCTION

This evaluation of the nature and extent of the administrative burden on government supported organisations providing services to Indigenous communities was commissioned in April 2005 by the Office of Indigenous Policy Coordination (OIPC). The work was undertaken over six months between July 2005 and January 2006 and involved an extensive qualitative evaluation. It has occurred in the context of major changes in the administration of Indigenous affairs and the establishment of new funding arrangements for Indigenous initiatives and services, with OIPC playing a lead role in the central coordination of Indigenous policy. OIPC has been supported in this role through the establishment of regionally based Indigenous Coordination Centres (ICCs) across Australia with a strong focus on coordinating the work of Commonwealth Government agencies at the regional level.

These new arrangements have created opportunities to address the multiple accountability requirements generated by multiple funding programs. Such requirements have existed for several decades and were not created by the new arrangements. The growth of community controlled Indigenous organisations supported with government funding has been a feature of the policy landscape for the past five decades. This growth has seen a corresponding increase in government funding programs across almost every area of public policy; from large infrastructure and health programs, to medium sized human services and education services; to medium and very small sport, recreation, arts and cultural programs. However, these trends are not unique to Indigenous affairs. Since the late 1960s and early 1970s a range of policy reforms and government initiatives have seen the expansion of non-government entities delivering government funded services, across every area of public policy. Some of the trends driving the reforms include:

- regional and community development initiatives of both Labor and Liberal governments during the 1970s and 1980s
- moves to reduce the role of government in the late 1980s and early 1990s
- emergence of competition policy and a shift to models of service purchasing in the mid to late 1990s and early 2000s
- more recent interest in community capacity building
- initiatives involving shared responsibility agreements in Indigenous policy, that promote partnerships between governments and communities.

A simultaneous interest in whole of government and integrated approaches to program and service development over the past five years has created an environment in which governments across the world are testing and evaluating new ways of working. These include improved service delivery, new approaches to

accountability and shared responsibility for improving the lives and opportunities for communities facing major challenges.

Hence the Australian Government's interest in understanding the extent and nature of the administrative burden on Indigenous organisations is timely and needs to be located in this wider context.

The evaluation was undertaken by a team managed by Morgan Disney & Associates and included Indigenous consultants with extensive knowledge of both government policy and programs and Indigenous communities.

Terms of reference

The evaluation was undertaken within the following detailed requirements:

- map contracts and funding applications including sources, value, project description and duration
- identify the number, nature and cost to the organisations of the administrative burdens funding agencies place on the specified organisations, including those relating to application processes, funding arrangements, accountability requirements, and financial and performance reporting arrangements
- report on consistencies and divergences between Commonwealth, state, territory and local funding agencies in processes and requirements
- evaluate whether the reporting and accountability requirements set by funding agencies are appropriate considering the risks, the nature of the funding arrangement, and the amount of funds involved
- determine whether the reporting and accountability requirements set by the funding agencies are sufficient to ensure that both the funding agencies and the specified organisations know they are getting value for money from the funds
- identify instances of program, contract, funding and process duplication
- estimate the costs to the specified organisations in accessing government funding (including the application process) and complying with government accountability and reporting requirements
- seek the views of the specified organisations on the current nature and level of administrative burden and government efforts to reduce that burden (including their views on the e-sub process for the 2005 funding round, if they have used it)
- seek the views of other stakeholders, including funding agencies.

Approach to the evaluation

Using a mixed methods qualitative approach the evaluation involved:

- working collaboratively with the managers of a sample of ICCs in five states, to identify organisations to participate in the evaluation
- working with OIPC to develop the sampling approach, the survey tools and methodology for the evaluation
- piloting the data collection methods in Alice Springs with four organisations, with subsequent adaptations to the tools and approach
- visiting, and collecting data from a sample of 14 ICCs, and 22 organisations in 18 communities, ranging from very small entities with a budget of approximately \$200,000 to Aboriginal corporations with budgets in excess of \$40m
- analysis of the data and testing of the findings with staff in ICCs, OIPC and other government agencies
- preparation of draft and final reports and presentations to the Executive of OIPC and the SES Band Two Taskforce.

The data collection tools were tested with OIPC prior to their use.

Limitations

The evaluation had several important limitations which need to be taken into account, namely:

- The sample of organisations visited for the evaluation were suggested by ICC managers as those in their regions that were likely to have considerable input to make on red tape and on whether there was an administrative burden on Indigenous organisations in dealing with grant funding. Before nominating them, ICC managers discussed with these organisations whether they would be prepared to participate in the evaluation.
- The sample of organisations, while chosen to reflect the diversity of organisations and communities, were, by definition, relatively high functioning. Three organisations withdrew from the evaluation as they were experiencing significant difficulties relating to governance, management or crises within the local community. The organisations which withdrew, may have revealed additional issues for organisations in difficulty, but the evaluation team and the ICC concerned were unwilling to place additional pressure on these organisations.
- The above limitation was partially addressed by a follow up survey of ICC managers to seek their assessment of what proportion of organisations in

their respective region might be similar to the organisations selected for the sample in that region.

- The relatively short time period of the evaluation required a very time-limited visit to each community and thus the views and perceptions were the best possible assessment the team was able to make within that time—a slightly longer time period may have allowed increased observation and a higher level of follow up to issues raised, including with a wider network of state and territory government funding agencies.

A list of the Australian and state and territory government agencies consulted is provided in **Appendix A**.

Definition

This report uses the term ‘grants’ throughout, while recognising that many funding programs actually use and work within the context and practices of service purchasing or funding agreements rather than ‘grants’. We have chosen to use ‘grants’ for simplicity and consistency with the Australian National Audit Office guidelines and publications related to funding. Thus ‘grants’ includes all forms of funding provided by governments at all levels.

The Evaluation Report

This report provides:

- a summary of the policy context within which the current funding arrangements are being evaluated
- a detailed description of the outcomes of the mapping of the sample of organisations
- an analysis of the findings within the terms of reference
- suggestions on ways in which the issues identified in the evaluation might be addressed in the future.

2: BACKGROUND

There are several key elements in the current environment that have a significant impact on both the reality of the funding, and the perceptions and practices of government funding agencies and specified organisations. This section outlines the background to the accountability regime in place in Australia at this point in time. This regime includes both legislation and frameworks based in administrative guidelines that aim to assist Australian Government agencies to manage all of the resources allocated to the respective portfolios. The legislative base includes overarching legislation such as the *Financial Management and Accountability Act 1997* and some program specific legislation such as that governing the Supported Accommodation Assistance Program (SAAP), Home and Community Care Program (HACC) and Community Housing Infrastructure Program (CHIP). Some of this legislation is for joint Commonwealth/State programs which are administered by the states and territories, such as SAAP and HACC.

The state and territory governments likewise have their own legislation and funding program guidelines and frameworks that apply to programs funded and administered by them. Almost every organisation visited for the purpose of this evaluation was managing grants from both the Australian Government and/or state or territory governments. In some cases an organisation was managing funding agreements with up to four jurisdictions.

2.1 Accountability environment for Australian Government agencies

The Financial Management and Accountability Act 1997 and Regulations

The Australian National Audit Office publication, *Administration of Grants: Better Practice Guide*, sets out succinctly the accountability framework within which grants programs administered by an agency should conform.³ The Foreword to the Guide acknowledges the policy goals and intentions of the Australian Government to encourage networking across service delivery and a more collaborative approach to the delivery of grants programs, 'one-stop shops' for service delivery, and on-line applications to foster responsiveness. While this guide is primarily directed at the administration of discretionary grants, it asserts that the principles outlined are relevant to other types of grants and 'to a lesser extent' other procurement processes such as contracts and outsourcing of services.

³ Australian National Audit Office, *Administration of Grants: Better Practice Guide*, Australian Government Publishing Service, Canberra, May 2002, p.2

The Guide provides extensive guidance around:

- planning funding programs, including setting objectives, accountability elements, risk assessment, performance measures and addressing value for money
- the selection process, including handling and appraising applications and funding announcements
- management of funding agreements, including the nature and form of agreements, monitoring and acquittal of funding
- evaluation of grant programs, including managing reviews and evaluations and carrying out reviews and/or evaluations.

The Guide acknowledges that the role of agencies in planning grants programs may vary considerably across agencies and that advice on planning and administering funding programs is also contestable.

The Guide summarises some of the key elements of the requirements of the *Financial Management and Accountability Act 1997 (FMA)* and regulations for grants administration. These include the obligations of Chief Executives of agencies as follows:

The FMA Act and Regulations impose a number of obligations on Chief Executives of agencies. Specifically:

- *Section 44 of the FMA Act requires Chief Executives to manage the affairs of the agency in a way that promotes the proper use of Commonwealth resources for which they are responsible. Proper use is defined as 'efficient, effective and ethical use'. It is important that grant-giving agencies define the purpose and objectives of grant programs and plan for appropriate monitoring and review mechanisms to ensure the efficient and effective achievement of funding objectives.*
- *Section 47 of the FMA Act requires that the Chief Executive must pursue the recovery of debts. One purpose of a funding agreement is to allow the recovery of unused grant funds and grant funds that have been misused.*
- *Regulation 9 of the FMA Regulations requires that public spending:*
 - *be in accordance with the policies of the Commonwealth;*
 - *make efficient and effective use of public money; and*
 - *be approved by someone with the relevant delegation.*
- *Regulation 13 of the FMA Regulations requires compliance with regulation 9 before entering into a contract, agreement or arrangement for the spending of public money. Grant administrators should ensure that mechanisms for assuring the above requirements are incorporated in selection and approval procedures, funding agreements and monitoring arrangements.*

Policy of the Commonwealth that may be relevant for funding agreements includes, but is not limited to, policy relating to:

- *workplace relations;*
- *the environment;*
- *human rights and equal opportunity;*
- *discrimination on the basis of race, sex or disability;*
- *Indigenous opportunities; and*
- *in the case of construction projects, the National Code of Practice for the Construction Industry.*⁴

The Guide also states that Chief Executives' Instructions should cross-reference these requirements as appropriate, and should include agency-specific requirements.

It is important to note that the Guide, makes it clear throughout that departments have a good deal of flexibility in the way they may meet these broad accountability requirements.

Department of Finance and Administration guidance

The Department of Finance and Administration (DoFA) has a performance management framework, updated in 2003, which sets out, in broad terms, the reporting obligations on all government agencies. This framework includes a set of principles endorsed by Cabinet Ministers, and explicitly addresses the issue of managing complexity in resource management, including funding programs. It acknowledges that no framework 'can remove all of the complexities and ambiguities of public sector management'. However it also asserts that the Australian Government's outcomes and outputs approach, in conjunction with other aspects of the reform agenda, allows agencies to manage and report on their complex obligations within a relatively straightforward framework that is structured yet flexible.⁵

The Performance Management Principles, which form part of this framework, include the following statement about administered items (which include discretionary grants):

In addition to reporting on effectiveness in achieving outcomes, administered items performance information addresses the quality, quantity and cost associated with third party outputs (such as from States, Territories and non-Government organisations) and transfer payments.

⁴ As previous, pp.6–8

⁵ Department of Finance and Administration *Administered items in Performance Reporting under Outcome and Outputs* at [http://www.dofa.gov.au/budget](http://www.dofa.gov.au/budget/groups/Commonwealth%20Budget-Overview/performance) groups/Commonwealth Budget-Overview/performance

Administered items performance information will derive from legislation, inter-governmental agreements, other contractual arrangements, or other expressions of Government policy which establish third party outputs and transfer payments.'

In the DoFA advice on the performance reporting framework, the following is relevant to this project:

Performance information for administered items generally arises from the specific circumstances and characteristics of the items themselves. It is often implicit in the relevant legislation or policy documentation what the key performance characteristics should be. A further source of such information would be in terms and conditions attached to grants and the performance criteria stipulated in inter-governmental agreements relating to transfers to the state and territory governments.

*Where possible and appropriate, indicators of quantity, quality and cost should be identified. **The test of appropriateness should be whether the proposed performance information regime will serve to enhance management decision-making, policy development and public accountability.***⁶ [our emphasis].

Government-wide policy, or requirements for reporting from non-government organisations receiving discretionary grants, is limited and is at the level of general principle only. The DoFA website contains the following advice specifically on discretionary grants:

*Discretionary grants are payments where the Portfolio Minister or paying agency has a discretion in determining whether or not a particular applicant received funding and may or may not impose conditions in return for the grant.*⁷

The Department of Finance and Administration has to report quarterly to the Australian Government on discretionary grants awarded, and so by implication, departments will have to supply that information to DoFA. However, it does not automatically follow that quarterly reports should be required of the organisations receiving discretionary grants. In 1998, a requirement was introduced to obtain prior approval of the Minister of Finance and Administration of all discretionary grants that exceed one year. Officials from DoFA have indicated however that there is flexibility under Regulation 10 *Approval of future spending proposals* of the *Financial Management and Accountability Act 1997*, and currently DoHA has three year funding allocations in place in this field through the Office of Aboriginal and Torres Strait Islander Health (OATSIH).

⁶ As above, Item 5 in *Administered items in Performance Reporting under Outcome and Outputs*

⁵As previous, Other Guidance Notes at

http://www.dofa.gov.au/budgetgroup/Other_Guidance_Notes/discretionary_grants.html

Agencies create their own Chief Executive's Instructions (CEIs) and program guidelines and therein often outline further agency-specific conditions and requirements around reporting and accountability which increase complexity for organisations.

Requirements of the Registrar of Aboriginal Corporations

Most of the Indigenous organisations included in this evaluation are registered with the Registrar of Aboriginal Corporations. The Office of the Registrar of Aboriginal Corporations (ORAC) website⁸ sets out the following advice on what records should be kept by ORAC registered organisations:

What records must be kept by the corporation?

As a Governing Committee/Board member together with the other Governing Committee/Board members, the law makes you personally responsible for keeping proper corporation accounts and records. As a committee, you must ensure the corporation keeps up-to-date financial records that:

- *correctly record and explain its transactions (including any transactions as a trustee), and*
- *explain the corporation's financial position and performance.*

Even the smallest corporation must have financial records so that:

- *true and fair financial statements of the corporation can be prepared if needed;*
- *financial statements can be conveniently and properly audited, if necessary; and*
- *the corporation can obey the tax laws and the laws on superannuation.*

What are financial records?

The basic financial records that good practice accounting might expect a corporation to keep are:

- *income and expenditure information that records all the corporations transactions;*
- *cash records — e.g. bank statements, deposit books, cheque butts, petty cash records;*
- *creditor and purchases records — e.g. purchase orders, invoices and statements received and paid, unpaid invoices, a list of all purchases, a list of all creditors and their balances;*
- *wages and superannuation records;*
- *a register of property, plant and equipment showing transactions and balances in relation to individual items;*
- *inventory records;*

⁸Office of the Registrar of Aboriginal Corporations at <http://www.orac.gov.au>

- *tax returns and calculations — e.g. income tax, group tax, fringe benefits tax and GST returns and statements; and*
- *deeds, contracts and agreements.*

Organisations are advised, via the website:

to seek professional advice if they have any doubt about the content or type of financial records to keep. The list above gives examples only, because the financial records you need will vary from corporation to corporation.

In June 2005, the *Corporations (Aboriginal and Torres Strait Islander) Bill 2005*⁹ was introduced into the Australian Parliament as a result of a review of the *Aboriginal Councils and Associations Act 1976* (the ACA Act), completed in 2002. It is expected that the Bill will be passed and come into effect in 2006.

The provisions of the Bill that are particularly relevant to this evaluation are those on reporting relationships that have the following features:

- The reporting requirements under the Bill will be tailored to the size of a corporation: large, medium or small. For example, small corporations will only have to provide a minimum general report and no audited financial statements. In contrast, large corporations will still have to submit audited financial statements.
- The provision for a general report in the Bill is a new requirement and will contain the basic details of the corporation.
- The Bill will allow greater flexibility in the determination of reporting requirements through the use of regulations and provides for consolidated financial reports for corporate groups.
- The Bill gives the Registrar greater powers to require additional reports or to exempt a corporation, or individuals, from reporting requirements.
- New provisions, based on the Corporations Act, will regulate the operations of an auditor of a corporation.

The evaluation team is aware of recent work in Queensland to examine red tape in Indigenous organisations, however this work was not publicly available at the time of writing. Informal briefings on this initiative suggest that the issues being addressed in that examination are a combination of:

- organisational capacity and skills issues

⁹ Australian Government Publishing Service, *Corporations (Aboriginal and Torres Strait Islander) Bill 2005*, at http://www.orac.gov.au/publications/legislation/CATSI_Bill2005.pdf

- complexities related to the Local Government Act and other Queensland specific legislation
- issues related to the higher level of responsibility many Indigenous organisations, and therefore communities, have for providing services which the broader Australian population access from mainstream services. These include income support through Centrelink, health through GPs and community health centres, and infrastructure services, including public housing, public utilities and public transport.

Other issues related to red tape such as multiple reporting, lengthy submissions for small amounts of funding and different data systems for similar programs are part of that examination.

Requirements of other registered entities

Other requirements for registered legal entities within respective states or territories are located in the legislative framework for incorporated associations, or companies established under the Australian Securities Commission (ASIC).

The requirements for incorporated associations are relatively minimal and include:

- provision of some form of annual report and annual audited financial statements, these are almost always the same documents provided to members at Annual General Meetings and in the main are considered onerous
- provision of information related to changes in office holders, contact details or change of public officer
- changes to constitutions.

The basic reporting requirements of registered companies include:

- any annual general meeting minutes
- annual audited financial and taxation returns
- changes related to contact details
- minutes of key decisions or changes, such as any related to the legal instrument establishing the company and changes of directors.

All entities must comply with tax-related returns to the Australian Taxation Office (ATO), such as Business Activity Statements (BAS). Entities registered as companies are often larger entities with greater capacity through having greater infrastructure and resources.

Most jurisdictions have model rules for incorporated associations which guide the conduct of governing committees concerning public scrutiny, accountability to members and due diligence. In the main, these are not considered onerous and are often seen as providing guidance for governing committees seeking to implement good governance and accountability. However, most small, incorporated non-government organisations across Australia require training and support to comply with and implement good governance.

2.2 Past government reports on red tape in Indigenous organisations

Concern about red tape has arisen in the context of government initiatives aimed at integrating government services to Indigenous organisations. There has been a considerable body of previous work and literature on the topic of red tape, including recommendations for: reducing the burden, budget allocation and the importance of whole of government approaches to dealing with Indigenous issues and organisations. These efforts can be traced back to 1939.

