

Closing the Gap

Department of the Prime Minister and Cabinet
Productivity Commission

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Senior Executive Director
Corporate Management Branch
Australian National Audit Office
19 National Circuit
BARTON ACT 2600

Or via email:

communication@anao.gov.au.



Canberra ACT
20 February 2019

Dear Mr President
Dear Mr Speaker

In accordance with the authority contained in the *Auditor-General Act 1997*, I have undertaken an independent performance audit in the Department of the Prime Minister and Cabinet and the Productivity Commission. The report is titled *Closing the Gap*. I present the report of this audit to the Parliament.

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

Yours sincerely



Grant Hehir
Auditor-General

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

AUDITING FOR AUSTRALIA

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For further information contact:
Australian National Audit Office
GPO Box 707
Canberra ACT 2601

Phone: (02) 6203 7300
Fax: (02) 6203 7777
Email: ag1@anao.gov.au

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Audit team

Daniel Whyte
Iain Gately
Mary Huang
Deborah Jackson

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Summary and recommendations

Background

1. In 2006 the Council of Australian Governments (COAG) agreed to an intergovernmental approach to 'closing the gap in outcomes between Indigenous Australians and other Australians'¹, which led to the establishment of the *National Indigenous Reform Agreement (Closing the Gap)* (NIRA) in 2008. The NIRA committed the Australian, state and territory governments to a detailed framework of Closing the Gap objectives, outcomes, outputs, performance measures, and targets, as well as service delivery principles to guide the coordinated design and delivery of programs and services for Aboriginal and Torres Strait Islander peoples.
2. There have been various mechanisms for monitoring and reporting on progress towards Closing the Gap over the duration of the framework. Until it was dissolved in 2014, the COAG Reform Council prepared an annual independent assessment of progress in each jurisdiction against the Closing the Gap targets and indicators. For the duration of the Closing the Gap framework, the Productivity Commission, with oversight from the Steering Committee for the Review of Government Service Provision, has compiled and published the underlying data for each indicator in the NIRA Performance Information report, drawing on datasets managed by the Australian Bureau of Statistics (ABS), Australian Curriculum, Assessment and Reporting Authority and Australian Institute of Health and Welfare. In addition, successive Prime Ministers have published an annual *Closing the Gap Prime Minister's Report*, which has included high-level analysis of progress towards the Closing the Gap targets.
3. In late 2016 COAG announced a refresh of the Closing the Gap framework, which was intended to be completed by June 2018. This timeframe was subsequently pushed back to October 2018, and then December 2018. In December 2018 COAG committed to finalising new targets and implementation arrangements by mid-2019.
4. Since 2013 the Department of the Prime Minister and Cabinet (PM&C) has been the lead agency for Aboriginal and Torres Strait Islander Affairs within the Australian Government. The majority of Australian Government Indigenous-specific program funding is provided by PM&C through the Indigenous Advancement Strategy and the Department of Health through the Indigenous Australians' Health Programme.

Rationale for undertaking the audit

5. Aboriginal and Torres Strait Islander Affairs is a policy area with a high level of Parliamentary and community interest. In particular, there is strong interest in ensuring funding provided through government programs achieves intended outcomes. The Australian Parliament and COAG rely on the monitoring and reporting arrangements led by PM&C and the Productivity Commission to understand the level of progress that is being made towards achieving the Closing the Gap targets.
6. The audit was undertaken to provide assurance that the Closing the Gap framework is appropriately governed, and that monitoring and reporting arrangements are being managed effectively and draw on accurate and appropriate data. It also sought to provide assurance that

1 COAG, 'Communique', 14 July 2006, p. 11.

PM&C has maintained an appropriate leadership role in managing the framework and ensuring Australian Government programs contribute to Closing the Gap objectives. As the audit was undertaken at an early stage of the Closing the Gap Refresh process, its findings can inform the development of new implementation and monitoring arrangements for the refreshed framework.

Audit objective and criteria

7. The objective of the audit was to assess the effectiveness of arrangements for monitoring, evaluating and reporting progress towards Closing the Gap in Aboriginal and Torres Strait Islander disadvantage.
8. To form a conclusion against the audit objective, the Australian National Audit Office (ANAO) adopted the following high level criteria:
 - Have appropriate governance arrangements for implementing and monitoring the Closing the Gap framework been maintained?
 - Have appropriate processes been established for reporting progress towards the Closing the Gap targets?
 - Have effective processes been established to monitor and evaluate the impact of Australian Government programs on Closing the Gap?

Conclusion

9. Arrangements for monitoring, evaluating and reporting progress towards Closing the Gap have been partially effective. Reporting on the high-level Closing the Gap targets has been maintained, but little work has been undertaken to monitor and evaluate the contribution of Australian Government programs towards achieving these targets.
10. Governance arrangements established for monitoring progress towards Closing the Gap have been partially effective. While oversight has been maintained over the collation and reporting of data for the Closing the Gap targets, the overall effectiveness of the framework has been reduced by a lack of oversight of its implementation and limited stakeholder engagement. Reflecting this, the intergovernmental agreement that established the Closing the Gap framework has not been updated since 2012 and is out of date. In December 2018 COAG committed to establish a formal governance partnership with Aboriginal and Torres Strait Islander peoples by February 2019 and review the NIRA by mid-2019.
11. Entities responsible for collating data and reporting against the Closing the Gap targets have established and maintained appropriate processes to manage the quality and timeliness of data. Reporting against the Closing the Gap targets has predominantly drawn on appropriate information, analysis and interpretation.
12. Most Australian Government programs which reference the Closing the Gap framework were implemented in its first years, and there is alignment between current programs and elements of the framework. Arrangements for monitoring and evaluating the contribution of the Australian Government's programs to the Closing the Gap targets are not effective and do not provide an objective assessment of performance.

Supporting findings

Governance of the Closing the Gap framework

13. Following the dissolution of key Closing the Gap oversight bodies in 2013 and 2014, oversight of the implementation of the Closing the Gap framework has been limited. An independent performance assessment of progress in implementing the framework has not been undertaken since 2015. Oversight of the collation and reporting of data for the Closing the Gap targets has been maintained through the NIRA Performance Information Management Group and the Steering Committee for the Review of Government Service Provision.

