



THE HON SHAYNE NEUMANN MP

**Shadow Minister for Indigenous Affairs
Shadow Minister for Ageing
Federal Member for Blair**

7 September 2015

Mr Grant Hehir
Auditor-General
Australian National Audit Office
GPO Box 707
Canberra ACT 2601

Dear Mr Hehir

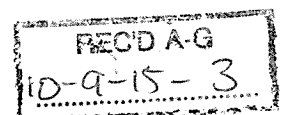
I write to draw your attention to the \$4.9 billion Indigenous Advancement Strategy (IAS), which began on 1 July 2014, and represents the biggest upheaval of Indigenous spending at the Commonwealth level.

The IAS replaced more than 150 individual programs and activities from eight former departments with five program streams within the Department of Prime Minister and Cabinet:

- Jobs, Land and Economy
- Children and Schooling
- Safety and Wellbeing
- Culture and Capability
- Remote Australia Strategies

The IAS involved a wide range of administrative changes, which included a raft of new funding and application processes – open competitive grants rounds, targeted or restricted grant rounds, direct grant allocation processes, one-off and ad hoc grants and a demand-driven process – as well as the establishment of a new regional network within the Department of Prime Minister and Cabinet.

In particular, the IAS introduced a new competitive tender process which forced all 1440 organisations then funded by the Commonwealth Government to compete in an open grant



round. A press release issued by the Minister for Indigenous Affairs on 8 September 2014 advertised the available amount as \$4.8 billion; where in fact only \$2.3 billion was available.

The myriad of problems with the application process, assessment process and the resulting funding announcements have been well documented in submissions to the Senate Finance and Public Administration References Committee Inquiry into the Commonwealth Indigenous Advancement Strategy tendering processes.

The application process was confusing, inaccessible and prevented many organisations from completing applications. This was evidenced by the high rate of noncompliance among the applications. Of the 2,472 applications received, 1,233 were deemed non-compliant by the department. The massive oversubscription to the round, with applications totalling more than \$14 billion, led to costly delays resulting in the funding pool being further reduced to just \$2 billion.

During this time, some organisations were forced to close offices and lost valuable staff while others faced closure of their services altogether.

In March 2015 the Government announced just \$860 million in funding for 964 successful organisations. On 27 May 2015 the Government announced an additional \$140 million in funding under the IAS, including \$14.7 million for 32 additional organisations. The Government has not produced specific criteria against which the applicants were assessed during the gap fill process, nor has it been able to adequately explain how applicants were identified for assessment during this gap fill process. This lack of transparency and accountability is gravely concerning and raises questions of compliance with the Commonwealth Grants Guidelines.

Particularly, this is concerning when examining the available funding data for the whole of the IAS. State and territory governments as well as government agencies are recipients of large amounts of IAS funding. The jurisdictional spread of funding does not reflect the demographic spread of Aboriginal and Torres Strait Islander peoples, with a very high proportion of all IAS funding directed to the Northern Territory which represents just 10 per cent of the nation's Indigenous population. I note that Minister for Indigenous Affairs, Nigel Scullion, is a Senator for the Northern Territory.

I hold serious concerns for the level of ministerial discretion allowed during the assessment process. I am further concerned by the loss of approximately 119 staff from within the Indigenous Affairs group within the Department of Prime Minister and Cabinet at the same time the IAS was being implemented.

Under the IAS, Indigenous organisations applying for grants of \$500,000 or more per year are required to incorporate under the *Corporations (Aboriginal and Torres Strait Islander) Act 2006*. Indigenous organisations were mandatorily stripped of their choice to incorporate under the national regulator, ASIC, alongside non-Indigenous organisations competing in the same funding round. This requirement exposes Indigenous organisations to greater costs and more extensive regulatory powers of the Office of the Registrar of Indigenous Corporations. I

seriously question how the Government is able to justify such a requirement and I note that the Government has provided no evidence to support the need for this mandatory incorporation requirement. I further note that exemptions to this requirement are solely on the basis of Ministerial discretion.

The information interface for data on Indigenous expenditure under the IAS is inadequate and makes it difficult to assess how taxpayer's money is being spent. It is alarming to me that the Prime Minister's own department is unable to produce so much as a spreadsheet to account for Indigenous expenditure under the IAS. It is a practice which has no accountability or transparency and makes it impossible to assess the effectiveness of Indigenous expenditure.

The IAS has resulted in prolonged and ongoing uncertainty for organisations, communities and individuals relying on the continued delivery of critical frontline services.

Cuts in excess of half a billion dollars to Indigenous programs and services were delivered through the implementation of the IAS. These cuts have been repeatedly characterised by the Minister for Indigenous Affairs as an 'efficiency dividend,' despite evidence from officials of the Department of Prime Minister and Cabinet during Senate Estimates confirming the cuts are to direct program funding. To date, the Government has been unable to identify where these cuts have been applied.

In light of the reasons stated above I am writing to request that you examine the administration, implementation and governance of the entirety of the Indigenous Advancement Strategy at your earliest convenience.

Sincerely,

A handwritten signature in black ink, appearing to read 'Shayne Neumann', with a long horizontal flourish extending to the right.

Shayne Neumann