In 1939, John McEwen announced a 'New Deal' for Aboriginal people. This approach mapped the benefits of a whole of government approach to many issues confronting Indigenous people. The Second World War and a failed 1944 Referendum to transfer the process for Aboriginal affairs to the Commonwealth delayed this¹⁰. In the early 1990s, the Industry Commission's Inquiry into Charitable Organisations documented the evolution of the funding relationships between governments and non-government organisations over the previous two decades. It is significant to note that the report of the Inquiry raised many of the issues explored in this evaluation related to red tape.¹¹

The Royal Commission into Aboriginal Deaths in Custody (1991) recommended that federal, state and territory governments introduce triennial block grant funding for Indigenous organisations, giving communities, *'the greatest freedom possible to decide for themselves the areas in which funds should be spent'*. It also recommended that:

*wherever possible this funding be allocated through a single source with one set of audit and financial requirements but with the maximum devolution of power to communities and organisations to determine the priorities for the allocation of such funds.*¹²

¹⁰ Kerry Arabena, *Not Fit for Modern Society: Aboriginal and Torres Strait Islander people and the new arrangements for administration of Indigenous Affairs*. Research Discussion Paper Number 16, Australian Institute of Aboriginal and Torres Strait Islander Studies, Canberra, 2005

¹¹ Industry Commission, *Charitable Organisations in Australia: An Inquiry into Community Social Welfare Organisations*, Canberra, October 1994

¹² Royal Commission into Aboriginal Deaths in Custody, *National Report*. AGPS, Canberra Vol 4:21, 1991

In 1993, the Commonwealth Grants Commission conducted a review of the distribution of funds between the states and territories. A number of Aboriginal people appeared before the Commission in Darwin in December 1992. Among the proposals suggested by these people and their organisations was the need for:

*a system of block funding to be introduced in the context of the current multiplicity of funding sources which involve different levels of government, and what financial, administrative and accounting practices would need to be implemented.*¹³

The Aboriginal and Torres Strait Islander Social Justice Commissioner of The Human Rights and Equal Opportunity Commission has been including observations and recommendations on accountability and red tape in annual reports since 1994. The 1994 report stated that:

*The final component is the need for governments to work out how they can effect the changes articulated by Indigenous peoples in terms of their own policies and the overall framework of government.*¹⁴

In 1995, the Report stated that funding arrangements for the delivery of programs and services by all levels of government:

*are inadequate and inequitable; are far too complex; impose unnecessary administrative burdens on communities and organisations; and, most importantly, restrict the opportunities for greater control at the local level.*¹⁵

The 2004 HREOC Report includes a whole chapter on 'Implementing new arrangements for the administration of Indigenous affairs'. One of the recommendations is that the Government focus on:

*processes for establishing regional need and allocating funding on the basis of such need through a single budget submission process'*¹⁶

The Commonwealth Grants Commission, in its 2001 *Report on Indigenous Funding*¹⁷, recommended that the following principles guide service delivery to Indigenous peoples to ensure that programs better aligned funding with need:

- the full and effective participation of Indigenous peoples in decisions affecting funding distribution and service delivery
- a focus on outcomes

¹³ Commonwealth Grants Commission, *Report on General Revenue Grant Relativities*. CGC, Canberra, 1993

¹⁴ HREOC, *Annual report 1994*

¹⁵ HREOC, *Annual report, 1995*

¹⁶ HREOC, *Annual Report, 2004*

¹⁷ Commonwealth Grants Commission, *Report on Indigenous Funding*, at http://www.cgc.gov.au/IFI_Pages/ifi_final_report_complete.htm

- ensuring a long term perspective to the design and implementation of programs and services, thus providing a secure context for setting goals
- ensuring genuine collaborative processes with the involvement of government and non-government funders and service deliverers to maximise opportunities for pooling funds, as well as multi-jurisdictional and cross-functional approaches to service delivery
- recognition of the critical importance of effective access to mainstream programs and services, and clear actions to identify and address barriers to access
- improving the collection and availability of data to support informed decision-making, monitoring of achievements and program evaluation;
- recognising the importance of capacity building within Indigenous communities.

Gary Banks, Chairman of the Productivity Commission, noted in 2003, while reporting on reducing disadvantage in Indigenous communities, *'there is now recognition that fragmented 'silo' approaches have not worked and more co-ordination is needed.'* He further suggested that, *'governments can never be sure exactly how policies or programs will play out or what side-effects they may have'*, and that development of good policy is reliant on a sound understanding of likely effects which can only be developed through ongoing and meaningful consultation and *'serious listening'*.¹⁸

During the final writing process for this evaluation on red tape, Banks gave a lecture on the inquiry into the regulatory burden on business that he had just completed as Chairman of the Regulation Taskforce; this report which was presented to the Australian Government in March 2006.¹⁹ Many of the findings are similar to those for this evaluation particularly in relation to the reporting burden, the need for a paradigm shift and the pressure to regulate as a response to various forms of pressure. His paper sets out principles of good regulation which are relevant in this context also.²⁰

State government efforts—Queensland as a case study

In 1999, the Queensland Government agreed to forge partnerships with Indigenous communities as an alternative to traditional methods of planning service delivery, and to find better ways for funding and services to be organised. Justice Fitzgerald undertook the *Cape York Justice Study Report* for the Queensland Government in

¹⁸ Gary Banks, *Indigenous disadvantage: assessing policy impacts*. Speech to the Conference: *Pursuing Opportunity and Prosperity*, Melbourne 13 November 2003

¹⁹ Gary Banks, *Reducing the regulatory burden: the way forward*, Inaugural public lecture, Monash Centre for Regulatory Studies May 2006

²⁰ As previous pp 10-11

2001.²¹ One of the relevant recommendations of this report was that there should be attempts 'made to streamline Commonwealth and state funding arrangements in Cape York communities'. Another, in Chapter 5 of the report, was that 'feasible ways should be found to help support the administrative burden councils carry, and free resources for social development'.

In the final recommendations, the report recommended the establishment of a Cape York Coordination Unit:

It is inefficient and costly for each small community to have to search out opportunities and engage in the voluminous paperwork needed to obtain funding. The Coordination Unit should provide this service to the communities, free of charge.

The report also recommended that the Coordination Unit should provide financial administrative and management training and mentoring to community organisations.

Current initiatives in reducing red tape - Commonwealth agencies

There are many current initiatives that are relevant to this evaluation.

One of the Australian Government's current strategies is *Connected Government*. In a speech made at the Connecting Government Conference in 2005, the Secretary of the Department of Education, Science and Training, Lisa Paul, stated:

*this aims to find ways to integrate policy and programs between portfolios and achieve more efficient and effective implementation and service delivery. It signals an important paradigm shift – where public servants move beyond agency-bound limits to their thinking and embrace problem solving that is integrated, efficient and focused on achieving shared outcomes across portfolios and across jurisdictional boundaries.*²²

Working Together is another Commonwealth whole of government initiative. A recent joint communication from all portfolio secretaries said that 'all Australian Public service employees need to look beyond the immediate interests of their own organisation to the broader context.'²³ It goes on to provide practical guidance on ways to achieve the best results from our collective endeavours.

The Australian Government has established a Management Advisory Committee for the *Connected Government* initiative:

Whole of government denotes public service agencies working across portfolio boundaries to achieve a shared goal and an integrated government response to

²¹ Fitzgerald, *Cape York Justice Study Report*, Queensland Government, at <http://www.communities.qld.gov.au/community/publications/capeyork.html>

²² Lisa Paul, *Creating a culture for success*, IPAA SA Connecting Government Conference, Adelaide, April 2005

²³ Australian Government at <http://www.connected.gov.au/>

particular issues. Approaches can be formal and informal. They can focus on policy development, program management and service delivery. Agencies are being encouraged to share information, expertise and ideas so that the increasing volume of research on the organisation of whole of government approaches can be collected once but used many times.

Dr. Peter Shergold, in a 2005²⁴ presentation on the whole of government approach in delivering services to Indigenous Australians stated that:

- there are too many silos, and there is too little collaboration, between agencies and between jurisdictions
- there is too little recognition of complementary nature of Indigenous-specific funding
- accountability is misdirected e.g. process not outcomes, appropriateness not effectiveness
- policy is not fully effective e.g. national not local, grants not contracts, passive welfare not economic opportunity, dependence not responsibility.

On 15th April 2004, the Australian Government announced sweeping reforms to the way in which services would be delivered to Indigenous Australians. The government stated that it wanted to find better ways to work with Indigenous people, including sharing responsibility for making real and beneficial changes in people's lives.

Under the new arrangements, the government established Indigenous Coordination Centres (ICCs) in 29 regions to replace ATSIC Regional Offices. Each of these ICCs are to coordinate Australian Government program funding and services to local Indigenous people. Programs previously delivered by Aboriginal and Torres Strait Islander Services (ATSIS) were devolved to mainstream departments. The ICCs are to work with local Indigenous communities and negotiate regional and local agreements for effective partnerships based on shared responsibility. Some government agencies have located regional staff within ICCs. Each ICC has a dedicated manager employed through OIPC.

The aim of the ICC Manager's job is to engage Indigenous people and communities about their ideas and to negotiate Shared Responsibility Agreements (SRAs). The ICC Manager is also charged with making sure that each government department works cooperatively to support communities or groups in implementing their SRA.

²⁴ Dr. Peter Shergold, *Delivering services to Indigenous Australians: a whole-of-government approach*, Conference presentation, Department of the Prime Minister and Cabinet, 2005

By working this way, the government aims to coordinate funding and help reduce the red tape that communities have faced. These new arrangements were implemented in 2005.

The Australian Government stated that it had to work differently — in partnership and sharing responsibility with Indigenous people — not just providing project money and walking away from communities. This new approach aims to get community members working towards common community goals that would improve outcomes for people in the community. Government wanted to listen to communities about their priorities, and work out together, how improvements could be made.

In addition to these whole of government initiatives there are some red tape reduction projects occurring within Commonwealth agencies. FaCSIA has a *Red Tape Reduction Initiative*. This program has identified standardising reporting requirements, funding arrangements and consistency in review activities as critical issues. Service providers and peak representative bodies have until June 2006 to contribute their ideas, with the aim of implementing practical actions as the work progresses. In December 2005, the Minister for Family and Community Services opened the first of eight planned Round Table meetings of service providers in Melbourne to consider opportunities to streamline and simplify processes where possible, within the context of the FaCSIA *Red Tape Reduction Initiative*.

Some of the issues identified in the summary of the meeting²⁵ are consistent with issues being addressed in this evaluation, such as multiple or varying reporting, use of program data, and repeated reporting. Evidence suggests that some of these issues are more related to cross sectoral relationships such as communication between levels of government, information sharing, organisational capacity and expectations, than to red tape.

The Office of Aboriginal and Torres Strait Islander Health (OATSIH) in the Department of Health and Ageing has introduced a single funding agreement, together with a *Service Development Reporting Framework* and quality improvement initiatives. State and territory offices are to introduce a single contract and simplified reporting requirements for organisations. The objectives include:

- creation of a nationally consistent framework for reporting outcomes
- strengthening of planning support for each service
- increased funding integration within services

²⁵ Department of Family and Community Services, Executive summary of *First Round Table Discussion*, Melbourne, 14 December 2005, provided to Evaluation Team

- improved and simplified reporting requirements between states and territories and the Commonwealth.²⁶

There may well be other initiatives in other agencies.

Current initiatives in state and territory governments

Queensland

Meeting Challenges, Making Choices (2002) is the Queensland Government policy response to the Fitzgerald Cape York Justice Study referred to earlier. This policy document states:

Fragmented funding sources have led to a silo mentality...rather than narrow specialists, it has been proposed that good resource people who are able to work across a number of discipline boundaries, and who are regarded as social entrepreneurs rather than welfare bureaucrats are needed...

It is suggested that government agencies work cohesively together with each community to agree on a set of indicators, a process of monitoring results against indicators, and an avenue to ensure effective monitoring by the auditor-general.²⁷

The Queensland Government is:

presently trying:

- *a clear linking of funding to desirable outputs and outcomes;*
- *a commitment to evaluate Government programs to ensure they have agreed impacts*
- *the recognition of a need for integrated seamless funding and services responses at the community level.*

Initiatives include the establishment of the Community Engagement Division and a Cape York Coordination Unit. One of the aims of this unit is better coordination of government programs and funding sources.

Better outcomes through genuine partnerships is a priority for the Queensland Department of Aboriginal and Torres Strait Islander Policy (DATSIP). One of DATSIP's key roles is to bring individuals, groups, agencies and all levels of government together to ensure everyone's efforts are coordinated, in order to achieve the best results.

²⁶ Office of Aboriginal Health, Western Australia at www.aboriginal.health.wa.gov.au/htm/news/2005/OATSIH

²⁷ Queensland Government, *Meeting Challenges, Making Choices*, Themes for reform include re-orienting service delivery at http://www.healthinonet.ecu.edu.au/html/html_bulletin/bull_34/bulletin_webreviews.htm

*Partnerships Queensland: Future directions framework for Aboriginal and Torres Strait Islander Policy in Queensland 2005-2010*²⁸ was endorsed by the Queensland Government in November 2004 as a new way of doing business. *Partnerships Queensland* draws major Queensland Government policies and programs together into a single framework, including the *Ten Year Partnership*, *Cape York Partnerships*, and *Meeting Challenges, Making Choices*.

Negotiation Tables are also part of the community engagement process. These are chaired by a Director General of a Queensland Government department and provide a mechanism to draw together the efforts and contributions of state and federal government departments, and regional and local Indigenous organisations, to improve the quality of life for people in particular communities. There is a Negotiation Table process underway for Palm Island and another for Mapoon, both of which were visited as part of this evaluation.

Western Australia

The Government of Western Australia developed a plan in 2003 titled *Better Planning, Better Services: A Strategic Planning Framework for the Western Australian Public Sector*.²⁹ One of the goals is 'to govern for all Western Australians in an open, effective and efficient manner that also ensures a sustainable future'. Among the strategies are whole of government approaches to planning, decision making and resource allocation, and reduced red tape and compliance costs.

Northern Territory

In 2002, the Thamarrurr Regional Council established a forum with strong participation from the local community and representatives from various employment, training, and education providers, and key government agencies. They began to work towards a single agreement on an employment and education strategy in the community.

The workshop, while generating significant discussion and a high level of community commitment to improving employment, education and training outcomes, also recognised the complexity involved in this area.

The main elements of the strategy were to:

- establish effective school to work transition strategies for young people at the local school

²⁸ Queensland Government, at <http://www.datsip.qld.gov.au/partnerships/partnerships.cfm>

²⁹ Department of Premier and Cabinet, *Better Planning, Better Services*, Western Australia Government, 2003 at <http://www.dpc.wa.gov.au/psmd/pubs/psrd/spfnov03.doc>

- determine strategies to increase the number of local people working in local businesses and organisations
- ensure that local people obtain positions when new government services or programs are implemented
- maximize local employment and participation of local people in new or emerging enterprise development.

The process of developing the initiative began under the COAG trial arrangements for Wadeye. It involved the Thamarrurr Regional Council formally appointing an Employment and Training Committee to undertake the development and oversight of a formal Employment and Training Strategy. A senior member of the Thamarrurr Regional Council has been given responsibility to lead the Employment and Training Committee. The Thamarrurr Regional Council also appointed Group Training Northern Territory to undertake a range of priority employment, education and training initiatives, including the development of a business plan.

A formal Memorandum of Understanding (MOU) between the Thamarrurr Regional Council and Group Training Northern Territory (GTNT) was established to focus effort on agreed priority areas. The Department of Education, Science and Training (DEST) and the Department of Employment and Workplace Relations (DEWR) funded the Thamarrurr Regional Council under the MOU arrangements to engage Group Training Northern Territory for the agreed priority areas of action.

The COAG partners, in particular the Australian Government through FaCSIA (which was the lead agency for COAG in the Northern Territory), DEST, DEWR, and the Northern Territory Department of Employment, Education and Training, appointed ex-officio members to the Employment and Training Committee to provide advice and guidance as the Committee developed its role.

Once all the MOUs between the agencies providing funding were in place, FaCSIA worked with the Australian Government Solicitor to develop a draft contract that would allow all the Australian Government and Northern Territory agencies involved to enter into a single contract to allow the delivery of employment, education and training Services. These services were specified in a three year business plan which was fully developed as part of the process.

The single funding contract was never signed, although two key officers from different agencies retained a keen interest in the status of this agreement. The evaluation team explored the reasons for this outcome with current key officers in several agencies. The most likely explanation is that the agreement was lost due to several changes of officers in all agencies, over time, and during the change from ATSIC to OIPC. There is some renewed current interest within OIPC to examine

what can be learned from this. In particular it would appear that it was not signed because such an undertaking is not possible within financial and legal parameters, and possibly because it was unusual and required a number of parties to maintain support and focus through the final signatory and implementation process.

2.3 What are reasonable requirements and what is red tape

There is an administrative load for both funding organisations and the recipients of funding associated with grants programs—some necessary and some unnecessary.

Early in the evaluation, we encountered very different perceptions and understandings of the term ‘red tape’ and spent some time in the research phase testing how stakeholders understood, described and talked about ‘red tape’. In some cases it was clear that some organisations regarded all administrative work associated with receiving and expending a grant as red tape. For example, one definition was *‘everything that gets in the way’* and another, *‘absolute burden of paperwork and accounting processes that we place on organisations’*. Others however, had more conventional definitions of ‘red tape’, for example, *‘duplication by each department’*.

We considered it important to try to clarify what ‘red tape’ meant to stakeholders and to explore how perceptions and different understandings impacted on the findings of this evaluation. In the course of the evaluation, we aimed to draw a distinction between what was a reasonable requirement and what was an unnecessary impost or burden on Indigenous organisations.

The administrative load for the organisation derives from the reasonable requirements that a government or funding body provide evidence that:

- the policy objectives set for a program are being achieved
- fundamental objectives of the government in the public interest, such as equity and fairness in distribution of opportunities, are met
- there is transparency and accountability in the allocation and use of government funds according to the purpose for which they were given
- risk to the public interest is being mitigated and managed.

In much public administration, there is a balance to be found between flexibility in how things are done (and the inevitable difference from one location to another that results from that flexibility) and aiming for consistency through having relatively inflexible rules. However one of the difficulties with giving priority to consistency is that, treating different organisations the same way may create inequity.

It is against this context of reasonable requirements that we sought to define what is unnecessary burden and therefore, by definition, red tape.