14. The NIRA has not been updated since 2012 and does not reflect changes to the framework, including changes to the Closing the Gap targets, oversight responsibilities and delivery mechanisms. In December 2018 COAG committed to reviewing the NIRA by mid-2019.

15. Engagement with Aboriginal and Torres Strait Islander stakeholders on the design and implementation of the original Closing the Gap framework was limited. There has been improved engagement undertaken by PM&C on the refreshed Closing the Gap framework and COAG has committed to establishing a new formal partnership between COAG and Aboriginal and Torres Strait Islander peoples by February 2019.

Reporting against the Closing the Gap targets

16. Robust processes have been established to administer Closing the Gap data. The Productivity Commission, data owners and the NIRA Performance Information Management Group have worked together effectively to manage annual updates to technical specifications.

17. Entities responsible for collating and reporting data for the Closing the Gap targets have established effective arrangements for managing data quality and timeliness, although the ABS did not adequately document its quality assurance processes.

18. Reporting against the Closing the Gap targets by PM&C has predominantly drawn on appropriate information, analysis and interpretation.

Monitoring and evaluating the Australian Government contribution to Closing the Gap

19. In the early years of the Closing the Gap framework, a large number of national partnership agreements and Australian Government programs were implemented with explicitly stated links to the Closing the Gap framework. In recent years, fewer agreements and programs have been directly linked to the framework. There is alignment between current major Aboriginal and Torres Strait Islander programs and the Closing the Gap 'building blocks' and targets.

20. The Australian Government has not developed an overarching implementation plan to focus its contribution to achieving the Closing the Gap targets.

21. From 2008 to 2014 monitoring of the Australian Government's contribution towards Closing the Gap was only partially effective. Since 2015, monitoring has not been effective, as mechanisms for monitoring whole-of-government performance in Aboriginal and Torres Strait Islander Affairs have ceased. The *Closing the Gap Prime Minister's Report* does not provide an objective assessment of contribution towards Closing the Gap.

22. An evaluation framework has not been established to measure the impact of programs on Closing the Gap targets. As part of the Government's 2017 Aboriginal and Torres Strait Islander research and evaluation package, the Productivity Commission was tasked with the development of a whole-of-government evaluation strategy. This work has not formally commenced as an Indigenous evaluation commissioner was not appointed until December 2018. PM&C's evaluation framework for the Indigenous Advancement Strategy does not include any references to Closing the Gap.

Recommendations

Recommendation no.1

Paragraph 3.20

The Australian Bureau of Statistics develop and implement procedures to systematically document quality assurance checks and internal approvals for data extracted for Closing the Gap reporting.

Australian Bureau of Statistics response: *Agreed.*

Recommendation no.2

Paragraph 4.20

The Department of the Prime Minister and Cabinet ensure the Australian Government action plan for the refreshed Closing the Gap framework clearly identifies the links between program inputs, outputs and outcomes and the framework's higher-level outcomes and targets.

Department of the Prime Minister and Cabinet response: *Agreed with qualification.*

Recommendation no.3

Paragraph 4.34

The Department of the Prime Minister and Cabinet establish arrangements to prepare an annual Australian Government Closing the Gap performance report that transparently and objectively reports on:

- the links between program-level expenditure and outputs and outcomes for Aboriginal and Torres Strait Islander peoples; and
- the contribution of programs towards Closing the Gap targets.

Department of the Prime Minister and Cabinet response: *Agreed with qualification.*

Summary of entity responses

23. The proposed report was provided to the Department of the Prime Minister and Cabinet and Productivity Commission. An extract was provided to Australian Bureau of Statistics, Australian Curriculum, Assessment and Reporting Authority, Australian Institute of Health and Welfare and Department of Health. Full responses from these entities are provided at Appendix 1. Summary responses from entities that provided one are set out below.

Department of the Prime Minister and Cabinet

The Department notes the Report's overall conclusions and findings and agrees with its Recommendations Two and Three with qualifications.

The Department notes the draft Closing the Gap framework agreed by COAG in December 2018 is consistent with the recommendations and areas for improvement outlined in the Report. The new draft Closing the Gap framework will be further developed in partnership with Indigenous

Australians through their representatives, placing them at the heart of its development and implementation. The draft framework includes draft targets, accountabilities, reporting requirements and a way forward for the development of Commonwealth, state and territory action plans. It will enable a greater level of accountability and independence in governments' reporting against progress.

The framework and draft targets will be finalised through a new Ministerial Council on Closing the Gap, with Ministers nominated by jurisdictions and representation from Aboriginal and Torres Strait Islander peoples, ahead of endorsement by COAG in mid-2019. A review of the National Indigenous Reform Agreement will be informed by the framework.

Australian Bureau of Statistics

The ABS acknowledges the National Indigenous Reform Agreement (NIRA) for Closing the Gap in outcomes between Aboriginal and Torres Strait Islander Australians and other Australians and the importance of high quality data for reporting against the Closing the Gap targets. The ABS has comprehensive quality assurance processes in place across all aspects of its statistical business, from data collection through to dissemination. Significant efforts are applied in the collection, coding and processing of statistical information to create quality assured datasets from which Closing the Gap data is extracted.

The ABS has custodial responsibilities for 13 of the 16 datasets used in the Closing the Gap framework. While quality assurance processes were fully completed when extracting the data from the numerous datasets, the ABS accepts there have been some inconsistencies in the written recording of these processes for the 2017 Closing the Gap report and actions are already underway to remedy this. It is expected that the ABS' Statistical Business Transformation Program currently underway will assist in delivering a consistent documentation process.

Australian Institute of Health and Welfare

The AIHW notes the conclusions of ANAO's proposed audit report on Closing the Gap, and in particular welcomes the finding that AIHW has the appropriate processes in place to ensure quality and timely data is provided for Closing the Gap reporting from the National Perinatal Data Collection.

The AIHW assisted with the development of the CtG trajectory modelling, and as such can support the ANAO's recommendation to provide the methodology for determining if the CtG targets are on track.

The AIHW will continue to play an active role in the National Indigenous Reform Agenda Performance Information Management Group, and will publish updated CtG data specifications on METeOR, which is currently being enhanced.

The AIHW would support efforts in the research synthesis function following the closure of the Closing the Gap Clearinghouse.

The AIHW will support the outcomes of the Closing the Gap refresh.

Department of Health

The Department of Health (the Department) welcomes the audit and the report extract supplied.