The Oxford English Dictionary on Historical Principles³⁰ defines 'red tape' as:

excessive bureaucracy or adherence to formalities especially in public business' - derived from the tape of a red colour commonly used to secure official and legal documents.

Merriam-Webster Online Dictionary³¹ defines 'red tape' as:

official routine or procedure marked by excessive complexity which results in delay or inaction.

The American Heritage Dictionary of the English Language (4th ed) defines 'red tape' as:

the collection of sequence of forms and procedures required to gain bureaucratic approval from something, especially when oppressively complex and time-consuming.

The Encyclopaedia Britannica³² refers to the work by the American sociologist Robert Merton, who emphasized the red tape and inefficiency of bureaucracy due to blind conformity to procedures.

Working definition of 'red tape' for this evaluation

Using these definitions, and taking account of the concept of necessary and unnecessary administrative load, and the principles of the performance management framework articulated by DoFA, leads us to identify as red tape (and therefore an unreasonable burden), certain practices concerning grants made to, Indigenous organisations which are:

- excessively complex and time consuming and thus out of proportion to the assessed risk and amount of funding concerned
- applied without judgement as to their appropriateness or usefulness in the situation to which the practice is being applied or the value to the funded organisation
- causing avoidable or unnecessary delays which impact adversely on service delivery
- requiring information or reporting which will not enhance management decision making, policy development and public accountability.

³⁰ *New Shorter Oxford English Dictionary on Historical Principles*. Oxford, Clarendon Press, 1993.

³¹ <http://www.m-w.com/dictionary/red%20tape>

³² <http://www.britannica.com/search?query=red+tape&ct=&searchSubmit.x=5&searchSubmit.y=7>

Using the above understanding we set out to test how stakeholders explained and described 'red tape'. We asked ICC staff and staff in Indigenous organisations to tell us how they defined 'red tape'. We found a very confused set of understandings, with the majority of people articulating frustrations in relationships or processes, irritations regarding what the evaluation team believe are reasonable requirements, or opinions about efficiency or effectiveness of government officers. A small sample of the definitions offered include:

- *hurdles, barriers, frustrations*
- *semantics with words—backwards and forwards because of strict rules and nitpicking*
- *everything has to be justified—making sure that people are not ripping off the system*
- *duplication by each department*
- *rigid interpretation of program guidelines—meant to be guidelines NOT the only way*
- *need to have a paper trail, but much of it is unnecessary – it sets its own regime*
- *we start from programs, not from clients, and that is a major cause of red tape and burden*
- *at the moment we are managing process not risk; how we manage risk and what level of risk the government is willing to wear, is the key to what is red tape.'*

While some of the definitions and examples from both ICC staff and the staff of Indigenous organisations were consistent with the definition that we proposed above, the breadth of views and comments also demonstrate the confusion and diversity of understandings, misunderstandings, and interpretations in existence.

What was very significant was that no organisation disputed the right of governments to require accountability for the use of public funds. All organisations in fact argued that accountability was important and a reasonable expectation. What they did dispute is whether much of what is currently required actually assists governments or their governing bodies to manage risk, assess what outcomes are being achieved, or account well, including to communities, for the use of funds. The evaluation team also began to question the usefulness and impact of using 'red tape' in the public administration discourse, given how poorly understood and misused the term appears to be as a concept and in practice.

3: MAPPING THE ORGANISATIONS AND THEIR CAPACITY

Based on the recommendations of ICC managers and using the criteria of diversity of size, geography and organisational type, the evaluation implemented the sampling approach to assessing the impact on 22 organisations in 18 different Indigenous communities in five jurisdictions.

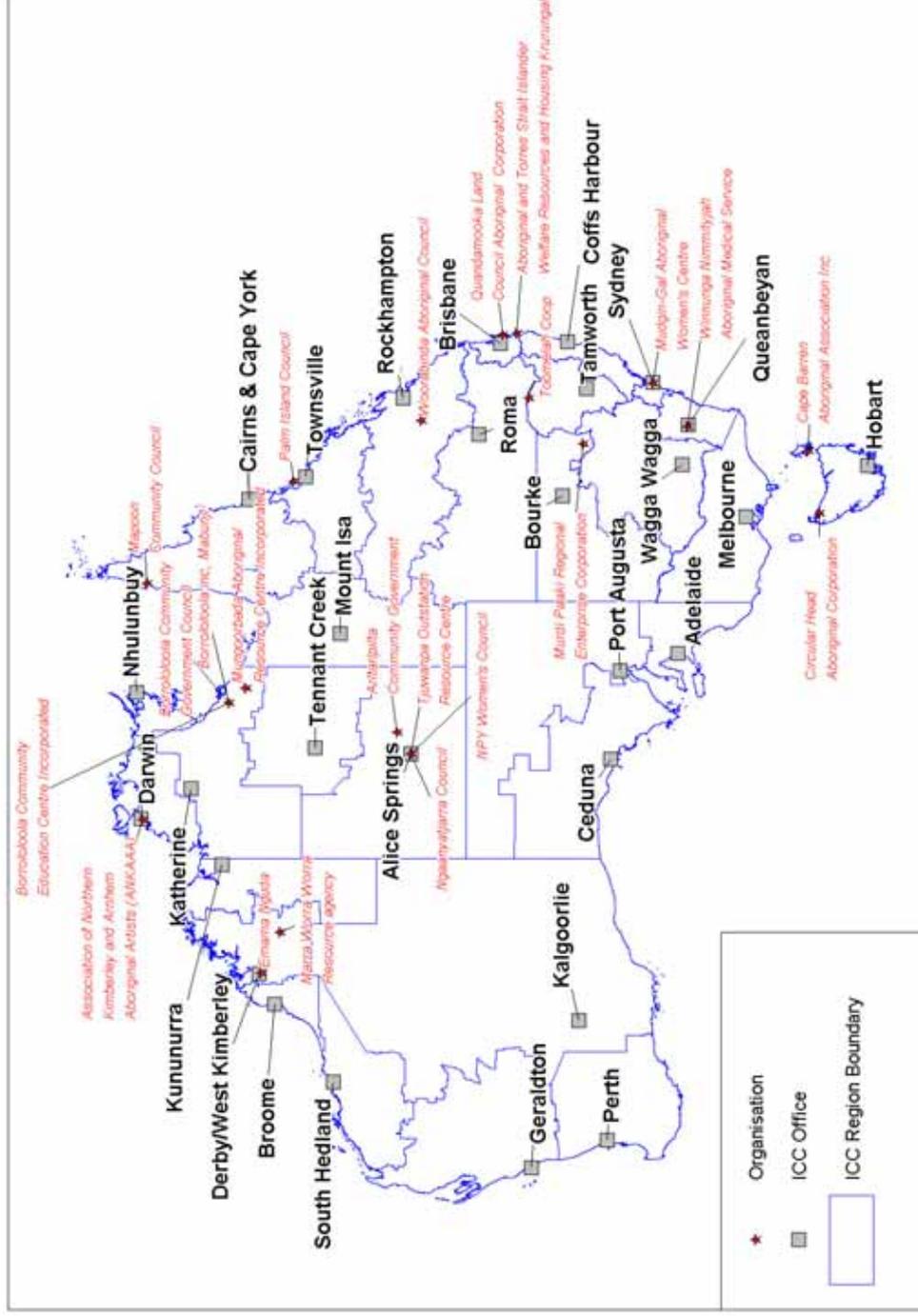
These were located in Queensland, Northern Territory, Western Australia, Australian Capital Territory, Tasmania and New South Wales.

The organisations were:

- Aboriginal and Torres Strait Islander Corporation for Welfare, Resources and Housing, Krurungal
- Arltarlpilta Community Government Council
- Association of Northern, Kimberley and Arnhem Aboriginal Artists
- Borrooloola Community Education Centre
- Borrooloola Community Government Council
- Cape Barren Aboriginal Association
- Circular Head Aboriginal Corporation
- Emama Nguda Aboriginal Corporation
- Mabunji Aboriginal Resource Association Inc.
- Mapoon Community Council
- Marra Worra Worra Aboriginal Corporation
- Mudgin-Gal Aboriginal Women's Centre
- Mungoorbada Aboriginal Resource Centre Incorporated
- Murdi Paaki Regional Enterprise Corp.
- Ngaanyatjarra Council
- NPY Women's Council
- Palm Island Aboriginal Council
- Quandamooka Land Council Aboriginal Corporation
- Tjuwanpa Outstation Resource Centre (TORC)
- Toomelah Co-operative
- Winnunga Nimmityjah Health Service
- Woorabinda Aboriginal Council.

The organisations and respective ICCs are shown on the map in Figure 1.

Figure 1: Location of organisations visited



Based on ICC Region Boundaries
 Source: ASGC
 Produced by: OIPC
 © Commonwealth of Australia, 2006

3.1 What the organisations are providing

The range of funded programs offered by organisations varies considerably from small and highly focused activities, such as arts and crafts at the Association of Northern, Kimberley and Arnhem Artists; and education services at Borroloola Community Education Centre; to 39 different programs provided by NPY Women's Council and 33 programs provided by Mabunji Aboriginal Resource Association.

Community Development Employment Program, (CDEP), housing and housing infrastructure,, are examples of services offered by a number of the organisations visited. Others include:

- aged care
- arts and crafts
- children's, youth and family services
- construction and maintenance
- disability services
- education, training and employment services
- health services
- interpreting and language services
- media and communication
- men's services
- municipal services
- sport and recreation
- tourism
- transport
- women's services.

In addition to these services, some organisations report participation in the delivery of family violence prevention services, drug and alcohol services, crime reduction programs such as the night patrol in Bourke, STEP³³ programs, HACC programs, operation of a safe house, mud crab fishing, and provision of essential services such as water and electricity. Secretariat and advisory services are also provided through organisations to governance bodies and other organisations. Examples include:

- Mapoon Community Council, which provides a governance service
- Murdi Paaki Regional Enterprise Corporation, which provides a secretariat service to the Regional Council, and to the community working parties throughout the Murdi Paaki region.

³³ Structured and Employment and Training Program (STEP) funding through DEWR

3.2 Budget size of organisations

The organisations visited during the evaluation varied considerably, from small entities with a limited number of programs and funding, to larger enterprises attracting funding from a range of government sources.

The size of the budgets managed varied; from Quandamooka with an annual grant income of \$50,000–\$100,000 across two programs, to larger scale enterprises such as Murdi Paaki and Ngaanyatjarra, managing in excess of \$40 million per annum.

3.3 Sources of funds

The largest grants administered by organisations were CDEP grants from DEWR and the majority of these are going to locations that are geographically distant from employment centres. The organisations receiving CDEP funding included:

- Arltarlpilta Community Government Council, Harts Range
- Emama Nguda Aboriginal Corporation, Derby
- Mabunji Aboriginal Resource Association, Borrooloola
- Marra Worra Worra, Fitzroy Crossing
- Mungoorbada Aboriginal Resource Centre, Robinson River
- Murdi Paaki Regional Enterprise Corporation, Bourke
- Tjuwanpa Outstation Resource Centre, via Hermannsburg.

Of these DEWR grants, funds were allocated in two discrete programs: for CDEP wages and CDEP management respectively.

A number of organisations are effectively fulfilling the functions of a municipal council. Significant funding was also provided through the FaCSIA *Community Housing and Infrastructure Program* for the delivery of housing and housing infrastructure, municipal services such as electricity and water, and other essential services. State and territory governments are also contributing to the provision of housing and housing infrastructure, and essential services. Examples include: the Queensland Departments of Local Government and Planning, Main Roads, and Housing; the Northern Territory Department of Local Government; and the WA Department of Housing and Works.

There is a link at a number of locations between CHIP and CDEP funding sources, in that CDEP grants fund much of the labour for delivery of municipal and infrastructure services.

Health and wellbeing are the focus of funding for a range of organisations, with funding being provided through DOHA and states and territories through, for example, the Northern Territory Departments of Community Development, Sport and Cultural Affairs and Health, Community Services and Police; ACT Departments of Health, and Disability, Housing and Community Services; Queensland Department of Health; NSW Department of Community Services; South Australian Department of Human Services; and the Tasmanian Department of Human Services. These grants range in size from \$3,000 to \$333,000.

The Department of Communication, Information Technology and the Arts (DCITA) is providing funding to 10 of the 22 organisations, with grants ranging from \$3,300 to \$81,400.

The Australian Government provided other grants through:

- Attorney General's Department (3 organisations)
- Centrelink (1 organisation)
- Department of Education, Science and Training (1 organisation)
- Department of Immigration and Multicultural and Indigenous Affairs (7 organisations)
- Department of Natural Resources, Environment and Heritage (2 organisations)
- Department of Primary Industries (1 organisation).

State and territory governments also provided grants:

- Arts SA
- Northern Territory Grants Commission
- Northern Territory Indigenous Housing Authority
- Northern Territory Tourist Commission
- Queensland Departments of Aboriginal and Torres Strait Islander Policy Development; Employment and Training; Development and Innovation; Families' Innovation and Information Economy; Sport and Recreation
- Western Australia Office of Aboriginal Development.

While a number of organisations spoke of some engagement with local governments, this was generally not a common funding arrangement outside the Queensland organisations that are fulfilling local council roles.

One organisation has been able to secure funding from private or charitable entities, such as Caritas, WA Lotteries, Telstra, and the SA Community Benefit Fund. Two organisations also report small grants from the Australia Day Council.

3.4 Number of grants received

There are a total of 336 grants going into the 22 organisations visited. We asked organisations how many grants they currently managed; all were able to provide us with the total number for 2005/06. The number of grants received is shown in Table 1.

Table 1: Number of grants received by organisations

Organisation	Total grants received 2005/06
Aboriginal and Torres Strait Islander Corporation for Welfare, Resources and Housing Krurungal	4
Arltarpilta Community Government Council	26
Association of Northern, Kimberley and Arnhem Aboriginal Artists	5
Borroloola Community Education Centre	12
Borroloola Community Government Council	14
Cape Barren Aboriginal Assoc. Inc	4
Circular Head Aboriginal Corporation	12
Emama Nguda Aboriginal Corporation	6
Mabunji Aboriginal Resource Association Inc.	33
Mapoon Community Council	28
Marra Worra Worra Aboriginal Corporation	9
Mudgin-Gal Aboriginal Women's Centre	7
Mungoorbada Aboriginal Resource Centre Incorporated	9
Murdi Paaki Regional Enterprise Corp.	17
Ngaanyatjarra Council	40+ but 4 only as part of this study
NPY Women's Council	39
Palm Island Aboriginal Council	10
Quandamooka Land Council Aboriginal Corporation	2
Tjuwanpa Outstation Resource Centre (TORC)	7
Toomelah Co-operative	3
Winnunga Nimmityjah Health Service	27
Woorabinda Aboriginal Council	22

3.5 Size of grants

Within organisations, there is also considerable variation in the size of grants. For example, Arltarpilta Community Government Council manages 26 programs amounting to \$1.15 million in grants annually, ranging from \$500 from the Australia

Day Council to \$333,000 from the NT Department of Community Development, Sport and Cultural Affairs. Four of their grants are for amounts of less than \$10,000.

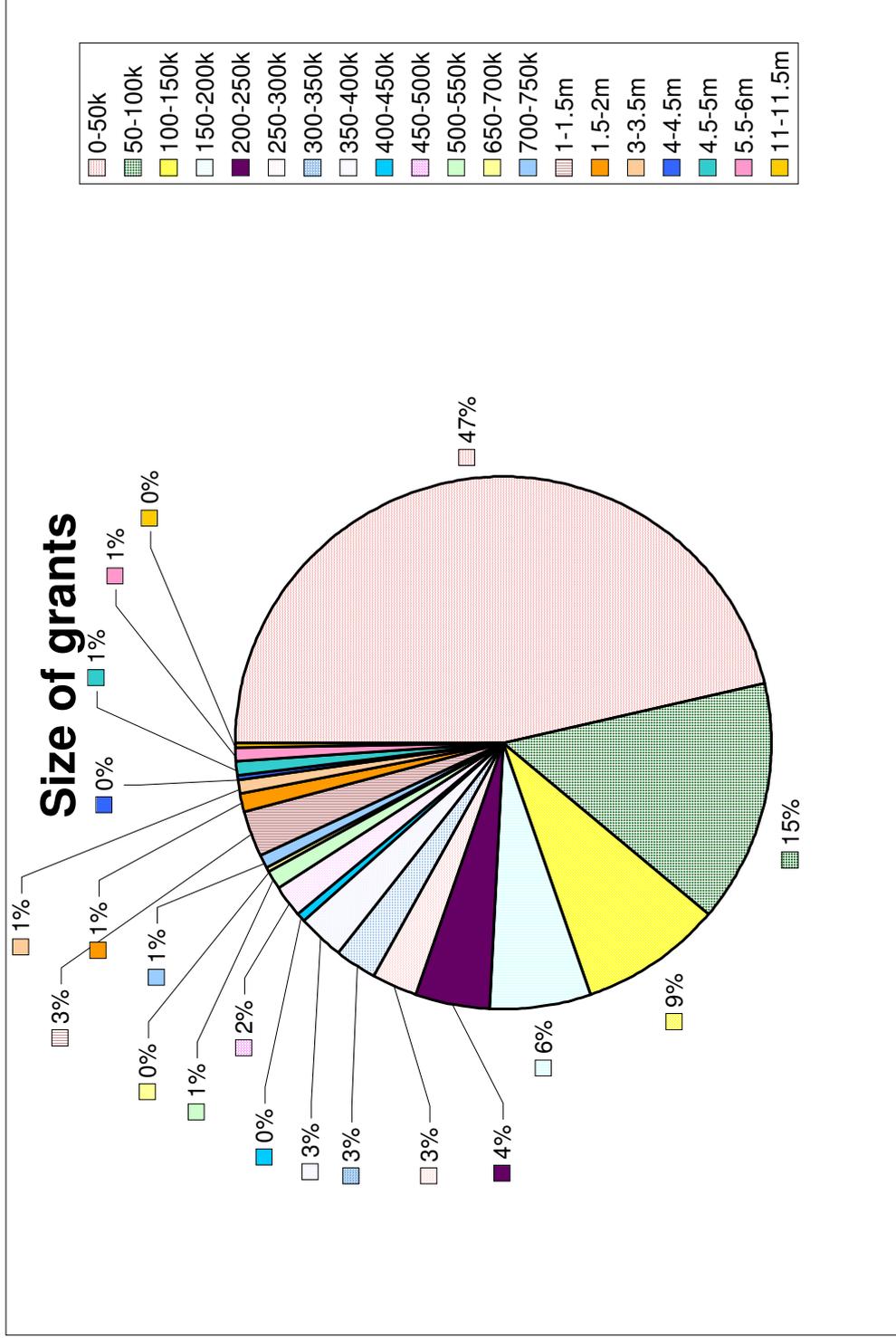
Similarly, NPY Women's Council manages 39 grants, with total annual funding in excess of \$5 million, of which 22 projects have funding levels of less than \$100,000, and of these, 12 projects have funding of \$20,000 or less.