The Department notes the ANAO's finding where the Indigenous Australians' Health Programme (IAHP) program guidelines explicitly refer to the Closing the Gap framework, referencing the two health related targets: life expectancy and childhood mortality. The Department further notes the ANAO's finding where the IAHP guidelines explicitly reference the service delivery principles

articulated in the National Indigenous Reform Agreement, and the guidelines state the Department's administration of the IAHP will comply with these principles.

Key messages from this audit for all Australian Government entities

24. Below is a summary of key messages, including instances of good practice, which have been identified in this audit that may be relevant for the operations of other Australian Government entities.

Policy/program design

- When designing major policy initiatives, it is good practice to establish high-level outcome targets and robust mechanisms for monitoring and reporting against them. This has been a strength of the Closing the Gap framework. The effectiveness and transparency of the outcome targets is enhanced by ensuring the methodologies to measure outcome achievement are published.
- Major policy initiatives require a robust implementation plan. Good practice indicates that activities outlined in the plan should be closely aligned with the achievement of performance measures and the plan should be kept up-to-date over time as new initiatives are incorporated or experience informs program adaptations.

Policy/program implementation

- Major policy initiatives that have long term targets (such as in the Closing the Gap initiative) require long term governance and focus to ensure policy objectives are delivered. They also require clear and ongoing assignment of accountability to a lead agency and establishment of regular performance reporting arrangements. This may require adaptation of programs over time and the alignment of new related initiatives to the achievement of the long term objectives.

Audit findings

1. Background

1.1 In November 2005 then Aboriginal and Torres Strait Islander Social Justice Commissioner, Tom Calma, presented his *Social Justice Report 2005* to the Attorney-General, which made a series of recommendations regarding establishing a human rights based approach to addressing Aboriginal and Torres Strait Islander² health inequality, including:

That the governments of Australia commit to achieving equality of health status and life expectation between Aboriginal and Torres Strait Islander and non-Indigenous people within 25 years... [and]

That benchmarks and targets for achieving equality of health status and life expectation be negotiated, with the full participation of Aboriginal and Torres Strait Islander peoples, and committed to by all Australian governments.³

1.2 In response to the report, a coalition of peak Aboriginal and Torres Strait Islander and non-Indigenous health bodies and human rights organisations established the 'Close the Gap' campaign in March 2006.

1.3 In July 2006 the Council of Australian Governments (COAG), as a component of its national reform agenda, agreed that 'a long-term, generational commitment is needed to overcome Indigenous disadvantage', and noted 'the importance of significantly closing the gap in outcomes between Indigenous Australians and other Australians'.⁴ This commitment, formalised two years later through the November 2008 *National Indigenous Reform Agreement (Closing the Gap)* (NIRA), came to be known as 'Closing the Gap'.

The Closing the Gap framework

1.4 The NIRA introduced a framework of objectives, outcomes, outputs, performance measures and targets that the Australian, state and territory governments committed to achieving to close the gap in Aboriginal and Torres Strait Islander disadvantage.⁵ While no direct funding was provided through the NIRA, the Closing the Gap framework was underpinned by eight Indigenous-specific national partnership agreements, which committed funding of around \$8.9 billion over ten years for services and programs for Aboriginal and Torres Strait Islander peoples, as well as other mainstream agreements. It also provided for overarching bilateral Indigenous plans to be developed between the Australian Government and state and territory governments to support the implementation of the framework. The NIRA, and the communique from COAG's November 2008

2 This report generally uses the term 'Aboriginal and Torres Strait Islander' to refer to Australia's Indigenous peoples. The term 'Indigenous' is used where quoting another source (such as COAG's Closing the Gap targets or service delivery principles) or where it forms part of the name of an entity, program or commonly-used term (such as Indigenous-specific expenditure).

3 Tom Calma, Aboriginal & Torres Strait Islander Social Justice Commissioner, *Social Justice Report 2005*, Report No. 3/2005, p. 96.

4 COAG, 'Communique', 14 July 2006, p. 11.

5 The framework introduced by the NIRA (including the Closing the Gap targets and indicators, monitoring and reporting arrangements, and underpinning agreements and plans) is referred to in this report as the 'Closing the Gap framework'. References to the NIRA in the report are to the intergovernmental agreement.

meeting, stated that it would be a 'living document' that would be refined over time based on the effectiveness of reforms and to reflect changes to underpinning agreements.⁶

1.5 The NIRA contained the six Closing the Gap targets that COAG had previously committed to in meeting communiques during 2007 and 2008, covering life expectancy, childhood mortality, education and employment outcomes. COAG subsequently committed to two further targets in 2014 and 2015 (which have not been included in the NIRA but form part of the Closing the Gap framework): a school attendance target and a revised early childhood education target (following the expiry of the previous remote early childhood education target). The eight Closing the Gap targets are outlined in Table 1.1.

Table 1.1: COAG's Closing the Gap targets

Closing the Gap target	Commitment date	Baseline year	Target year	Status
Close the life expectancy gap within a generation ^a (Proxy: Close the gap in mortality rates by 2031)	December 2007	2006	2031	Current
Halve the gap in mortality rates for Indigenous children under five within a decade	December 2007	2008	2018	Current
Halve the gap for Indigenous students in reading, writing and numeracy within a decade ^b	December 2007	2008	2018	Current
Halve the gap in Indigenous employment outcomes within a decade	March 2008	2008	2018	Current
All Indigenous four-year-olds in remote communities have access to early childhood education within five years	October 2008	2008	2013	Expired
Halve the gap for Indigenous people aged 20–24 in Year 12 or equivalent attainment rates by 2020	October 2008	2006	2020	Current
Close the gap between Indigenous and non-Indigenous school attendance within five years	April 2014	2014	2018	Current
95 per cent of all Indigenous four-year-olds enrolled in early childhood education by 2025	December 2015	2015	2025	Current

Note a: As life expectancy data is published every five years, following the Census, mortality rates are used as a proxy target in other years.

Note b: Reporting of writing results was discontinued in 2012 due to a testing change that affected the comparability of results over time.

Source: COAG Communiques.

1.6 The NIRA also outlined seven 'building blocks' — early childhood; schooling; health; economic participation; healthy homes; safe communities; and governance and leadership — focus areas that COAG recognised were interlinked and foundational to achieving the targets. In addition, it specified six 'service delivery principles', which all governments should apply when designing and delivering services for Aboriginal and Torres Strait Islander peoples (see Table 1.2).

⁶ COAG, 'Communique', 29 November 2008, p. 8; COAG, *National Indigenous Reform Agreement (Closing the Gap)*, September 2012, p. 3.

Table 1.2: COAG's service delivery principles

Principle	Description
Priority principle	Programs and services should contribute to Closing the Gap by meeting the targets endorsed by COAG while being appropriate to local community needs.
Indigenous engagement principle	Engagement with Indigenous men, women and children and communities should be central to the design and delivery of programs and services.
Sustainability principle	Programs and services should be directed and resourced over an adequate period of time to meet the COAG targets.
Access principle	Programs and services should be physically and culturally accessible to Indigenous people recognising the diversity of urban, regional and remote needs.
Integration principle	There should be collaboration between and within governments at all levels and their agencies to effectively coordinate programs and services.
Accountability principle	Programs and services should have regular and transparent performance monitoring, review and evaluation.

Source: COAG, *National Indigenous Reform Agreement (Closing the Gap)*, September 2012, pp. A21–22.

1.7 Chapter 2 of this report examines the evolution of the Closing the Gap framework, focussing on the governance arrangements that were established to oversee implementation and monitoring of the framework, and mechanisms for stakeholder engagement.

Monitoring and reporting progress towards Closing the Gap

1.8 Through the NIRA and overarching bilateral Indigenous plans, all states and territories committed to annually reviewing their contribution towards the Closing the Gap targets. While the Australian Government did not make an explicit performance reporting commitment under the NIRA, in April 2008, before the NIRA was finalised, the Prime Minister committed to reporting to the Australian Parliament on the first sitting day of each year on progress towards Closing the Gap. Successive Prime Ministers have upheld this commitment by publishing an annual *Closing the Gap Prime Minister's Report*. The content of the report has varied over the past decade, but since 2010 it has included high-level analysis of progress towards the Closing the Gap targets.

1.9 In addition, the COAG Reform Council was tasked under the NIRA with preparing an annual independent assessment of progress in each jurisdiction against the Closing the Gap targets and indicators: the NIRA Performance Assessment.⁷ The Reform Council was established in 2006 to report on COAG's reform agenda and comprised former politicians, senior public servants, academics and business leaders. It produced five performance assessments between 2010 and 2014. After the Reform Council was dissolved in 2014 as part of broader reforms to the COAG council system, COAG asked the Productivity Commission to produce a one-off performance assessment in 2015.

1.10 Since 2016 there has not been an independent performance assessment. The *Closing the Gap Prime Minister's Report*, which is currently prepared by the Department of the Prime Minister

⁷ For clarity this report refers to the independent assessments of performance under the Closing the Gap framework as the 'NIRA Performance Assessment'. Over the six years these assessments were undertaken the report was called: *NIRA performance report*; *Indigenous reform: Comparing performance across Australia*; *Indigenous reform: 5 years of progress*; and *NIRA Performance Assessment*.

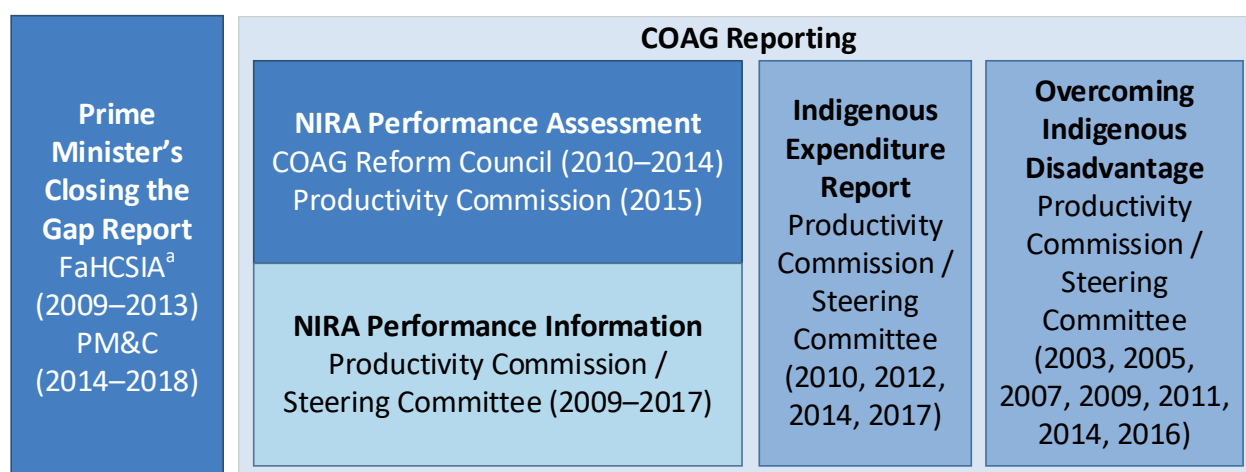
and Cabinet (PM&C), has consequently been the primary mechanism for the annual assessment of progress against the targets.

1.11 For the duration of the Closing the Gap framework, the annual progress assessments (in both the *Closing the Gap Prime Minister's Report* and the NIRA Performance Assessment) have been supported by the Productivity Commission, with oversight from the Steering Committee for the Review of Government Service Provision⁸ (the Steering Committee). Each year it has compiled and published the underlying data for each indicator in the NIRA Performance Information report, drawing on datasets managed by the Australian Bureau of Statistics, Australian Curriculum, Assessment and Reporting Authority and Australian Institute of Health and Welfare.⁹ The Productivity Commission and Steering Committee also produce two other key Aboriginal and Torres Strait Islander reports for COAG on a two to three yearly basis:

- *Overcoming Indigenous Disadvantage: Key Indicators* — which includes detailed analysis and reporting against a broader range of indicators than Closing the Gap; and
- *Indigenous Expenditure Report* — which provides aggregated information on Australian, state and territory government expenditure on services for Aboriginal and Torres Strait Islander peoples.

1.12 Figure 1.1 provides an overview of these reports, noting the years they have been published.

Figure 1.1: National reporting on Aboriginal and Torres Strait Islander services and outcomes



Note a: Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA).

Source: ANAO.

1.13 Chapter 3 of this report examines the processes that have been established for collating the underlying data for the Closing the Gap indicators and reporting of progress towards the Closing the Gap targets.