We attempted to gather details, such as reporting requirements, and performance indicators of all grants being received for 2005/06 but were not always able to get these details for several reasons:

- The detailed information was not readily retrievable in the organisation, especially where there were multiple grants. It would have required extensive additional work for the organisation's administration team, thus creating a significant burden.
- The organisation chose not to release all information. For example, some chose to give us information only about Commonwealth grants, or not to provide information about grants from private sources. This was especially true for organisations managing multiple grants.

As some organisations were managing in excess of 30 grants, this was not unreasonable and should not be interpreted as anything other than a pragmatic response to workloads. Most organisations were able to provide detailed minimum data for all grants. We collected details of 254 of the total 336 grants held by the 22 organisations visited. Figure 2 shows that of the 254 grants for which we have details, 47% are for amounts of less than \$50,000 and 77% are for amounts of less than \$200,000.

Figure 2: Size of grants



3.6 Governance

All organisations reported having a sound governance structure with descriptions including a Board (5 organisations), Community Council (9 organisations), Committee of Management (4 organisations) and one Collective.

The role of the governance body in most instances included receipt and acceptance of reports and overseeing and signing of funding agreements. A number of organisations reported a heavy reliance on the CEO by members of the governance committee, and one indicated the need for graphic or other simplified explanations of financial reports to cater for the level of understanding among Council members.

Only one organisation reported Council involvement in policy development, and one reported the Board was responsible for strategic direction setting.

While most CEOs or administrators regularly report to their governance body, the nature of the reporting and the use made of the reporting in determining strategic direction and planning by governance members is not consistent. Some organisations asserted that the information was useful for planning purposes, whilst others reported that the information was useless for the organisation's planning purposes.

3.7 Capacity of the organisations

As noted in the limitations of this evaluation, it is possible that the process by which organisations were nominated by ICCs to participate in this evaluation may have led to some bias towards the organisations with greater than average capacity. ICC Managers were asked to nominate organisations they thought would be keen to participate in the evaluation, and they tended to nominate those that have articulated some frustrations around red tape.

In discussing the possibility of the sample being skewed to the more capable end of the capacity spectrum, ICC Managers indicated that the majority of the organisations were possibly more capable than average. They estimated that 40–75% of organisations they dealt with struggled with grant administration was in the range, with more managers estimating at the higher end of that range than the lower.

Staff capacity

Half the organisations interviewed (11 organisations) indicated they were satisfied with the skills and staff they have available. Others expressed having great difficulties were regarding lack of resources for local skills training, poor recruitment outcomes, and inadequate succession planning, particularly in the replacement of key personnel. Those who believed they had adequate skills however, cited lack of time

to complete all duties as an issue. The evaluation team observed that less than 30% of organisations visited in this sample employed Indigenous managers or senior staff. This has implications if non-Indigenous staff leave the community and there is a limited pool of people being skilled to take on more senior management roles: the capacity of the community does not appear to be being increased in this regard.

In more remote locations, organisations reported difficulty in securing staff, or in being able to access housing for staff even if they were able to secure the personnel. Organisations and ICCs reported a skills shortage as a major risk.

Financial management was reportedly undertaken by bookkeepers employed as staff or by an accountant, and in some cases outsourced to a local accounting firm. However, inadequate financial management skills or inadequate financial management processes were also cited as a major risk for organisations, particularly at the governance level.

The low level of Indigenous employment in organisations poses an ongoing risk because it indicates that the capacity of organisations and communities is not being developed.

Equipment and systems

All organisations reported appropriate access to essential administrative equipment including:

- Computers—mostly in good condition, with 4 organisations reporting ageing equipment
- Printers—mostly in good condition, with 4 organisations reporting ageing equipment
- fax machines—mostly in good condition, with 6 organisations reporting ageing equipment
- photocopiers—mostly in good condition, with 3 organisations reporting ageing equipment, and 1 organisation reporting having no photocopier
- vehicles—mostly in good condition, with 4 organisations reporting ageing vehicles.

Most organisations indicated a level of knowledge, understanding and use of information technology, including the use of e-mail and websites, although we encountered one organisation with no access to e-mail or the Internet. This was: a considerable disadvantage as banking and grant funding processes increasingly use electronic means.

4: EXTENT OF THE BURDEN ON INDIGENOUS ORGANISATIONS

Organisations provided a variety of responses to the perceived and actual administrative burden of red tape. Opinions ranged from the view that all administrative work associated with getting and managing grant funds constituted red tape, through to the view that the burden could be borne relatively easily and need not divert attention from service delivery.

This chapter describes the findings on the **extent** of the reported and assessed burden on organisations and explores emerging issues.

4.1 Sources of grants

Half the organisations (11) were managing 4–10 grants, four were managing 11–20 grants, and 3 were managing 21–39 grants. Seven organisations were managing several grants from the same program. One of the organisations originally in the sample was managing 63 grants and withdrew as they could not afford to give time to the evaluation, advising the team that the work of managing 63 grants was creating too big a load to allow them to participate.

Table 2 shows the breakdown of the source of grants from each of the Australian and state and territory governments. It shows that most organisations are dealing with both state/territory and Commonwealth levels of government. This suggests that the greater the coordination between the two levels of government, the better the chance of reducing the administrative burden around grants for Indigenous organisations.

Table 2: Source of grants – level of government

Organisation	No. of grants for which the evaluation has details	No of funding agencies				No of programs from which grants are derived
		Total	C/W	State	Other	
Aboriginal and Torres Strait Islander Corporation for Welfare, Resources and Housing Krurungal	4	3	3	0	0	3
Arltarlpilta Community Government Council	26	14	5	8	1	18
Association of Northern, Kimberley and Arnhem Aboriginal Artists	5	4	2	1	1	5
Borrooloola Community Education Centre	6	3	0	3		5
Borrooloola Community Government Council	14	7	1	5	1	12
Cape Barren Aboriginal Assoc. Inc	4	3	2	1	0	3
Circular Head Aboriginal Corporation	5	3	2	1	0	5
Emama Nguda Aboriginal Corporation	5	4	3	1	0	5
Mabunji Aboriginal Resource Association Inc.	19	10	5	3	1	14
Mapoon Community Council	28	16	3	12	1	22
Marra Worra Worra Aboriginal Corporation	9	6	3	3	0	8
Mudgin-Gal Aboriginal Women's Centre	6	6	3	2	1	6
Mungoorbada Aboriginal Resource Centre Incorporated	8	5	4	1	0	6
Murdi Paaki Regional Enterprise Corporation	10	6	4	2	0	10
Ngaanyatjarra Council	4	4	4	0	0	4
NPY Women's Council	39	19	5	13	1	32
Palm Island Aboriginal Council	10	9	5	4	0	10
Quandamooka Land Council Aboriginal Corporation	2	2	2	0	0	2
Tjuwanpa Outstation Resource Centre (TORC)	7	4	3	1	0	4
Toomelah Co-operative	3	3	1	2	0	3
Winnunga Nimmityjah Health Service	20	3	1	2	0	19
Woorabinda Aboriginal Council	20	8	3	5	0	19

4.2 Grant applications

Grants were received as the result of two kinds of processes:

- an application process, which was the case for the great majority of the grants
- an interactive process between the organisation and the funding body, either by an organisation putting up a project proposal and then asking for funding; or by a funding body approaching an organisation to discuss their interest in some available project funding in a new program.

In both types of processes, the organisations invested time in preparing an application/proposal and estimated that neither took greater time than the other. However, the negotiation process that was interactive involved a greater elapsed time between initial discussion and receipt of funding than the formal program funding application process.

The types of grants going to organisations are illustrated in Table 3 below:

Table 3: Type of funding grant

Grant type	Percentage
Ongoing or multiple year programs with annual application process and one year funding grant	66%
Ongoing programs with three year funding allocation an annual budget submission	16%
Recurrent grant on formula basis	7%
One off grants not through ongoing funding program, with project of fixed duration	10%
Capital grant	1%

The vast majority are receiving grants for ongoing programs with annual application processes and annual allocations. The three year funding allocations came primarily from Australian Government health programs and from state government programs related to municipal services. Many of the Commonwealth health related funding agreements are for three year periods, with an annual check against budget predictions to ensure the amount for the next year is appropriate and a face to face review of progress. Similarly, some of the state funded infrastructure related programs are also recurrent or three year funding, with periodic checks that the funding amounts and the needs are in a broadly appropriate relationship. Recurrent grants on a formula basis all related to municipal services.

The Indigenous organisations perceived grants funded on the longer cycles to be less burdensome than the annual funding cycles, even though the reporting obligations may not differ from annual grants. A longer funding cycle also facilitates longer term and more strategic planning, which is particularly appropriate in the delivery of social programs.

4.3 Reporting requirements for organisations

Key factors in the time taken for reporting, and therefore the extent of the administrative burden, are the frequency of reporting required, and the number and nature of the performance measures to be reported on.

All organisations are required to report to their funding bodies for funds received. The data indicates there are variations in the frequency of reports, both between portfolios and within portfolios. These reports include financial reports or acquittals and reports against performance indicators; and within portfolios reports are required against every activity. For example, for those organisations providing CDEP, each organisation may provide a range of CDEP activities, each of which must be reported on. This leads to a situation where, as stated by a stakeholder from Marra Worra Worra.

'We need to report on 120 CDEP activities every quarter'.

Financial reporting

We found varying practices among agencies in determining the frequency of reporting for grant funds allocated. The frequency of reporting is not necessarily related to risk. Some ICC program staff use the 'default funding requirements' in the standard contracts for their programs, while others exercise some flexibility, based on the assessed risk associated with the organisation being funded.

The principle applied in using such discretion was that the higher the assessed risk, the more frequent the reporting—for example quarterly rather than six monthly. We noted examples where newer organisations with little track record, for example, were assessed as higher risk and required to report quarterly. By contrast, we also noted several examples where well established organisations with funding for a 12 month one-off project were required to report only once at the conclusion of the project. This is indicative of examples of the flexibility or otherwise exercised by ICCs that we observed over the course of the evaluation.

The situation of an organisation in or near financial trouble illustrates that frequent financial reporting can be a necessary administrative burden. An organisation that is financially unstable may also be ill-equipped to handle the reporting load. For the funding organisation, however, not to monitor closely the state of the organisation

and its finances would mean failing to fulfill its obligations for accountability and prudent use of public funds.

For the majority of programs, quarterly financial reporting with acquittal of funds annually, accompanied by audited financial statements were required. For some organisations however, greater flexibility in six monthly reporting has been negotiated. For example, Emama Nguda reported that negotiations with FaCSIA have recently resulted in agreement by FaCSIA to six monthly financial reporting. Two Aboriginal councils reported that DoHA requires six monthly financial reporting, and one council also reports to DCITA on this basis.

Some state and territory government portfolios require six-monthly reports. Examples include ACT Health and the NT Department of Community Development, Sport and Cultural Affairs. On the other hand, Arltarlpilta Community Government Council reports that the NT Department of Local Government requires monthly financial reporting.

Performance reporting

All organisations visited agreed that performance reporting is a necessary part of any contract and were keen to demonstrate that public funds re achieving worthwhile outcomes. The quality of many of the performance indicators however, creates some doubt that the success or otherwise of projects and activities can be judged on the basis of the reports provided.

Just under half the grants examined which are administered through Program Funding Agreements (PFAs) have a requirement for quarterly financial and performance reporting. A little over a further quarter have quarterly financial and six monthly performance reporting. Thus, three-quarters of the organisations were producing up to eight reports per year for any one grant, of which four were financial reports. The financial reporting is considered by the organisations to be information which they need for their own management purposes, as is discussed under 'Use made of reporting information by the organisations' in the next chapter.

During the evaluation we were advised that one department had made it possible for their staff to work with the organisation when visiting to compile a report on the officer's laptop, thereby ensuring reporting meets the requirements, and building the relationship with the organisation by assisting them with this task. This process also assisted the funding agency to assess the performance against the contract. Examples of good practice such as this should be publicised as part of implementing change in the areas identified in this evaluation.

5: THE NATURE OF THE RED TAPE BURDEN ON INDIGENOUS ORGANISATIONS

This chapter reports on the reported **nature** of the red burden and examines some of the emerging issues.

5.1 Views of Indigenous organisations and ICC staff

In our visits to organisations, we found that applying for and reporting on grants was commonly perceived to be burdensome and beset with red tape. Our analysis of the data suggests that there is limited evidence of this in reality. Organisations and ICC staff did express frustration, about taking time away from daily urgent service delivery or operational matters to comply with conditions of grants in reporting. However, all organisations accepted that accountability and transparency around the use and benefits from grants funds was entirely reasonable.

The comments of staff, from interviews with both ICC staff and organisations, on what they saw as examples of red tape and their suggestions for how the perceived red tape could be reduced are in **Appendices B & C**. It was readily observable, that where organisations reported strong relationships with funding program staff, red tape was perceived to be less of an issue than where such relationships did not exist. There are thus two dimensions to the discussion of burden around funding programs and impact on Indigenous organisations:

- processes or mechanisms of program funding
- relationships between people—particularly the organisational cultures which shape, and are shaped by, their work behaviours and attitudes.

5.2 Time taken on applications

Organisations commented throughout the evaluation on the amount of time taken to complete the application process, often commenting that this was very onerous,

From information provided, it appears that applications for the majority of funding programs are all completed within the same month. This may reflect the relatively compressed timetable of the e-sub process for 2005/06.

Some organisations reported that preparation of applications for ongoing programs can take a week or more of one person working full-time. Others reported minimal time such as one day per application on average. Another variable was the often considerable time spent in negotiation of contracts. Almost all organisations found it impossible to estimate with any confidence, how long they had spent on negotiations.

However, none of the organisations had recorded their time on completing applications and so their reported time taken, estimated in hindsight, is a perception of load rather than an accurate record. Less than half the organisations were prepared to estimate how long they had spent on applications. Those who made estimates generally did so only for those programs where they had actually been involved in the application. As a consequence, we do not have sufficient information to be able to compare times spent by several organisations on the one program, and thus to test whether there are some patterns in which programs take what time.

The reported times varied so greatly between organisations that we cannot draw any conclusions about approximate average time spent on application preparation across organisations or about how much time they spend relative to their staffing or budget size, factors expected to influence how long is given to application preparation. We have therefore illustrated some of the estimates organisations made of the time they spent on preparation of applications for grants, to show the diversity of approach.

Example 1: A small very remote organisation with very limited resources

Department	Program grant	Amount	Time spent on application
Community Development, Sport and Recreation (state)	Sport and recreation	\$28k	5 days

Example 2: An organisation with an annual budget of \$4.5m and approximately 8 program management and administration staff

Department	Program grant	Amount	Time spent on application
Housing and Community Services (state)	Carer Recognition Grant Program	\$26K	3 days
Housing and Community Services (state)	Community housing	\$57K	Few days
Housing and Community Services (state)	SAAP	\$288K	5 days
Health (state)	Hearing Health Program	\$177K	Considerable lobbying time over some years – no specific funding around process

Example 3: A large organisation with approximately 20 staff who can contribute to grant applications

Department	Program grant	Amount	Time spent on application
Indigenous Affairs (state)	Heritage	\$5K	1/2 day
FaCSIA (federal)	Childcare	\$300K	1/2 day

Example 4: A small organisation with 2 staff who take care of grant applications

Department	Program grant	Amount	Time spent on application
OIPC (federal)	e-sub for 6 grants	Total of \$1.5m	2 people for 4 weeks each

The only conclusion that can be drawn from the data is that the organisations are making very different decisions about how much time they do or should spend on their applications. We know from discussions with organisations that some quite deliberately limit how much time they spend on applications, whereas others are less structured in their approach. Those that limited their input time used techniques of having developed templates and then cutting and pasting from prior applications and reports.

In other words, they avoided duplication of effort, and did not regard the applications process as unduly time consuming or burdensome. This suggests that some awareness raising or training with Indigenous organisations, and sharing of experience and techniques between them about handling application processes may be useful in addressing the perceived burden for some organisations.

Most of the programs for which organisations were receiving funding required an annual application. However, the two programs providing the largest grants, CDEP and CHIP, require very little reworking from year to year. Some CHIP and CDEP activities require significant planning within the community (for example, the building of an ablution block project at Tjuwanpa). However, this planning is not a result of the funding process. Rather, it is an essential part of planning and managing the activity, however it is to be funded. It may not therefore represent an undue administrative burden or red tape. This did not always appear to be well understood in some organisations we visited.

In reporting perceptions of time taken on applications, some organisations clearly included time spent on planning for new activities. For example, some organisations perceived the application process to be longer for new proposals or programs. As with new activities under CDEP or CHIP, organisations may undertake community consultations prior to applying for new programs, and in large regions with communities dispersed throughout the region this can be extremely time consuming.

While this is an administrative load, it is difficult to see how needs could be identified and appropriate responses formulated without some planning and consultation process, such as organisations described. It is thus a necessary administrative load. It may raise the issue of the overall level of infrastructure an organisation needs in order to manage funding programs without experiencing the necessary work involved as a burden.

Where funding is of a recurrent nature, such as for municipal services under CHIP, the workload required for an application was acknowledged to be much less than for new programs or projects, and preparation of a budget for the forthcoming year is generally all that is required.

The annual process of applications

Repeating the application process each year contributes to the perception of burden. We showed earlier that of the grants going into the organisations we visited, 66% were from ongoing programs (sometimes over many years) but required annual applications. This is an area we suggest could be addressed relatively quickly with some flexibility and creativity in local level practices and macro level flexibility. There is provision for this in Regulation 10 of the FMA in *The Department of Finance and Administration guidance in Section 2.1 Accountability environment for Australian Government agencies*.

The needs of the communities for which the funds are being sought do not change markedly from one year to the next. In fact, most of the organisations have multi-year plans of some kind, and most are seeking funds for similar activities year after year.

The yearly repetition of the applications assessment process in the ICCs appears to be adding little value to the mitigation of risk. In the risk assessment process of the ICCs, most organisations are rated as high risk every year, suggesting that nothing much is changing in relation to risk.