8 The Steering Committee comprises representatives of the Australian, state and territory governments and was established by COAG to measure and publish annually data on the equity, efficiency and cost effectiveness of government services through the *Report on Government Services*.

9 For clarity this report refers to the annual publication of Closing the Gap data as the 'NIRA Performance Information' report. Its title is *National Agreement performance information — NIRA*.

Closing the Gap 'Refresh'

1.14 In December 2016, as the ten-year anniversary of the establishment of the Closing the Gap framework was approaching and four targets were due to expire in 2018, COAG agreed to refresh the Closing the Gap framework. It stated that the refresh process would be conducted 'with a renewed emphasis on collaborative effort, evaluation and building on what works in each jurisdiction'.¹⁰

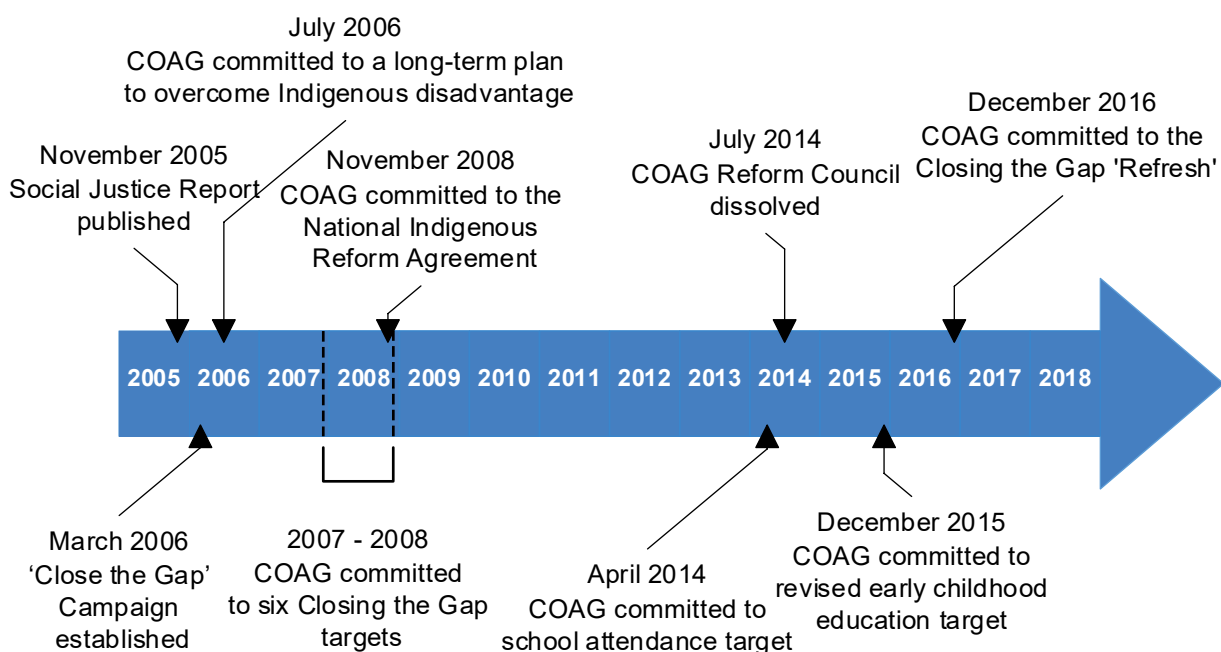
1.15 PM&C commenced a stakeholder consultation process in November 2017 with the aim of developing revised targets by June 2018. At its February 2018 meeting COAG extended the refresh timeframe, committing to agree to a new Closing the Gap framework, national and state targets, performance indicators and accountabilities by 31 October 2018. In September 2018, following the change of Prime Minister, the COAG meeting planned for October was cancelled, with consideration of the Closing the Gap Refresh deferred to the December meeting.

1.16 In December 2018 COAG issued a statement on the Closing the Gap Refresh that committed to finalise new targets, develop Australian, state and territory government action plans, review the NIRA, and establish a three-yearly independent review process by mid-2019.

Closing the Gap timeline

1.17 A timeline outlining the key activities and milestones related to the establishment and implementation of the Closing the Gap framework is at Figure 1.2.

Figure 1.2: Timeline of Closing the Gap



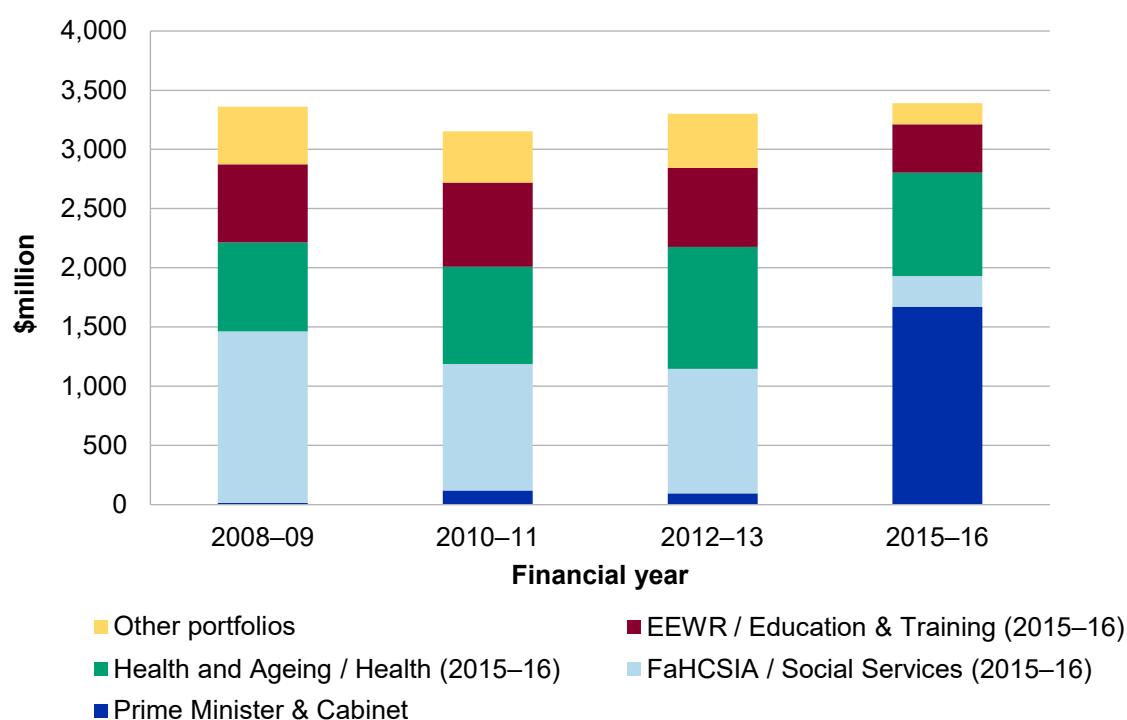
Source: ANAO analysis.