If the needs and the risks are not changing significantly year by year, annual application and assessment processes amount to a degree of excessive complexity for the situation being addressed. If there is to be a risk assessment process, it has limited value, unless it is followed by a risk management strategy being put in place in the organisation, which would ideally be designed for a period longer than one year. The ANAO Guide³⁴ suggests that there is much more room for exercising flexibility and common sense in risk assessment than appears to be the case at present. However, given the current emphasis on risk management within governments, across all jurisdictions, this may require some well timed and carefully planned training to change.

With respect to ongoing funding programs, we recognise that there is some administrative load for any department seeking to have a funding program and its commitments to individual organisations extend beyond one budget year. Agencies need to obtain an exemption or approval from the Minister for Finance to make such commitments beyond the current budget year. Nevertheless, we consider that OIPC should investigate whether the time taken (in hours of input, not lapsed time) for a

³⁴ Australian National Audit Office, Administration of Grants: Better Practice Guide, Australian Government Publishing Service, Canberra, May 2002, p.2

department to get approval to commit funds for more than the current budget year, might be considerably less than the collective effort required for every organisation to submit annual applications for one program. DoHA and DCITA have opted to pursue this step through provisions in Regulation 10 of the EMOs.

Another idea to consider is that of accreditation of providers which would simplify the documentation in applications.

We could not identify any legal impediment to an agency exercising discretion through Ministerial and/or internal decisions, for example, to implement triennial funding agreements and then to establish an annual allocation process with minimal requirements, if organisations are delivering outcomes, meeting contractual requirements, and are well known to ICCs (or to other agencies not in ICCs). Indeed, ICCs could be a source of advice for government agencies not currently participating in ICCs, regarding the viability and reliability of local organisations managing ongoing programs.

5.3 Time taken on reporting

The amount of time taken on reporting varies between the organisations, and is particularly related to the number of programs being administered. The other major variables are the nature of the reports required and the systems in place within organisations to quickly and efficiently retrieve information. As a result, organisations have reported that some programs require quick reports, and other reports may take several days each quarter to prepare. Given the fact that all organisations report having computerised financial management systems, and having set up a cost centre for each grant, financial reporting is experienced as being considerably less burdensome than performance reporting. Most organisations said that they would need the financial reporting for their own management purposes, and thus did not regard it as onerous in any way.

Reporting against performance indicators was perceived to be more time consuming and burdensome than financial reporting. We asked organisations which programs were the easiest, and which the most difficult, to report on in terms of the effort (time and data collection) required. The local government grants were the only ones consistently reported to be easy. State or territory government grants were among those reported to be easy, countered by only one report of a state government grant being burdensome. Northern Territory Government grants were the most commonly mentioned of the state/territory government grants but the predominance of Northern Territory organisations in our sample group may well account for this.

Among the Australian Government grants, only OATSIH programs were reported as easy to manage, with no negative comment. DEWR programs were mentioned by several organisations as being relatively easy to report on, but two also commented that they were difficult. The positive comments were qualified with comments that the DEWR staff were very helpful. FaCSIA programs received some negative comments on the burden of reporting.

In addition to quarterly, or even six monthly, financial reporting, organisations are required to formally acquit funds received. The frequency of fund acquittals varies from quarterly to annual. Some programs require that the Chairperson signs off on funds acquittal, and where this has to occur quarterly or six monthly, organisations in remote locations indicated that this can be time consuming, particularly where office holders may live at some distance from the office or administrative centre. Most organisations reported that funds acquittal was able to be done very quickly. Those that found it frustrating did not have skilled accounting/book-keeping staff.

Those organisations giving estimates of how long they spent on reporting for particular grants indicated that most grants took much the same time, unless the grant had a 'once a year' or 'end of project' report only. The examples below illustrate that the reporting takes the organisations the same time, whether the grant is for a large or small amount.

Department	Program grant	Amount	Time spent on reporting
Aboriginal Affairs Dept (state)	Financial Aid Program	\$3.4m	4 days per year
DEWR (federal)	Apprentices Project	\$100k	4 days per year

Department	Program grant	Amount	Time spent on reporting
DEWR (federal)	STEP Program	\$300K	8 days per year
Housing (state)	Aboriginal Housing and Infrastructure	\$63K	8 days per year

The total cost to the organisation of reporting is therefore determined more by the number of grants than the amount of funds received.

While most of the organisations stated that the time taken tended to be the same for any program, the amount of time each organisation spends on reporting per grant varies from organisation to organisation. In addition to the four and eight days per year illustrated in the tables above, the following examples are thought provoking:

- One organisation estimated that they spend three days per annum per grant, and over recent years they have had approximately 30 grants each year. Of these, in the 2004/05 year, nine grants were for amounts of \$50,000 or less; and of those, three were for \$3,000 or less. In the case of the very small

grants, this means they are collecting less than \$1,000 for each day spent on reporting. On their largest grant however, they are collecting closer to \$100,000 for each day spent on reporting.

- Another organisation which has replaced eight bookkeeping staff with an outsourced arrangement, at a cost of \$60,000 per year, estimated that the outsourced provider spent 1.5–2 hours per program per quarterly financial report. To this, the manager added a further 2–4 hours for the performance report each quarter. This organisation had seven grants.
- Yet another stated that financial reports took a matter of an hour or so each to produce, but that copying them into program specific templates took longer than producing them. This organisation also stated that performance reports took *'as long as we let them'*.

5.4 Use made of reporting information by the organisations

Most organisations indicated that some of the information collected to fulfill contract requirements is used in some form within their enterprises, and for reporting to their governance bodies. Financial information particularly is included in monthly reports in the form of electronically produced financial statements, and some organisations noted that expenditure is monitored at a governance level against budgets and grant amounts. They also indicated that data entry for reporting purposes is the same data used within the organisation for internal purposes. This suggests that financial reporting is largely a necessary administrative burden, not only for accountability for public funds, but also for internal management of the organisation.

Performance reporting however, is more frequently modified when reporting to governance bodies, and is considered by some organisations to be of little use for their planning purposes. Comments in response to a question about whether they use performance reporting information in reporting to their councils included:

- 'I may transpose so that Council can understand'
- 'No—need to report to them in a different style'
- '...do not use the performance reports for Council, largely because they are not useful indicators and do not relate to the risk or results'.

Organisations reported that contractual reporting requirements against performance indicators vary in usefulness at the organisational level, and that not all activities are reported for each meeting. They perceived that numerical data could be useful. However, a number of organisations suggested that performance monitoring is more useful when carried out during site visits, when the on-the-ground outcomes can be observed. Some are also using feedback from the communities as a measure of performance.

Reporting requirements are not likely to be considered onerous by Indigenous organisations if the information collected for reporting is also used to manage and operate the service effectively.

The majority of organisations stated that they received no feedback on their reports, unless there was something wrong with the data they supplied, such as a mistake in the figures. There were some exceptions among individual officers who gave feedback or followed up with a visit to discuss the report and the activity more broadly. However there was little indication, even where this occurred, that suggested a consistent ICC or departmental approach.

It would cost relatively little for ICCs and other funding agencies to at least acknowledge receipt of a report, and to indicate that the report is adequate and in order; this practice would be valued by many organisations.

5.5 Use made of reporting by the funding bodies

The purpose of requiring Indigenous organisations to report information to government on their progress and results achieved, through use of grant funds, is to ensure some accountability of those organisations for the use of public funds. For the funding departments, it provides the means to monitor and assess how well they have directed public funds to achieve the public interest purpose for which they were appropriated. To achieve both of these purposes, the information collected from Indigenous organisations must not only be collected by funding agencies but must also be analysed by them. This can both inform management decision making about future use of funds, and inform policy development about future program directions and how the government can best intervene, to assist community development through Indigenous organisations.

Use made at the ICC level

The ICC staff generally reported that they read the reports, and analysed expenditure against budget for their funding program. Fewer commented that they looked at the overall financial statements. We consider that as a minimum, funding agencies should analyse the annual and quarterly financial statements for the organisation as a whole, and not just for the funded project. This is the only way an agency can determine any real sense of emerging viability or financial risks. They should also include checking the current ratio of current assets over current liabilities to ensure that the cash position for the foreseeable future is adequate. Obviously, this need not be done multiple times by each of the portfolio staff. One officer in the ICC could check a particular organisation's financial statements on behalf of all other agencies in the ICC. This might free up agency staff time and at the same time build a stronger body of expert knowledge regarding organisations as a whole, rather than project/program specific knowledge.

Establishing a 'portfolio' approach to administratively managing organisations within an ICC might offer opportunities to establish 'key contact' models. This approach is being pursued by FaCSIA as one of the ways to manage stakeholder relationships.

Some training may be necessary to ensure that there are ICC staff who are suitably skilled to carry out this analysis. It may also require some locally based team discussions regarding the feasibility and possible benefits of this approach.

Analysis of achievement of outcomes was not uniform practice across the ICCs we visited. In most cases reports, or comments on reports, were passed on to the national office, and from some agencies and ICCs, via state offices. A 'portfolio' approach might also address this issue and develop some consistency across ICCs and agencies.

Use made at the program level

At the program level, the use of the information by departments varied across portfolios and programs. In most cases, information is used at the national level in aggregated form for reporting on program outcomes.

Some programs have a national reporting framework. For example, the National Indigenous Housing framework is used by FaCSIA to inform future funding needs. OATSIH has a National Minimum Data Set, which all funded organisations are asked to report against, and this data is used to answer many parliamentary questions.

Some departments use performance reports of individual organisations at a national level to monitor compliance with performance funding agreements and this may also occur at local and state level. This was the case for CDEP, Indigenous Heritage, and CHIP. OATSIH uses service activity reporting to obtain qualitative information about what is happening in the organisations and communities. The national office of OATSIH also put more effort into monitoring the organisations that they consider to be higher risk organisations, estimated to be approximately 25% of organisations. This forms part of the national office's role in capacity building.

FaCSIA national office monitors acquittal summary reports as a means of monitoring surplus funding. They also use reports filed in the Grant Management System (GMS) but commented that this system is not particularly useful for looking at outcomes from funding, which is their focus.

5.6 Multiple grants for similar purposes

Much of the administrative complexity Indigenous organisations encounter stems from the number of programs and agencies which make grants available at each level of government. Some degree of such fragmentation of government administration is inevitable. The range of issues and problems in society is considerable, and government breaks down these issues into apparently manageable components, which then are managed by a section of the bureaucracy. However, for Indigenous organisations this can translate into multiple applications, multiple performance funding agreements and multiple reporting requirements, sometimes for a series of small amounts of money that will directed to the same outcomes.

The number of departments and programs from organisations derived funding are set out in Table 4 below.

Table 4: Numbers of agencies and programs from which organisations are receiving grants

Organisation	No. of grants with details	No. of agencies	No. programs
Aboriginal and Torres Strait Islander Corporation for Welfare, Resources and Housing Krurungal	4	3	3
Artarpilta Community Government Council	26	14	18
Association of Northern, Kimberley and Arnhem Aboriginal Artists	5	4	5
Borrooloola Community Education Centre	6	3	5
Borrooloola Community Government Council	14	7	12
Cape Barren Aboriginal Assoc. Inc	4	3	3
Circular Head Aboriginal Corporation	5	3	5
Emama Nguda Aboriginal Corporation	5	4	5
Mabunji Aboriginal Resource Association Inc.	19	10	14
Mapoon Community Council	28	16	22
Marra Worra Worra Aboriginal Corporation	9	6	8
Mudgin-Gal Aboriginal Women's Centre	6	6	6
Mungoorbada Aboriginal Resource Centre Incorporated	8	5	6
Murdi Paaki Regional Enterprise Corp.	10	6	10
Ngaanyatjarra Council	4	4	4
NPY Women's Council	39	19	32
Palm Island Aboriginal Council	10	9	10
Quandamooka Land Council Aboriginal Corporation	2	2	2
Tjuwanpa Outstation Resource Centre (TORC)	7	4	4
Toomelah Co-operative	3	3	3
Winnunga Nimmitjyah Health Service	20	3	19
Woorabinda Aboriginal Council	20	8	19

It is commonly the case in community based organisations in the non-government sector, that a particular strategy or service run by an organisation will be funded from multiple programs. Furthermore, each of these sources of funding will not be discretely tied to a unique activity that can be easily distinguished from all other activities. For example, community sector organisations frequently fund one staff position dedicated to a 'service' or 'program', fashioned around a single issue from more than one grant, for example a family violence program or a supported accommodation service. While multiple funding sources are necessary to the financial operation; multiple bodies to deal with, multiple grants to apply for, multiple contracts with terms and conditions and multiple reports to complete, creates an administrative burden for organisations which have a relatively small administrative capability.

This was by far the most common frustration expressed by organisations. It was also the issue many organisations were hopeful of some improvement in through the new arrangements, particularly those departments located within ICCs. The frustration was echoed by many ICC managers and program staff.

Complexity for organisations is compounded because, not only are they applying for and receiving multiple grants, a number are receiving grants from a range of sources to support a particular activity or strategy. For example, in 2004–2005, one organisation was receiving funding for strategies to help address family violence from:

- Family Violence Regional Activities Program (FVRAP) through FaCSIA
- Family Violence Protection Legal Service (FVPLS) through Attorney General's Department
- SAAP (SA) for case workers for a domestic violence service on one of the communities the organisation covered
- WA Department of Community Development
- WA Department of Justice.

These program funds were all being used to fund case workers in a strategy to reduce family violence. The total funding through these grants for the financial year was a little over \$920,000. The organisation has reporting requirements for each of FVRAP, FVPLS, SAAP and a combined funding agreement and reporting regime for the two Western Australia Government grants.

The reporting frequency varied and some of the programs required reports in specific formats. The five programs had similar objectives and similarity in the performance information required for each program, as the table below illustrates. The exact wording of the indicator may vary between programs, but where they are measuring the same thing; we have used one form of wording for all programs.

Table 5: Performance measures for family violence grants to one organisation

Indicator	SAAP(SA)	WA	FVPLS	FVRAP
No. of support periods for all clients	X	X		
No. of days of support	X			
No. of support periods to clients (in which basic and crisis needs have been met)	X	X		
No. of support periods for which there is an agreed case plan	X	X		
No. of accommodation support periods	X			
No of weeks over which service operated		X		
No. of clients (broken down by age, gender etc)	X	X	X	X
No. of support periods in which police and/or court advocacy and support is provided			X	
No. and type of service provided to accompany children		X		
Positive change in drug and alcohol abuse	Done through qualitative progress report	Summed up into three outcome objectives to be reported on in qualitative progress reports		
Positive change in access to disability and rehabilitation services				
Positive change in access to income support				
Positive change in access to employment opportunities				
Positive change in access to education and training				
Positive change in family links and relationships (reduction in FV occurring and reported)			X	X
Increased awareness of effects of and need to prevent family violence			X	X
Evidence of collaborative work to increase safety				
No. of community awareness raising activities				
No. of legal applications			X	
No. of legal assistance provided by law type			X	
Qualitative report	x	x	X	X
Annual client survey			X	
No. of people participating in awareness raining workshops			X	X

An alternative approach that would lessen the reporting burden on this organisation while maintaining their accountability, could include:

- funding departments each deciding the amount of funding they wish to allocate to the Council
- funding departments committing their funds to a common 'pool', managed by the ICC, through a series of common MOUs between them and the Alice Springs ICC (OIPC)

- funding departments, in consultation with the organisation, agreeing on a common set of performance indicators and reporting schedules, which will be sufficient to assure each of them that their funds have been well invested and used for the purpose for which they were appropriated. This includes a focus on reporting on outcomes will make reaching a common set of reporting schedules easier than if the focus is on quantitative output measures. Both are currently used, as shown in the table above, but the areas for greatest commonality are the outcome measures.
- the ICC drawing up one funding agreement with the organisation which has only one set of reporting required
- the ICC receiving funds from the funding departments on whatever schedule is agreed in the MOUs
- the ICC releasing funds according to the funding agreement with the organisation
- the organisation acquitting the funds and reporting to the ICC as required by the funding agreement. The ICC takes responsibility for release of funds, subject to financial and performance reports being satisfactory. In other words, the ICC manages the contract on behalf of the funding departments.

In practice, this means the ICC would need to:

- know, at application stage, what the organisation is applying for, not just through the e-sub but for all programs
- have a good understanding of the organisation's family violence strategy
- understand how the proposed approach fits with the program objectives of available funding programs.

The ICC would be a pivotal communication link between departments, and could chair a round table process: at application stage, through assessment, to the agreement of performance indicators. The part of the process that involves assessment and decisions to fund would be simplest, and fastest, if those involved in a Round Table process had the authority to make decisions on funding and performance indicators for their respective departments.

Such an approach would also require all parties to be willing to negotiate and share information across departments. As with SRAs, it is a model of what might be achieved with goodwill, leadership and a commitment to partnership and shared responsibility. Trialling approaches such as in the example above, using a 'what can we all learn from this?' approach might yield very significant benefits, whatever the

outcome. Either the approach is possible, and it becomes a 'good practice' story; or the barriers and impediments become clear.

5.7 Short form contracts for small grants

Although standard short form contracts for small grants, and longer form contracts for larger grants have been drafted by the Attorney General's Department and are available to departments, there does not appear to be a standard practice across agencies in the use of these agreements:

- DEWR has its own contract for CDEP with extensive terms and conditions, which are different from those of other Indigenous programs as covered in the *General Terms and Conditions for Funding Agreements relating to Indigenous Programs*.
- we were shown examples of excessively long PFAs for simple small grants, for example a 32 page PFA for an \$8,000 grant from FaCSIA.
- for two grants for carers' respite of \$8,500 and \$3,950 respectively, there were 24 pages of funding agreement and schedules, 16 pages of special terms and conditions, 30 pages of standard terms and conditions and 34 pages of program guidelines, all attached to a 3 page letter of offer. In the terms and conditions for this agreement, there is a requirement for the organisations to have \$10m insurance cover for public liability insurance and \$2m for professional indemnity insurance. The smaller grants would be barely equal to the cost of this insurance.

Not only does all this material have to be prepared, but the receiving organisations have to read it. In the last example cited we estimate that, to be confident of the content before signing, there would have been at least two hours of reading required. Staff at several organisations said they do not read the agreements, either because they are too long or because the language is complex. If this is the case, it brings into question what has been achieved for either party, with agreement to terms and conditions that have not been read. It has been suggested by an Australian government agency that there should be a rewrite of the PFA for the 2007-8 funding round.