¹⁰ COAG, 'COAG Communique', 9 December 2016, p. 3.

Australian Government Aboriginal and Torres Strait Islander programs

1.18 In 2004 the Aboriginal and Torres Strait Islander Commission was abolished and responsibility for programs and services for Aboriginal and Torres Strait Islander peoples was transferred to 'mainstream' Australian Government entities. When the Closing the Gap framework was established in 2008, FaHCSIA was the lead agency responsible for Aboriginal and Torres Strait Islander Affairs. At that time, other mainstream portfolios that significantly contributed to the Closing the Gap targets were: Health and Ageing; and Education, Employment and Workplace Relations (EEWR). As shown in Figure 1.3 below, these three portfolios were collectively responsible for between 82 to 85 per cent of Australian Government direct Indigenous-specific expenditure in 2008–09, 2010–11 and 2012–13 (the periods covered by the first three COAG *Indigenous Expenditure Reports*).

Figure 1.3: Direct Indigenous-specific expenditure by portfolio, 2008–09 to 2015–16



Note a: Data is from Australian Government submissions for the 2010, 2012, 2014 and 2017 *Indigenous Expenditure Reports*, which covered the 2008–09, 2010–11, 2012–13 and 2015–16 financial years, and is the most recent reported data. Reported figures are nominal direct Indigenous-specific expenditure by the Australian Government, which does not include indirect (transfers to other governments) or mainstream expenditure on Aboriginal and Torres Strait Islander peoples.

Source: ANAO analysis of unpublished Australian Government data submissions for the *Indigenous Expenditure Report*.

1.19 In September 2013 responsibility for Aboriginal and Torres Strait Islander Affairs was transferred to PM&C through a machinery of government change. The introduction of the Indigenous Advancement Strategy in 2014 saw 27 programs consisting of 150 administered items, activities and sub-activities from eight separate entities moved into PM&C. The 27 programs were consolidated into five broad programs under a single outcome, with \$4.8 billion initially committed over four years from 2014–15. In 2015–16 (the period covered by the 2017 *Indigenous Expenditure Report*), PM&C was responsible for 49.3 per cent of Australian Government direct Indigenous-

specific expenditure; the Department of Health was responsible for an additional 25.7 per cent of such expenditure through the Indigenous Australians' Health Programme.

1.20 In addition to direct Indigenous-specific expenditure, like all Australians, Aboriginal and Torres Strait Islander peoples are recipients of mainstream government services. In 2015–16 the proportion of Australian Government mainstream direct expenditure attributed to Aboriginal and Torres Strait Islander peoples amounted to \$11.3 billion; most of which was spending on healthcare subsidies and support services, social security support, and general government services and defence. This mainstream expenditure represented 77 per cent of total Australian Government direct expenditure on Aboriginal and Torres Strait Islander peoples.

1.21 Chapter 4 of this report focusses on arrangements for monitoring and evaluating the contribution of Australian Government programs towards the Closing the Gap framework.

Rationale for undertaking the audit

1.22 Aboriginal and Torres Strait Islander Affairs is a policy area with a high level of Parliamentary and community interest. In particular, there is strong interest in ensuring funding provided through government programs achieves intended outcomes. The Australian Parliament and COAG rely on the monitoring and reporting arrangements led by PM&C and the Productivity Commission to understand the level of progress that is being made towards achieving the Closing the Gap targets.

1.23 The audit was undertaken to provide assurance that the Closing the Gap framework is appropriately governed, and that monitoring and reporting arrangements are being managed effectively and draw on accurate and appropriate data. It also sought to provide assurance that PM&C has maintained an appropriate leadership role in managing the framework and ensuring Australian Government programs contribute to Closing the Gap objectives. As the audit was undertaken at an early stage of the Closing the Gap Refresh process, its findings can inform the development of new implementation and monitoring arrangements for the refreshed framework.

Audit approach

Audit objective, criteria and scope

1.24 The objective of the audit was to assess the effectiveness of arrangements for monitoring, evaluating and reporting progress towards Closing the Gap in Aboriginal and Torres Strait Islander disadvantage.

1.25 To form a conclusion against the audit objective, the Australian National Audit Office (ANAO) adopted the following high level criteria:

- Have appropriate governance arrangements for implementing and monitoring the Closing the Gap framework been maintained? (Chapter 2)
- Have appropriate processes been established for reporting progress towards the Closing the Gap targets? (Chapter 3)
- Have effective processes been established to monitor and evaluate the impact of Australian Government programs on Closing the Gap? (Chapter 4)

1.26 The audit examined the Australian Government's arrangements for monitoring, evaluating and reporting progress towards Closing the Gap, focusing on PM&C's role as the lead agency for

Aboriginal and Torres Strait Islander policy co-ordination and the Productivity Commission's role in collating and reporting information on outcomes for Aboriginal and Torres Strait Islander peoples.

1.27 The audit did not examine the appropriateness of the original Closing the Gap targets or the new targets being proposed through the Closing the Gap Refresh. It did not directly examine the effectiveness of programs to address the targets.

Audit methodology

1.28 The audit methodology included:

- examining and analysing documentation relating to the monitoring, evaluating and reporting progress towards Closing the Gap;
- interviews with key officials in PM&C, the Productivity Commission and other Australian Government entities involved in the delivery of programs for Aboriginal and Torres Strait Islander peoples or the collection and analysis of data for Closing the Gap; and
- consultation with key Aboriginal and Torres Strait Islander stakeholders, including peak Aboriginal and Torres Strait Islander bodies and human rights and health organisations.

1.29 The audit was conducted in accordance with ANAO Auditing Standards at a cost to the ANAO of \$480,000.

1.30 The team members for this audit were Daniel Whyte, Iain Gately, Mary Huang and Deborah Jackson.

2. Governance of the Closing the Gap framework

Areas examined

This chapter examines whether appropriate governance arrangements have been maintained for the Closing the Gap framework, including oversight arrangements, updates to the overarching National Indigenous Reform Agreement (NIRA) and stakeholder engagement.

Conclusion

Governance arrangements established for monitoring progress towards Closing the Gap have been partially effective. While oversight has been maintained over the collation and reporting of data for the Closing the Gap targets, the overall effectiveness of the framework has been reduced by a lack of oversight of its implementation and limited stakeholder engagement. Reflecting this, the intergovernmental agreement that established the Closing the Gap framework has not been updated since 2012 and is out of date. In December 2018 COAG committed to establish a formal governance partnership with Aboriginal and Torres Strait Islander peoples by February 2019 and review the NIRA by mid-2019.

Areas for improvement

The ANAO made a suggestion to establish a mechanism for regularly updating the NIRA.

Have oversight arrangements been maintained?

Following the dissolution of key Closing the Gap oversight bodies in 2013 and 2014, oversight of the implementation of the Closing the Gap framework has been limited. An independent performance assessment of progress in implementing the framework has not been undertaken since 2015. Oversight of the collation and reporting of data for the Closing the Gap targets has been maintained through the NIRA Performance Information Management Group and the Steering Committee for the Review of Government Service Provision.

2.1 Two key components of the Closing the Gap framework were the commitments made by the Australian, state and territory governments through the NIRA to:

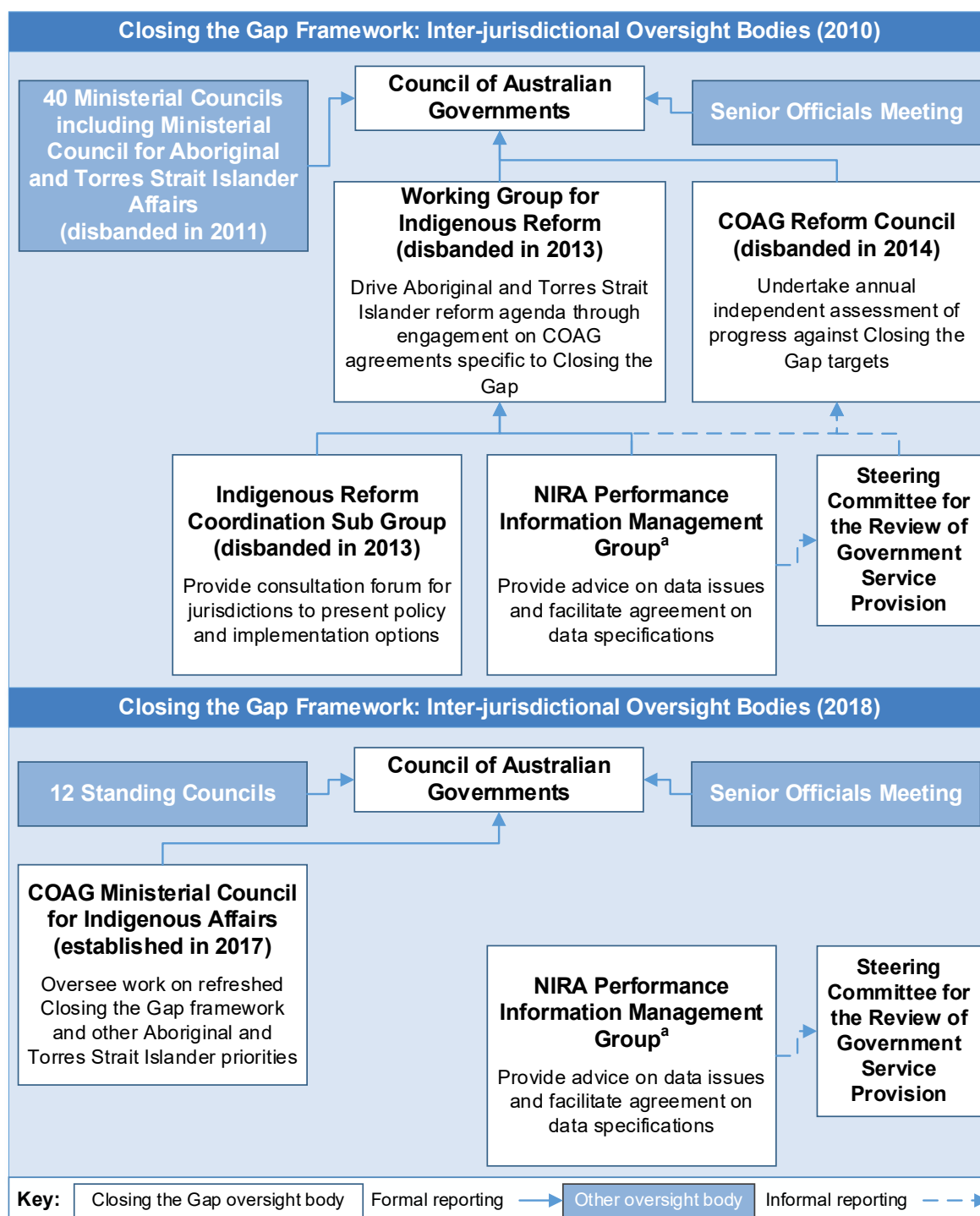
- (a) a comprehensive, integrated approach to achieving the Closing the Gap targets through coordinated program and service delivery, including regular reviews of whether policy settings are effective in achieving the intended outcomes; and
- (b) an annual assessment of progress against the Closing the Gap targets.

2.2 At the commencement of the Closing the Gap framework, two primary oversight bodies that reported to COAG were tasked with managing these two components:

- Working Group on Indigenous Reform (WGIR) — which was established to drive the Aboriginal and Torres Strait Islander reform agenda through engagement on COAG agreements specific to Closing the Gap; and
- COAG Reform Council — which was tasked with undertaking the annual independent assessment of progress.

2.3 These bodies were disbanded in 2013 and 2014 respectively as part of broader COAG council reforms. Figure 2.1 shows the oversight arrangements in place in 2010 and 2018, noting the high-level functions of certain oversight bodies. This section examines whether effective oversight has been maintained following the dissolution of the WGIR and COAG Reform Council.