Most portfolios do, in fact, have standard short form contracts for use with small grants, (less than \$50,000 and FaCSIA is considering raising the level to \$100,000) but it would appear from the 2004–2005 contracts examined that they are not used automatically throughout all offices or by all staff of the departments. This indicates a training and communication issue between national offices, state/territory offices and ICC offices. Some national office departmental staff expressed surprise that their ICC based staff sometimes did not make better use of short form contracts. They also

expressed a view that there may need to be better training of staff or an increased awareness of this option by ICC staff.

Reporting requirements and grant size (risk)

We have assumed that, generally, the smaller the monetary value of a grant, the lower the risk for the funding agency. We also assume that reporting requirements are one way of ensuring that risk can be monitored. If reporting requirements do not reflect the risk that needs to be monitored, and are more onerous than the risk warrants, then this is one form of red tape.

Our analysis of reporting requirements and grant size is based on the Program Funding Agreements (PFAs) only, for two reasons:

- organisations were not always willing to release contracts to us, but we did get permissions for, and copies of, PFAs for most of the organisations visited
- OIPC can have more influence on PFAs than on funding agreements that are not managed through the ICCs.

Overall, we found that grant size was not necessarily reflected in the reporting requirements attached to grants.

In the sample of grants managed through PFAs collected from ICCs and organisations, 25 of the PFA schedules were for grants of less than \$50,000. The frequency of reporting requirements, by size of grant, is shown in the table below. Of the grants under \$50,000, a little over one-third had a requirement for quarterly financial and performance reporting, and among these were grants for as little as \$9,000, \$15,000, \$26,000 and \$27,000. A further 24% required quarterly financial reporting, but the less onerous six monthly performance reporting.

Table 6: Frequency of reporting requirements for grants through PFAs

Reporting requirements	Grant over \$50k	Grant under \$50k
Quarterly financial and performance	18 (58%)	9 (36%)
Quarterly financial and six monthly performance	10 (32%)	6 (24%)
Quarterly financial and annual performance	2 (6%)	4 (16%)
Six monthly financial and performance	0 (0)	3 (12%)
Six monthly financial and quarterly performance	1 (3%)	1 (4%)
Six monthly financial and annual performance	0 (0)	2 (8%)
Total	31	25

Two ICCs had taken the initiative of changing from the standard reporting requirements of programs, to the more appropriate reporting requirements of six monthly financial and annual performance reporting.

There was also some evidence that much larger grants had more liberal reporting requirements than some of the small grants. For example a \$450,000 grant under CHIP for municipal services had a requirement for six monthly performance reporting, while a small grant under the same program, through a different ICC, had requirements for both financial and performance quarterly reporting.

The reporting practice within programs is not consistent across the ICCs, as the examples below illustrate.

CHIP Municipal Services grants, which in our sample were typically in the range of \$200,000–500,000, have reporting requirements as set out in the table below.

Table 7: Reporting requirements for CHIP Municipal Services grants

Reporting requirements for Municipal Services, CHIP	Number with requirement
Quarterly financial and performance	4
Quarterly financial and six monthly performance	3
Quarterly financial and annual performance	1

CHIP Infrastructure projects grants, which were typically, in the range of \$100,000–500,000 had reporting requirements as set out in the table below.

Table 8: Reporting requirements for CHIP Infrastructure grants

Reporting requirements for Infrastructure projects, CHIP	Number with requirement
Quarterly financial and performance	5
Quarterly financial and six monthly performance	2
Quarterly financial and annual performance	3

CDEP grants, which were typically in the range \$1–12 million, had reporting requirements as set out below.

Table 9: Reporting requirements for CDEP grants

Reporting requirements for CDEP	Number with requirement
Quarterly financial and performance	3
Quarterly financial and six monthly performance	4

Some ICC staff told us that they can vary reporting requirements for some programs, and that they are making decisions based around size of grants as a risk factor. They have applied this to organisations that they rated as having good capacity to

manage grants effectively. Others stated that they simply accept the standard reporting requirements in the program guidelines for each program.

This may simply reflect that each ICC is applying some flexibility in the way they are assessing risk, and matching reporting requirements to that. There is nothing in the PFAs and the specification of reporting requirements that indicates why the frequency of reporting is set as it is, and under what circumstances a less frequent reporting regime might be considered. Our discussions with organisations indicated that the frequency of reporting is often an issue canvassed by them in negotiating on their funding agreements. Some ICC staff also thought that the rationale for reporting frequency was not always clear.

In Queensland, the organisations that are acting as municipal councils, and that are funded as local government bodies, raised the fact that under the local government legislation, they are required to report regularly on their financial performance and that they are audited by the Queensland Auditor General. They queried why these reports, if made available to all funding bodies, would not be sufficient.

The inconsistency of practices and the feedback from the ICC staff about how, and whether, reporting frequency should be varied and related to risk indicates there is a need to:

- clarify responsibilities for assessing risk and translating that into reporting arrangements
- include risk assessment and its relationship to reporting into training for ICC and program management staff.

5.8 Capacity of the organisations in grant management and reporting

Five of the 22 organisations visited reported that they do not believe that they have the skills necessary to both apply for grants, and then to manage and report on the grants. A further two indicated that they have capacity while the current CEOs are in place, but that their succession and the capacity of the council are major risks for their organisational capacity.

Where capacity of the organisation is an issue, the practice of relying solely on written reports submitted to the ICC, without a field visit, either before or after, may not be appropriate.

Some organisations commented on the varying level of assistance they receive from agencies to compile reports. Notably, DoHA staff undertake field visits with some organisations to gain first hand information about implementation of projects, and

some organisations this portfolio will accept narrative reports. We heard of several instances where reminder calls are made, which assist in time management for reporting within the organisations.

In interviews, ICC staff reported that the quality of reports submitted varies greatly and that the material provided is often a little limited, making it hard to judge what progress is really being made. They had the converse experience also, of reports being extremely eloquent, but not borne out by what was found to be happening in a community or on a project when a visit was subsequently made.

ICC managers estimated that they spend 20–40% of their time on field visits and that staff in the ICC spend 20–60%, with the 20–30% range being more common. ICC managers and staff reported in interviews that budgets for travel have been reduced in recent times. As a consequence, they do not get out to visit as much as they would wish. In interviews, ICC staff all indicated that they could get a better picture of how an organisation was progressing from a visit than from the written reports. These observations from ICC staff were consistent with those of the organisations visited.

Most organisations were adamant in their view that visits from funding bodies would greatly enhance the value of reporting, providing a much better sense of what is being achieved, what communities are dealing with, and what organisations are doing within communities. It was evident that where funding agency visits are made to organisations, and the relationships are constructive and mutually respectful, these organisations perceive the burden of reporting to be less.

It is worth noting the issue of using written reports, rather than actual visits as a means of judging how an organisation and/or project is faring, is experienced by some of the organisations in the management of their own operations. One organisation, which acts as a resource centre for some 42 out-stations, experiences the same reality checking issue with its own infrastructure maintenance program. They have developed a very practical solution. Due to the number and geographic spread of the out-stations, and the limited resources/staffing at the head office of the organisation, it is not possible for the manager to check that all maintenance funded under CHIP (and with CDEP workers in some projects) has been carried out as planned. Instead, the staff going out to do maintenance at the out-stations take a digital camera with them and take photographs of the work, as it is being done and once completed.

The photographic record is brought back to the headquarters and the manager talks with the workers about what they did, and how it went. He then writes up the discussion and scans the photographic evidence into a running report on the Housing Management Program. The photographic record is also very useful for reporting to the Council. It should be noted that the ICC, FaCSIA and DEWR officers dealing with

this organisation, accept this form of reporting together with a financial report on the cost centre for their each of the grants. This is a very good example of both culturally relevant and common sense reporting.

Practice of 'breaching'

When a funded organisation fails to meet certain conditions, they can be considered to be in breach of their funding agreement. The OIPC Grants Management System (GMS) records due dates for performance and acquittal documentation, and automatically places the organisation in breach if these documents are not received by the due date (and the date entered in the system). Breaches for other performance issues can also be added to the system manually. Until the breach is cleared in the system, GMS will generate a reminder letter for the missing reports and prompt the delegate to justify further releases of funds to the organisation while the breach is in place.

We heard of cases of breaching in which it appeared that the practice was sometimes being inappropriately applied to the circumstances of the organisations, particularly with organisations in remote locations. We followed up many of these cases with ICC managers to verify the stories. Examples from the organisations we visited are:

- an organisation being 'breached' by DCITA in one ICC because a performance report for a DEWR grant had not been received on time. When the breach was challenged by the organisation, and some follow-up occurred within the ICC, it emerged that the report had in fact been submitted but had not been cleared in GMS because the responsible DEWR officer had been out on a field visit for several days.
- in a very remote location, one organisation was 'breached' just before the start of the wet season because of a late report and acquittal. Again the breach was challenged, because the penalty would have, impacted cash flow such that they could not stockpile sufficient fuel in time for the wet season, with a flow-on consequence of not being able to maintain the fuel dependant power supply at the remote location and related out-stations. The challenge was accepted and the breach removed.

These are particularly stark illustrations of simple administrative actions having a consequence quite disproportionate to the seriousness of the non-compliance. It reinforces the need for ICCs to have internal processes in place to ensure that receipt of documentation by any department within the ICC is promptly recorded, so that no organisation is breached unnecessarily.

One ICC manager observed that there were 'enthusiastic breachers' who actively looked for reasons to breach. However they noted there were also staff who actively

sought solutions and used considerable wisdom and judgement about the use and effectiveness of recording breaching when organisations were in difficulty. Just as we heard of examples of inappropriate breaching, so we also were told by some ICC staff of alternatives to breaching that they use.

For example, in one ICC (Bourke) a combination of strategies ensure all staff are well enough informed about what is happening within the organisations, and with funding from all portfolios, so that inappropriate breaches are avoided. Such strategies include a 'buddy system' for checking GMS entries, weekly team meetings, and feedback to all ICC staff from community working party meetings..

Several ICC staff told us that their standard practice was to call organisations before reports were due, to see how they were going, whether they were having any difficulties in getting their reports together and whether there was any assistance they could give them. Other staff indicated that there are some simple steps that can be taken with GMS records that have the effect of suspending a breach to allow for late but promised reports to reach the ICC. Yet others reported that they always talk to staff from the department that may be considering 'breaching' an organisation before deciding what action to take.

From follow up discussions with national office departmental staff, most departments expected their locally or regionally based staff to exercise a high level of wisdom and discretion around breaching. They did not support breaching except in exceptional circumstances and where attempts to redress accountability had not been addressed adequately.

It is very obvious that this issue is one in which wisdom and common sense is often practised by many ICC staff and by national office agency staff. However, it is equally obvious that there is a corresponding lack of wisdom and commonsense in the practice of some other staff around the same issue. It is obviously a practice that could be changed quickly by good direction, clear guidance, and training. There would be considerable benefit in adding policy and practice around breaching to the training for ICC staff. The examples of better practice such as those reported in this report could be shared between ICCs through training.

5.9 Perceived burdens

One of the major frustrations for organisations visited was the multiple contact points needed to cover all of their grants. Even within the ICC, they may have several people as their contacts for various grants. We found a few examples of departments at one location responding to this concern by making one person the prime contact for a particular organisation. This good practice was the exception, rather than the rule.

Compounding the frustration of multiple contacts for organisations is the fact that the ICC managers appear to have limited delegated authority to approve funding, although they negotiate the PFAs and monitor performance thereafter. While delays were raised as an issue in some sites, we were able to identify very few examples of delays occurring in the past 18 months, since the new arrangements have been in place. The only instances were when:

- one organisation reported that getting a variation to an agreement took up to three months.
- another organisation took such a strong interest in the appropriateness of the legal agreements regarding the scale and risk inherent in a project, there was a delay of several months in signing the PFA.. In this case, the ICC manager was in the position of being caught in the middle, taking the objections or suggestions of the organisation back to the national office of each of the departments that were a party to the PFA, getting their response and reactions, then relaying these back to the funded organisation.

It is worth noting that OATSIH in DoHA has delegated responsibility for making grants and monitoring performance to the local level. Particularly in remote locations, local knowledge is essential to defining the most appropriate means of delivering government policy objectives, and delegation of authority would be an appropriate and available mechanism for achieving this. This issue raises again the importance of ICC and other agency staff having very good working knowledge of, and visiting, organisations regularly.

Coordination – costs, benefits and consequences

The new arrangements at Australian Government level have built into their structure the need for a high degree of coordination between all the agencies represented in the ICCs. The necessary level of coordination is resource intensive and constantly needs attention. For every Minute (or administrative instruction) or policy statement that is issued in one department, there is a set of communications that must then occur between departments at national office, state/territory office and, ICC levels, in order to ensure that there is 'joined up government', with all parties made aware.

This is resource intensive for the Australian Government agencies, and reduces the time available to spend with Indigenous organisations dealing with their needs and problems, and assisting them in developing their own organisational capacity. Where coordination does not occur as it should between these agencies, with a single and efficient flow of information to Indigenous organisations, there is always a possibility that the Indigenous organisations will have to effect that coordination of information for themselves. When this situation occurs, it is another form of red tape. While we have some examples of where such coordination breakdowns have occurred, most

of these related to the first months of the new arrangements, when processes and procedures were still being worked out and embedded in practice. There is now some evidence of the ICCs and state and territory offices finding their feet with internal coordination processes.

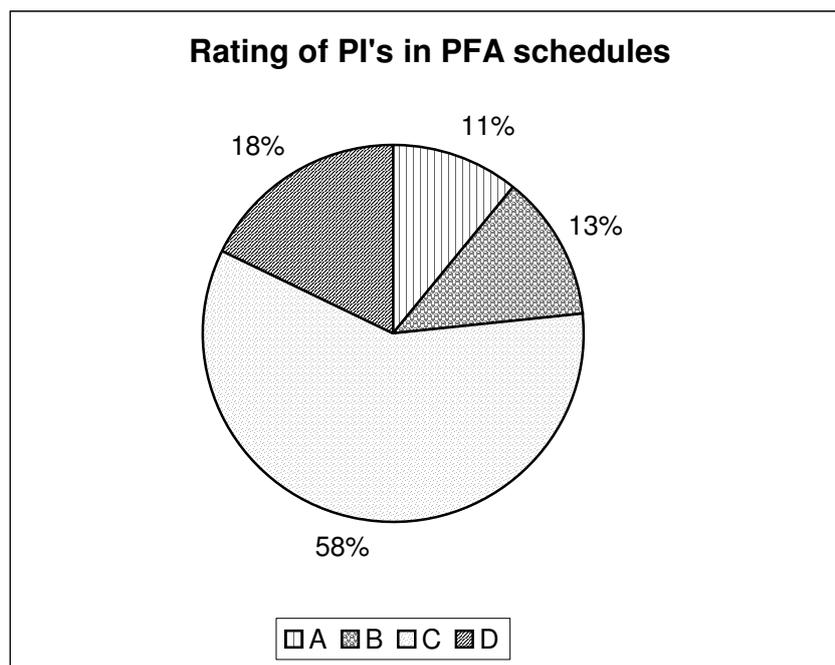
5.10 Performance indicators not related to activity

Staff in both the ICCs and the organisations commented on performance indicators that did not relate closely to the activities that were being funded, and that such indicators made the collecting of information a burden. This also rendered the performance reports of little value for managing the organisation or the contracted service or program.

We have examined PFAs managed through the ICCs and some from programs that are not managed through the ICCs. In general, the state and territory government funding agreements used less performance indicators on funded activities than those of the Australian Government agencies. Among these agencies, some such as the DOHA and DEWR generally had indicators which were reasonably well matched to the activities being funded.

The performance indicators used in PFAs negotiated and managed through the ICCs have revealed a major issue in the quality and usefulness of the performance indicators being used. For each of the 19 PFAs we have collected, we have examined the quality of the performance indicators attached to each grant schedule. We have then applied a rating scale to the 56 schedules in the 19 PFAs and the results are set out in the figure below. The rating scale was:

- A Performance indicators are good, precise to the purpose/activity, useful for management, and when aggregated to program level, have potential for informing program management and future directions
- B Performance indicators are acceptable and moderately useful for management, though appear to be standard indicators rather than precisely related to the activity.
- C Considerable degree of mismatch between the purpose/activity funded and the indicators used, with some having an excessive number of indicators for the scale of the funded activity. These are often generic program objective level indicators, derived from the program description or guidelines, rather than specifically related to the activity being funded.
- D Majority of the performance indicators have almost no match to the purpose/activity being funded, are therefore extremely limited and requirements to report against them a good example of 'red tape'.

Figure 3: Rating of Performance Indicators (PIs) in PFA Schedules

The figure illustrates that more than half the schedules have indicators that appear to have been derived from program objectives that have not been modified to suit the specific activity funded. In our assessment, a little over 75% of the schedules have a majority of indicators that are not likely to be useful in managing the activity or organisation well, or informing future policy and program settings. In effect, this means that in 75% of the schedules, performance reporting requirements meet the generally agreed definition of 'red tape'.

In interviews, some agency staff argued that program level performance indicators are applied to individual projects or grants because of the requirement for departments to report, in their annual reports and in their PBS, on program outcomes. We have examined the program outcome level reporting for a number of the programs from which grants are made to Indigenous organisations. We note that it is common for outcomes to be reported in terms of the proportion of funded organisations which met their project outcomes. There is therefore scope for performance measures to be tailored to the organisation and its activities, without compromising the ability of the departments to report on program outcomes.

We could not find any evidence of a common practice, within an ICC or across a particular program, in the nature and appropriateness of the performance indicators being applied. This points to the main determinant being the individual judgement applied, or not, as the case may be, by the individual program officer.

Some examples of performance indicators rated C and D are described below.

Performance indicator: Example 1 – Rating C

Program	CHIP - Infrastructure
Purpose/Activity being funded	<p>The building of 5 ablution blocks designed by TORC and the Centre for Appropriate Technology (CAT) at the Homelands of Alkngarrintja, Kwala, Luntharra, Lyiltlera and Undarana 1C. The ablution blocks are being installed at these locations due to overcrowding. Being of a portable nature, can then be re-positioned should the situation warrant it. An intrinsic part of this activity is the provision of business training by CAT over five years, with workers being engaged in this activity, construction and governance. It is proposed that there will be involvement in developing this as a business over the five year period. Other remote communities are considered to be the market for the product.</p> <p>Amount:\$137,500</p>
Major risks	<p>Ablution blocks are not built Design of ablution blocks is not successful in communities (and they get destroyed) Retention of workers for time necessary to develop skills fails Funds not used for intended activity</p>
Performance indicators	<p>No. of communities provided with new or upgraded renewable facilities provided with this funding No. of additional bedrooms provided with this funding Description of the facilities provided with this funding No. of houses upgraded or renovated with this funding No. of Indigenous people provided with new or improved facilities</p>
Comments	<p>These are generic indicators which match the program objectives but not those of the activity. They are not covering the risks associated with the project. More relevant indicators would be:</p> <ul style="list-style-type: none"> • No. of ablution blocks built and installed • Unit cost of building and installing • Feedback from community on effectiveness of ablution blocks • No. of Indigenous workers developing trade skills, business development and business management skills as a result of the project • Over time, the sales of the blocks to other communities. <p>Under The 'Program and Activity Specific conditions for Funding' there are no activity specific conditions, but the program specific ones are included in the PFA and presumably do apply, although they have no relevance to the project being funded.</p> <p>This grant had annual performance reporting that is very appropriate for a project that will take some time to get underway and show results.</p>

Performance indicator: Example 2 – Rating D

Program	Indigenous Sport and Recreation
Purpose/ Activity being funded	Ensure opportunities and access are provided to all residents of out-stations to a range of recreational facilities and sporting equipment to provide individuals a choice to improve their general health and wellbeing by participating in a range of recreational and sporting activities (providing sporting equipment) \$10,000 distributed across schools at out-stations for sporting equipment—usually about \$500 each, every other year
Major risks	Low risk that money will not be spent on sporting equipment that is used by schools
Performance indicators	No. of Indigenous people assisted to participate in sport or recreational activities No. of Indigenous people who have received accredited training Extent of improvement in social outcomes, such as reduction in substance abuse, family violence or contact with the justice system (recognised that this is difficult to do) Extent of promotion and advocacy of the positive impact that sport and recreation have on the health and wellbeing of Indigenous people No. of projects funded that encourage economic independence, early childhood intervention or safer communities No. of projects funded that involve joint funding arrangements with other states or Australian Government agencies
Comments	These are program level indicators that are inappropriate for the activity and scale of funding in this grant (\$10,000). The indicators would be very difficult to report on, and gathering data to substantiate such indicators would cost rather more than the value of the funding agreement. The social outcomes results are unlikely to be achieved from the activity. However, the annual performance report requirement is an example of not placing undue burden on the organisation for a small amount of low risk funding.

Performance indicator: Example 3 – Rating D

Program	Indigenous Broadcasting
Purpose/ Activity being funded	Broadcast community radio and information Document ongoing projects and events in the community Advertise community and regional events with an object of, in the future, being able to charge for that service Maintain existing equipment and capacity Produce school based program about getting children to school in both language and English Coordinate with school in the production of a school based video to encourage kids to attend school Train school children in school based production of a video for viewing by the community and other schools in the region Amount: \$5,500
Major risks	All the activities cannot be delivered on the budget Skills needed are not available in or to the community
Performance indicators	No. of CDEP participants per quarter No. of hours of programming in local Indigenous languages per quarter No. of hours of programming received via channels on satellite services per quarter No. of hours per day that a RIBS or urban-based radio station is operating
Comments	The activity is about content and what messages are broadcast to what end. The indicators do not measure that the content is delivered. All of the indicators could be met without the purpose as described being achieved.

Performance indicator: Example 4 – Rating D.

Program	CHIP Municipal services
Purpose/ Activity being funded	Provide municipal service type activities to Robinson River and out-stations associated with Mungoorabada Aboriginal Corporation Municipal services to out-stations includes maintenance of out-stations essential services systems (power, water, and sewerage) at 13 locations Provision of environmental health programs, maintenance of out-station access roads, living areas and dumps Amount: \$277,860
Major risks	Suitably skilled personnel to deliver some services not available Supply of fuel for power not available on locations e.g. in wet season Essential equipment not maintained in service Service not delivered as intended
Performance indicators	No. of people employed in managing infrastructure and municipal services activities Description of services provided and type of facilities maintained Description of services provided with this funding No. of Indigenous people employed No. of Indigenous people employed by this project No. of Indigenous people employed with this funding No. of people/communities provided with dog control services No. of people/communities provided with environmental health activities No. of people/communities provided with infrastructure maintenance No. of people/communities provided with landscaping and dust control services No. of people/communities provided with other municipal services No. of people/communities provided with waste disposal services
Comments	Indicators 1, 4, 5 and 6 refer to employment of Indigenous people that is not an objective of either the program or the activity being funded. Indicators 7 and 10 refer to services that are not specified as part of the activities being funded. There are no 'quality of service' indicators, such as down time of power supply.

Performance indicator Example 5 – Rating C

Program	Women's Leadership Program
Purpose/Activity being funded	Support women to undertake leadership, representative and management roles Increase recognition, development, consideration and influence of Indigenous women's perspectives in local priority setting and government funded activity Address the issues identified by women as priorities including violence and women's health Improve links between women's organisations and other agencies Strengthen women's networks Increase Indigenous women's awareness of relevant policies, programs and services with the aim of improving their access Support Indigenous women's cultural traditions Amount: \$118,050
Major risks	Funding is not applied to the activities as intended Incidence of health and violence problems are not reduced by the intervention
Performance indicators	Increased recognition, development and consideration of Indigenous women's perspectives in local priority setting and Government funded activity No. of publications produced No. of participants involved in activities and research projects No. of women in leadership roles as result of funded activity No. of events, workshops and forums Positive contribution by program activities to the enhancement of Indigenous women's leadership, wellbeing and economic status

Program	Women's Leadership Program
Comments	<p>The first and last indicators would be extremely difficult to measure: it may have been useful to have thought through what some indications of this achievement might be.</p> <p>The second indicator is irrelevant to the funded activity.</p> <p>The third indicator is an input measure and the fifth is an output measure of activity but not of results.</p> <p>Measures of health and violence with reduced incidence of problems would be useful and valid indicators but are not addressed.</p> <p>Women's awareness of services and their increased accessing of services is not measured.</p>

5.11 Understanding risk and developing community capacity

Discussions with organisations and ICC staff indicated there are some underlying problems with the performance reporting frameworks being applied in the PFAs.

The first is that risk and managing risk is not well understood or applied in the current management of funding to Indigenous organisations. The most significant and common risks to the effective management of grant funding in all the Indigenous organisations were:

- the CEO and accounting staff (in the larger organisations) having adequate financial management skills and program implementation
- continuing financial stability and health of the organisations, and the sometimes perilous cash position of the organisations
- capacity of the governance body of the organisation to operate effectively in the corporate context or world from which governance roles and responsibilities are derived.

In setting up the reporting requirements, the first of these risks gets no attention. In the monitoring of financial reporting the financial risks are also often receiving scant attention. Reporting requirements such as the acquittals process, in which a chairperson must sign off the acquittal, assume that the governance capacity and knowledge is equal to the responsibility. Anecdotal reports often indicate that this is not the case.

When monitoring financial reports, program staff indicated that they generally checked expenditure against budget for the grant in question, and sometimes for the organisation as a whole. We found it was not commonly the case to monitor the ratio of current assets to current liabilities of an organisation from the financial reporting provided, perhaps partly because by the time the report is received, the cash flow information is out of date. We also found that some program staff looked only at the expenditure against budget for their own program. This approach to monitoring would be unlikely to alert program staff to an organisation with immediate or pending cash

flow problems, and the risks to the wellbeing of the community that a poor cash position represents.

If our findings are representative of how financial monitoring of Indigenous organisations is generally being carried out, then the amount of information collected serves a very limited role in monitoring and mitigating the real financial and personnel or management risks associated with the contracts.

The operating paradigm behind many of the instances of burdensome red tape outlined, is one of 'compliance' paradigm. The compliance paradigm is displayed in the often less than sensible reporting and monitoring requirements applied to the Indigenous organisations. It is evidenced by departmental staff adopting, departmental or government 'standard procedures', such as standard contracts or performance indicators without applying judgement.

Other examples of this compliance paradigm in action include putting undue emphasis on receiving reports to a rigid timeframe, or 'breaching' without checking the actual circumstances. While this paradigm dominates there is a risk that the focus will continue to be more on compliance than on enabling communities and organisations to achieve outcomes by developing capacity, assisting organisations to deal with their very specific circumstances, and using management methods and controls that make sense for their circumstances and current capacity.

6: THE WAY FORWARD

This chapter explores the options and implications for moving forward and then proposes a strategy for both short term and longer term changes.

6.1 How real is the experience of red tape?

It is our assessment that **actual** red tape is less than **perceived** red tape, and that many of the issues raised as representing examples of red tape, are in fact about relationships, program management practices, and capacity of government as a whole, of ICCs and of funded organisations. There are examples of agencies, including those within ICCs, exercising common sense and flexibility within existing frameworks and legislation, thus reducing the administrative load on organisations. There are some promising ideas and practices in use which could be picked up, and either tested, or implemented very quickly and with low costs.

6.2 Addressing the challenge of program funding

There are some wider issues related to the 'silo' approach to program funding and program development across governments, at all levels. We believe these are deeply entrenched and would require a massive public policy shift beyond what is possible, no matter how desirable they may appear. This relates to:

- a single block of funding to areas or regions and across all areas of service delivery
- abolishing program models within government
- a single funding agreement for all funding going into an organisation.

There are several reasons for taking what might be perceived as a pessimistic view of such radical change.

The evidence base on whole-of-government initiatives in relatively small scale projects suggests that it can take months, and sometimes years, to build relationships and trust, and to achieve sufficient agreement to make real progress. (though some promising progress has been made). The time and energy it would take to convince stakeholders of, and then implement, a total deconstruction of the current program approach would be immense. It would also potentially distract from some more obvious, less costly, time consuming, and possibly equally effective, strategies that would reduce **actual** red tape and address issues of **perceived** red tape.

Programs are currently constructed and designed around issues and policy goals that have taken many years to refine. They are also constructed around political agendas (of both major parties and at both levels of government) with different issues

often being defined by public opinion, current evidence or orthodoxy, or current practice wisdom. Programs are then delivered through the relevant administrative portfolios and CEOs are required to report against program objectives, outcomes and outputs. Dismantling this current approach would require agreement across all governments and Ministers, as many local members also have passions or agendas which help drive or at least influence the administrative arrangements of governments. The notion that this will not continue to be the case seems exceedingly optimistic.

Communities are comprised of professional groups, individual interest groups, communities of interest, and stakeholder interests who support the current focus on specific issues or portfolios e.g. housing, health and justice. While these same groups seek more holistic approaches from governments, it may nonetheless be difficult, to sell the idea and the reality of a deconstruction of program approaches to them.

The Australian Government's agenda for working with Indigenous communities includes increased partnership with those communities. It is difficult to see how a Government could convince any community, Indigenous or non-Indigenous, of the desirability of abolishing or radically changing the current community based organisational structures in communities, many of which are based around program issues e.g. health, housing, art and cultural. A block grant might be possible in a community with a single Indigenous entity but these are likely to be very small in number.

The cost and time involved in dismantling the current program approach and trying to establish a new one would be exceedingly high. It is very difficult to envisage that such massive change would deliver significant, if any, benefits with respect to reducing red tape. The financial cost of attempting such change is likely to be substantial.

6.3 What are the options

There are at least three main options available to government to address some of the issues regarding red tape raised in this evaluation and in other reports and initiatives.

1. examine the current paradigm, which drives much current practice in accountability regimes, and consider how this paradigm contributes to red tape, or perceptions of red tape, and reduces an emphasis on outcomes as the dominant desired result.
2. adopt a number of changes or improvements in the processes or mechanisms of funding such as those outlined later in the chapter

3. combine both of the above by changing culture through developing a new paradigm and concurrently addressing a number of systemic and process issues within the current program and administrative and legal arrangements.

The current and dominant approach to accountability for government funding by most agencies across all levels of government in Australia could be characterised as compliance driven, with a strong emphasis on policing and monitoring perceived risks of fiscal mismanagement. This paradigm is underpinned by:

- assumptions including that organisations are troublesome and unskilled
- a perceived preoccupation with legal and contractual solutions and a deficit based assessment of capacity
- a focus on inputs and outputs rather than outcomes
- a tendency for governments and sometimes organisations to be risk averse
- a one-way approach to accountability, that is that organisations must comply.

This is generally true of all funding programs and is not unique to Indigenous organisations. It is possibly more dominant in Indigenous policy as a result of both widespread perceptions of potential misuse of funds (including by the public) and of the collapse of some Indigenous organisations over time at a slightly higher rate than other community based organisations. The findings from this evaluation suggest that this current paradigm contributes little to achieving real outcomes for Indigenous communities but does contribute to frustration for both organisations and funding program managers, and underlies most of the practices which we have found are contributing to red tape.

We propose that there is an alternative paradigm that would be more consistent with the broader policy approach to Indigenous affairs. This paradigm is based on the concept of mutual responsibility, characterised by beliefs that:

- organisations on the whole, want and do what is they believe is best for their communities, and similarly that governments also want to assist communities
- risks are best managed when these are assessed together by the funding agency and the funded organisation and managed jointly
- working together is more likely to achieve agreed and better outcomes for communities
- accountability for outcomes requires a mutual accountability between funding agencies and funded organisations based on respect and capacity building of Indigenous organisations

- governments do have a responsibility to monitor the use of public funds and that this can be done well, in partnership with Indigenous organisations and communities.

This approach requires a fundamental, but not radical, shift in the approach to accountability, and would be more consistent with both current Indigenous policy directions and the Australian Government's existing financial and performance reporting guidelines. As outlined in *Current initiatives in reducing red tape – Commonwealth agencies* and *Current initiatives in state and territory governments* in Section 2.2 *Past government reports on red tape in Indigenous organisations*, this shift is consistent with developments across agencies and in the states and territories.

This paradigm shift would require:

- an ongoing commitment to finding whole of government solutions to funding and supporting Indigenous organisations and communities, and to ways of working in partnership
- a commitment to negotiating and focusing on accountability at the outset, for outcomes being achieved
- negotiating, testing and evaluating alternative funding agreements across programs and agencies which focus on outcome reporting, shared risk assessment and simplified and single reporting wherever possible
- training and skill development for funding program managers and administrators in organisations
- a commitment to capacity building in Indigenous communities and organisations over time, and in creative ways, including the use of the skills and resources in the business community and initiatives in international aid and volunteering capacity building programs
- the development of the role of ICCs and OIPC at the regional and national levels, to improve and coordinate whole of government and cross government efforts to support and fund organisations, and reduce the administrative burden on organisations.

Such a paradigm shift does not require massive change, nor is it a costly option. In fact, it is a relatively low cost option with an emphasis on change management, organisational cultural change and training. It can be matched with a practical Plan for Action. The leadership provided through OIPC, the Secretaries' Group and the State and Territory Managers of Australian Government agencies is a good foundation for this shift.

Alongside making a shift in the prevailing paradigm, a number of changes in policy and practice, as suggested during consultations and by our own analysis for this evaluation, could also be incorporated into the change process and the Plan for Action. If done together there is a real possibility of not only redressing the practices that are currently perpetuating red tape, but of making the behavioural and attitudinal shifts that will help to ensure that these or similar practices do not re-emerge in different forms in future. We have represented the different foci for attention to achieve lasting change in the Figure 4 below.

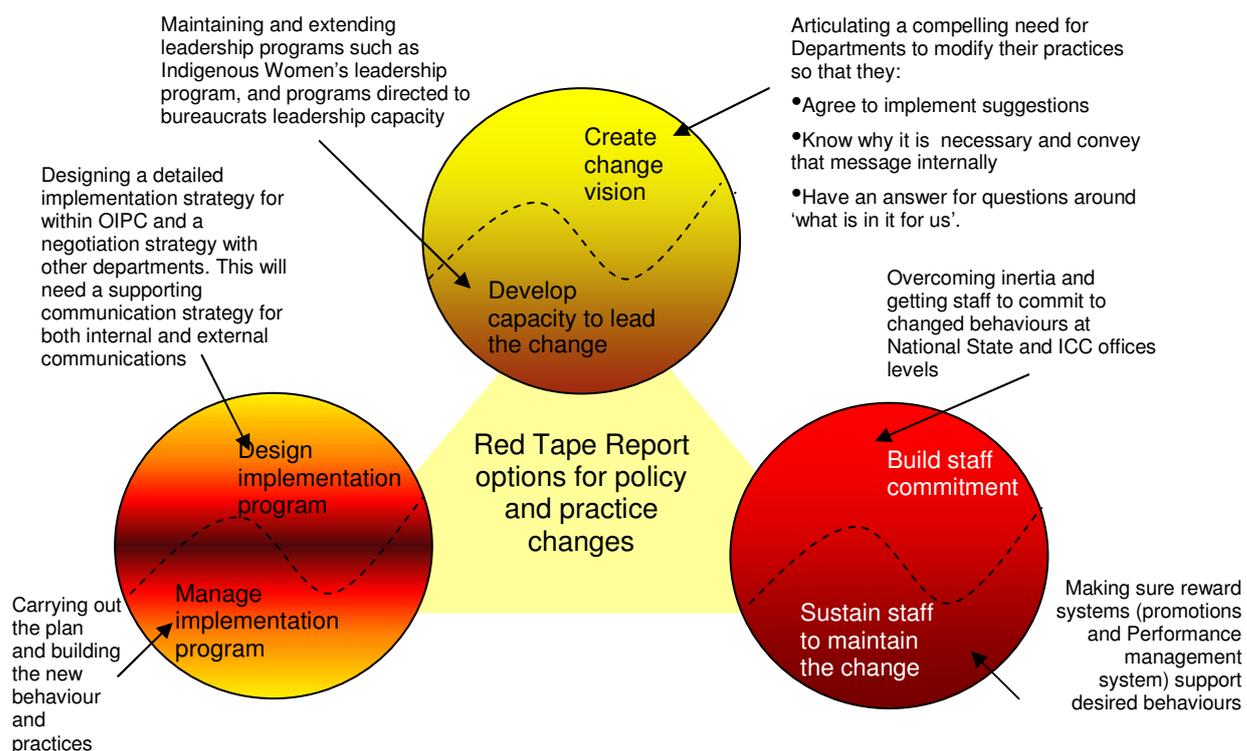
6.4 Plan for Action

The diagram in Figure 4 below provides a framework for systematically reducing red tape in the overall system that provides funding to Indigenous organisations. It identifies what attention needs to be given to all the stakeholders and the aspects where some changes might be contemplated.

In looking at this model we can readily see the nature of the task for OIPC to make some headway on reducing red tape. For example, the **Create change vision** in the top circle has to be developed and accepted within OIPC at national office and state and territory manager level, and within ICCs. It also needs to be created in other agencies over which OIPC has no direct control. This means that the SES Band 2 Taskforce and the Secretaries' Group need to be brought into the process of change and convinced of the need for change, through taking opportunities for presentations and for getting red tape issues on their meeting agendas.

While the task is not small and will take time, we can also see that capacity development that is already occurring within OIPC and other agencies will contribute to efforts to reduce red tape. For example, **Developing the capacity to lead the change** (see top circle) is already progressing in OIPC with capacity building work with ICC Managers and staff underway. The *Indigenous Women in Leadership* program is also developing the leadership capacity in Indigenous organisations.

Figure 4: Plan for Action



Building staff commitment (right hand circle) to altering practices and behaviours which currently lead to red tape also has to be attended to at several levels,> However, OIPC only has direct control over this within OIPC and the ICCs. Strategies that could assist in building staff commitment would include:

- immediate exploration by the Secretaries' Group of ways to continue setting the direction on the role of ICCs to improve coordination and increase the mandate of ICC managers to find locally relevant and responsible solutions to administrative burdens
- continuing to build a dialogue between the Australian, state and territory, and local governments regarding ways of reducing administrative burdens and increasing the focus on shared outcomes and mutual responsibility
- within OIPC, contributing to existing staff meetings such as state and territory managers meetings, ICC Managers meetings and meetings within ICCs. This would include presentations about the findings of this evaluation and the suggestions for strategies for changes to reduce the red tape and administrative burden on Indigenous organisations.

Sustaining staff to maintain the change (right hand circle) will, ultimately, need to occur at three levels: within OIPC, across the other Australian Government agencies involved in Indigenous affairs, and in Indigenous organisations receiving funding.

Designing and managing a change strategy and implementation program (left hand circle) involves practical steps that OIPC can take to reduce the unnecessary administrative burdens that we have identified in this evaluation. Specific areas for investigation are set out below.

6.5 Possible areas for investigation

This proposed change process would need leadership from the Secretaries' Group with a new service charter based on mutual accountability and partnership, as outlined in the earlier section in this chapter. A cascading approach to leadership would then need to flow with ICC executive members and state and territory managers promoting and supporting the changes. The following practical suggestions for taking the findings from this evaluation forward; identify a number of 'areas for investigation' which might form a basis for change activities and a Plan for Action.

Area for investigation 1: better match the treatment of small grants to the limited risk they represent

OIPC to develop and get agreement from all departments making grants to Indigenous organisations on a policy on the treatment of small grants to Indigenous organisations.

This would include:

- using short form contracts. Most departments have short form contracts although some may be more appropriate to purchasing services, rather than to funding agreements. However, work has been commenced in OIPC on short form funding agreements. Once completed, these could be made available to other departments, in order to expedite their adoption of similar form contracts
- identifying risk to the appropriate use of public funds, the good governance of Indigenous organisations and the wellbeing of the communities they serve, as a fundamental purpose in monitoring performance
- relating frequency of reporting to the scale of the risks identified
- using performance measures and performance reporting that:
 - are relevant to the activity being undertaken
 - focus on the outcomes to be achieved
 - are commensurate with the scale of the funding, purpose and activity undertaken.

Area for investigation 2: improve the quality and usefulness of performance indicators used

Review the guidance for staff (in OIPC and in departments located within ICCs) on the application of performance indicators and performance reporting regimes to program funding agreements.

- This will require a review of program guidelines available to Indigenous organisations, and the guidance available to program staff about setting and monitoring performance measures. It may also require some joint work with Indigenous organisations to establish some agreement on approaches to developing shared outcomes.
- While we recognise that OIPC cannot determine the program guidelines for other portfolio's programs, the aim is to influence other portfolios to achieve some consistency between departments in how performance measures can be used and modified, and where the authority for doing so rests. The greater the consistency, the easier it will be for Indigenous organisations to participate actively in developing performance reporting arrangements that ensure accountability for public funds, as well as assisting the governance body of the Indigenous organisation to meet its responsibilities.
- Guidance should emphasise that for performance monitoring to be useful, performance indicators need to be directly related to the activities being undertaken and the purpose and objectives of the projects being pursued.
- In negotiating or developing performance reporting requirements staff should be guided to consider how data would be collected and the time/cost implications associated with that.
- Staff setting performance reporting requirements should be guided on how to use performance monitoring to monitor the mitigation of risks to the appropriate use of public funds, the good governance of Indigenous organisations and the wellbeing of the communities they serve.
- To improve performance measurement, simple and low cost periodic evaluation should be considered in place of reporting against performance indicators. For example this could be particularly appropriate where improvements in health, educational achievement, or community and family relationships are project objectives.

Area for investigation 3: support the implementation of improved policy and practical guidance

Develop and run a series of training sessions/modules for all ICC (and any other program management) staff on:

- working in partnerships and in whole of government approaches

- purposes and objectives in having performance reporting arrangements
- how to identify risks in projects and activities that are being funded
- how performance monitoring can assist in monitoring risk
- how performance monitoring can best assist the governance body of the Indigenous organisation being funded
- negotiating a program funding agreement
- monitoring financial performance (especially current ratios) and understanding financial reports.

Area for investigation 4: concurrently, develop a similar program to that in Area 3 for managers and governance bodies of Indigenous organisations

Develop a program for Indigenous organisations on effective performance reporting and monitoring critical risk, which could be delivered jointly by Indigenous people with relevant expertise and ICC staff. Involvement of ICC staff in running this program would be part of their role of capacity building in their fieldwork with Indigenous organisations.

Area for investigation 5: reduce the effort involved in annual appropriations and annual applications for funds

Address the issue of annual applications for funds from programs that continue year after year, where the circumstances of the organisations change little from year to year. OIPC should investigate, in consultation with other departments, how much effort would be required to obtain approval from the Minister for Finance for funding commitments to be made for more than one year. This should be done with a view to getting such approval in as many programs as possible.

Area for investigation 6: Trial the development of single funding agreements

Single funding agreements should be trialled where one Indigenous organisation is applying for and using grants from several programs with similar objectives in order to fund the same strategy or service. This will involve:

- identifying 3–4 organisations to trial this approach
- reviewing the objectives of all programs going into those 3–4 Indigenous organisations through departments, to identify the similarities of purpose between programs. Once tested, this information should be made available to ICCs for use when discussing plans for future activities and funding rounds with Indigenous organisations
- developing, in consultation with departments in the ICCs, a process for the receipt and assessment of applications, and the formulation of program funding agreements, whereby ICC staff can identify applications for multiple

programs that will be used to fund the same activity or service. ICCs would then bring all relevant program management staff together to develop a single agreement and agree on a single reporting arrangement for negotiation within the Indigenous organisation.

Area for investigation 7: give ICCs responsibility and authority in the management of relationships with funded Indigenous organisations

Negotiate with other departments to allow performance agreements and performance reporting arrangements to be negotiated, within agreed parameters, and managed at the ICC level. ICCs are already assessing applications for grants and making recommendations on allocation of grants. They often have the best knowledge of the circumstances of the organisations and their capacity to manage activities that are being funded.

We know that where the relationship between the ICC staff and an organisation is strong and constructive, the perception that fulfilling grants requirements is onerous and red tape is less than where the relationship is not strong. If the ICCs have the responsibility and authority to negotiate and agree the terms of the program funding agreements and the associated reporting arrangements, they will have a clear role and some ownership of the relationship and how well it is developed and managed.

Area for investigation 8: review the budgets for and the management of resources in ICCs for making field visits.

Work with ICC departments and ICC managers to build collaboration between the departments in the best use of the resources available, so that ICC staff can have regular face-to-face contact with Indigenous organisations that are being funded.

APPENDIX A: AUSTRALIAN & STATE AND TERRITORY GOVERNMENT AGENCIES CONSULTED

Department of Communications, Information Technology and the Arts – Sport and Recreation

Department of Communications, Information Technology and the Arts – Broadcasting Programs

Department of Employment and Workplace Relations

Department of Environment and Heritage

Department of Family and Community Services and Indigenous Affairs – CHIP

Department of Family and Community Services and Indigenous Affairs – Stronger Families and Communities

Department of Health and Ageing – OATSIH

Australian Capital Territory Health

Northern Territory Indigenous Housing Authority (Alice Springs)

Northern Territory Department of Local Government, Housing and Sport (Darwin and Katherine)

Queensland Department of Aboriginal and Torres Strait Islander Policy (Cairns)

Queensland Department of Local Government and Planning (Cairns)

In addition to the national offices of the Australian Government departments listed above, we interviewed program staff in the ICCs visited for those departments funding the Indigenous organisations visited. In some locations, we also interviewed program staff from departments not represented in the ICC but with funding going into the Indigenous organisation being visited.

APPENDIX B: COMMENTS ON RED TAPE DEFINITIONS AND EXAMPLES

Definitions and examples of 'red tape' from ICC staff

The following descriptions and definitions offered by ICC staff show some awareness of the trade-offs between flexibility and consistency, and the obligations of reasonable requirements of accountability:

- 'Rigid interpretation of program guidelines – meant to be guidelines NOT the only way.'
- 'Absolute burden of paperwork and accounting processes that we place on organisations.'
- 'The headaches for organisations because of silos.'
- 'Cumbersomeness and duplication. However, there does have to be a framework, but it needs to be cut down to basics.'
- 'The obstacles to getting to where agencies want to be.'
- 'Unnecessary and complicated administration.'
- 'Unreasonable barriers imposed by the government to prevent organisations doing their work.'
- 'Everything that gets in the way.'
- 'Repetitiveness—unnecessary documentation which serves no useful purpose.'
- 'Need to have a paper trail, but much of it is unnecessary—it sets its own regime.'
- 'Anything unnecessary to us seeing that government money has been well used and that they are managing themselves well.'

On the Shared Responsibility Agreement funding:

- 'There is a difficulty in whole of government funding being outside of general grants funding. Agencies don't want to do away with their own funding guidelines and insist on separate audits etc. An organisation with an SRA could still have four separate funding processes with involvement of other departments e.g. Health, DIMIA, DEST, AG's. Organisations still may also have to apply separately for either the SRA or the individual program grants'.
- 'The number of programs creates red tape.'

- 'Even the current SRA has three PFAs – hasn't made it easier, although filling in an SRA submission is easier than filling in an E-sub.'
- 'We start from programs, not from clients, and that is a major cause of red tape and burden. Reducing the burden is about government at all levels getting its house in order. The Commonwealth could have streamlined budgeting by having a place based approach rather than having a program based approach. Could have an agent or agency that can pool all Commonwealth funds so there is one stream of money and one relationship around that money. Need the same thing at state and territory government level.'
- 'There are two main approaches to funding and both are not working – one is deficit based funding around infrastructure and the other is funding people in positions for jobs. Neither permit a holistic approach to be taken to anything.'
- 'Because there is so much to administer, our relationship tends to be about reporting, not about what the needs and problems are, holistic ways of approaching problems and getting to know the real business of the community.'
- 'Tend to ignore the capacity building that needs to be done around accountability requirements. Organisations tend to deliver things that fit into our program boxes, rather than doing what they know needs to be done. Our program structures ensure that a holistic approach is never taken to any problem or to community development.'
- 'Who needs a 76 page PFA? Ten years ago ATSIC used to do six page agreements.'
- One participant said 'who in their right mind would look at the PFA?'
- 'Frequency of funding cycles.'
- 'At the moment we are managing process not risk; how we manage risk and what level of risk the government is willing to wear, is the key to what is red tape.'
- 'If government already has core information, the grant process could be the Council supplying add-on information regarding the particular grant. Information about Council should be shared between different levels of government, rather than collected separately by each.'
- 'Council having to continuously supply grant information that the government already has e.g. name of organisation, ABN, address.'
- 'The main issue is breaching – if one agency breaches an organisation – all agencies breach – makes the administration really difficult particularly when the nature of the breaches can be very minor.'

- ‘GMS system problems are a huge obstacle—under the new model, ICC have lost some of the access and permissions, and now have to go to Canberra. The system is dictating the approach.’
- ‘Perceptions of red tape form in organisations minds because accountability requirements are the bottom of their priority lists, and the top of the government agencies. If we became the outsourced accountant and reporter and the Council still made the decisions, we might all be happier.’
- ‘Indicators are not aligned with the outcomes of the grants.’
- ‘Time frames of funding (not enough time) particularly 2005–06. E-sub was released late which put a lot of pressure on the ICC staff and the organisations completing them.’
- ‘Doing things to keep the government happy, not because it is needed.’

Definitions and examples of ‘red tape’ offered by staff of Indigenous organisations

- ‘Unnecessary paperwork to achieve something that could have been achieved a lot easier, for example, a variation grant needs three committee signatures and common seal just to change the date of the report.’
- ‘Paper work required to gain grant funds, and to account for grant funding.’
- ‘Paperwork, policies, procedures—all the nitty-gritty things that need to happen before a decision is made.’
- ‘Unnecessary bureaucratic language that’s not necessary for organisations’ benefit.’
- ‘Everything has to be justified—making sure that people are not ripping off the system.’
- ‘Hurdles, barriers, frustrations.’
- ‘The rules made in Canberra, they are not for the bush.’
- ‘Semantics with words. Back and forwards because of strict rules and nitpicking.’
- ‘Duplication by each department.’

Examples offered by organisations

- ‘Service agreements with ICC - asked to do twice as much work with the same amount of money.’
- ‘Being asked to do extra reports and not getting anywhere.’

- ‘Contracts in legal terms, not plain English.’
- ‘Different reporting, accounting and applications procedures for each program.’
- ‘Nine bank accounts.’
- ‘Twenty-eight to fifty pages of contract, to say the same thing numerous times.’
- ‘Our SRA—we thought it was one contract, not four contracts.’
- ‘Thirty to forty contracts per year.’
- ‘So many business opportunities are lost because of government approval processes - time frames are too long.’
- ‘Variations take too long; in the meantime we have to take the risk that it will be agreed.’
- ‘Providing duplicate copies of the same document, one for each agency.’
- ‘Ten day turnarounds which often turn out to be three plus months.’
- ‘If we don’t push the ICC it doesn’t happen.’
- ‘Different staff members (ICC) interpret guidelines differently—inconsistent understanding.’

APPENDIX C : COMMON SUGGESTIONS FROM ICC STAFF AND ORGANISATIONS

The positive spirit in which the evaluation took place is reflected in the thoughtful manner in which both ICC staff and those within organisations considered the issue of red tape and suggestions for its reduction. There were a number of suggestions shared by ICCs, by organisations, and by agency staff in national office units - particularly in relation to funding cycles, the nature of PFAs and the amount of reporting. The organisations are particularly looking for performance indicators that reflect what is happening for communities.

Contracts / Funding Agreements

Both staff and organisations suggested that there was considerable duplication in the application process and there were problems with the e-sub process in the 2005–06 round. We understand that many improvements have been made for the 2006–07 e-sub round, and it may be that the same comments and suggestions would not be made if comparable fieldwork were done after the process that is currently underway. However, we are reporting the suggestions made during the evaluation which related to the process for the 2005–06 funding period.

One organisation suggested that there could be a standardised format for applications: 80% of which is generic, with 20% specific to a project or program. It was also suggested that application forms need to be simplified and more user friendly. Other suggestions were:

- standardise conditions within contracts for requirements such as maintenance of assets registers
- include Indigenous funding with mainstream funding to eliminate discriminatory reporting and accountability requirements
- examine different approaches to submissions—particularly for those for whom English may be a second, third or fourth language. Examples include use of: video, audio, photographic and oral presentations. This suggestion is linked to field officers having an improved knowledge and understanding of local conditions, and for grants to be offered in response to locally identified needs with the purpose of achieving community driven outcomes.
- allow for some flexibility in grant allocations to respond better to local conditions. Rather than requiring organisations to adapt local need to program guidelines, Solution Brokers from each of the portfolios could collaboratively assess need and allocate a funding package to meet identified need(s)
- review the feasibility of single funding agreements such as that developed in the Northern Territory by the Australian Government Solicitor on behalf of the

agencies involved. This arrangement included DEST, FaCSIA, DEWR and NT Government Departments and included a single reporting requirement and Memorandums of Understanding between portfolios

- review the requirement for annual submission for projects that are on-going such as the provision of municipal services
- standardise three year funding cycles and increase the level of on site monitoring of delivery of outcomes by portfolio field staff, where risk is assessed as high or organisations have limited experience and capacity. This would also result in a significant increase in assistance at an early intervention level for organisations, and increase governments knowledge of local conditions
- simplify the contract variations process by increasing delegated power to ICC Managers
- review the requirement for single bank accounts for every program. Where organisations have electronic accounting systems, each program can be discretely accounted for, and a significant cost burden would be removed.

Reporting

Both staff and organisations have consistently suggested that three monthly reporting is excessive, and that many of the performance indicators reflect program guidelines and outputs, rather than the effectiveness of projects and outcomes delivered within communities. Suggestions included:

- reduce reporting requirements to a uniform six monthly regime. Where there is an identified risk within organisations, it is suggested this can be better managed by relationship building between field officers and organisational staff, and an increased presence in the field of field officers
- change the emphasis in performance reporting from outputs to outcomes, and more specifically, enable organisations and communities to negotiate performance indicators that reflect the outcomes the communities need. This would also reflect the differences between communities and between urban and remote locations
- review reporting requirements generally and ensure that the level of reporting is consistent with the size of the grant and the identified risk, for example the same for a \$500 grant as they are for a grant of \$100,000s
- develop flexibility in reporting using methods such as video, audio, photographic or oral presentations—relevant for many programs but particularly for small funding amounts
- develop a whole of government proforma for reporting that includes generic information and the specific project requirements

- rather than the organisations being totally responsible for reporting, field officers could visit at appropriate intervals with a prescribed list of issues to be covered. This information would then form the major part of the report.

General suggestions

Organisations and staff agreed that there is great potential for increasing community capacity through community development activities that could be coordinated through the ICC offices. The rationale for increasing community development activities is to optimise the investment of public funds in Indigenous communities and reduce reliance on such funds in the future. The areas for development that were particularly highlighted during consultations as being important included:

- community governance
- financial management capacity and understanding among project staff
- administration training for community members to increase employment options
- training for organisation staff in the implications of funding agreements and contracts, and in writing submissions.

It was noted often that if ICCs are to take a capacity building role, the level of resources within agencies in ICCs will need to be addressed in order to facilitate an increase in field visits to organisations.