Figure 2.1: Oversight arrangements for the Closing the Gap framework, 2010 and 2018



Note a: The NIRA Performance Information Management Group provides advice in relation to selected aspects of data collation to the Steering Committee for the Review of Government Service Provision on request.

Source: ANAO analysis of departmental documentation.

Oversight of coordinated program and service delivery

Oversight arrangements at the commencement of the Closing the Gap framework

2.4 The WGIR was established in 2008 with the goal of driving Aboriginal and Torres Strait Islander reform and achieving the Closing the Gap targets. It was chaired by the Australian Government minister with responsibility for Aboriginal and Torres Strait Islander Affairs, and its membership included senior officers from Australian, state and territory government entities. The WGIR met nine times from 2009 to 2013, following an annual work plan agreed by members at the beginning of each year. It reported directly to COAG, and was supported by the Indigenous Reform Coordination Sub-Group and the NIRA Performance Information Management Group.

2.5 In addition, the development of overarching bilateral Indigenous plans was intended to establish oversight mechanisms under the Closing the Gap framework. In June 2009 the Australian Government commenced the negotiation of bilateral plans with each state and territory. While these plans were expected to commence in 2010, the majority took longer to negotiate, with the last plan finalised in August 2012 (see Table 2.1).

Table 2.1: Overarching bilateral Indigenous plans, by state or territory

	NT	Qld	SA	NSW	Vic.	Tas.	ACT	WA
Date approved	July 2010	November 2010	February 2011	February 2011	February 2011	April 2011	February 2012	August 2012
Duration	2010–2015	2010–2015	2010–2015	2010–2015	2010–2015	2010–2015	2012–2017	2012–2015

Source: ANAO analysis of departmental documentation.

2.6 The bilateral plans established working groups between the Australian Government and each state or territory, and were envisaged as forums to coordinate the implementation of the Closing the Gap framework. Although the working groups provided some coordination functions, no arrangements were established for providing advice to COAG on bilateral plan implementation.

COAG Reform Council's lessons for federal reform

2.7 The COAG Reform Council identified shortcomings in the implementation arrangements for the Closing the Gap framework in its 2013 report to COAG, *Lessons for federal reform*, which stated:

While there is evidence that much of the [Closing the Gap] framework has been implemented, there remain areas in which implementation appears incomplete. For instance, it was suggested in relation to the NIRA's schedules that implementation has been patchy and that they are seldom a significant driver of government activity.¹¹

2.8 The report attributed these implementation gaps to a lack of leverage available to Closing the Gap working groups within government. It noted that further progress could have been achieved through more consistent leadership and regular meetings of senior officials to create a foundation of shared commitment, which could then be communicated across governments to drive cultural change.

¹¹ COAG Reform Council, *Lessons for federal reform*, 2013, p. 39.

Oversight arrangements since 2013 COAG council reforms

2.9 In late 2013 COAG announced it would undertake significant reforms to its council system to minimise ‘bureaucracy and red tape’, reducing the number of COAG councils from 22 to eight.¹² At the same time, it dissolved the WGIR and introduced Aboriginal and Torres Strait Islander Affairs as a standing agenda item for the remaining eight COAG councils.¹³

2.10 With the dissolution of WGIR, bilateral working groups established under the overarching bilateral Indigenous plans also ceased meeting. While the bilateral plans were nominally due to expire between 2015 and 2017, all of the plans were removed from the Council on Federal Financial Relations’ website in late 2014.¹⁴

2.11 The ANAO examined meeting communiques published by COAG councils over the period of 2014 to 2018 and found only one reference to the Closing the Gap framework, by the Health Council in March 2017. In addition, COAG council consideration of matters relating to Aboriginal and Torres Strait Islander Affairs over the period was limited.

- The Health Council referenced items relating to Aboriginal and Torres Strait Islander Affairs in six of its thirteen communiques over the period (46 per cent).
- Four councils (Education Council, Disability Reform Council, Law, Crime and Community Safety Council, and Industry and Skills Council) referenced items relating to Aboriginal and Torres Strait Islander Affairs in fewer than 30 per cent of communiques.
- Three councils (Energy, Federal Financial Relations, and Transport and Infrastructure) did not make any references to items relating to Aboriginal and Torres Strait Islander Affairs.

2.12 The COAG Senior Officials Meeting¹⁵ has more regularly considered matters relating to Aboriginal and Torres Strait Islander Affairs. The ANAO examined its meeting papers relating to Aboriginal and Torres Strait Islander Affairs over the period of 2014 to 2018 and categorised the items considered by topic (see Table 2.2).

2.13 The Senior Officials Meeting’s focus from 2014 to 2016 was primarily on economic participation and schooling (in particular, school attendance, which was introduced as a Closing the Gap target in 2014). From 2017, its focus has been solely on the Closing the Gap Refresh. It has not provided a forum for the regular reviews envisaged under the NIRA of ‘the contributions of existing and announced initiatives to meeting the targets’ or to ‘identify areas where programs may need to be adjusted to help meet the targets’.¹⁶

12 COAG, ‘Communique’, 13 December 2013, p. 4.

13 The eight COAG councils that remained after December 2013 were: Federal Financial Relations; Disability Reform; Transport and Infrastructure; Energy; Industry and Skills; Law, Crime and Community Safety (now Council of Attorneys-General); Education; and Health.

14 The Council on Federal Financial Relations publishes national agreements, national partnership agreements and related documents on its website.

15 The COAG Senior Officials Meeting is a meeting of senior officials from PM&C and state and territory departments of Premier and Cabinet that provides advice to COAG.

16 COAG, *National Indigenous Reform Agreement (Closing the Gap)*, September 2012, p. 12.

Table 2.2: COAG Senior Officials Meeting consideration of Aboriginal and Torres Strait Islander Affairs, 2014–2018^a

Topic	2014	2015	2016	2017	2018	Total
Closing the Gap building block						
Early childhood	0	2	0	0	0	2
Schooling	5	3	3	0	0	11
Health	0	0	0	0	0	0
Economic participation	1	5	6	0	0	12
Healthy homes	0	0	0	0	0	0
Safe communities	2	1	0	0	0	3
Governance and leadership	1	3	2	0	0	6
Other						
Closing the Gap refresh	0	0	1	1	4	6

Note a: Figures reported in the table are the number of items relating to each building block considered in meeting papers during the year. Items are categorised by Closing the Gap building block.

Source: ANAO analysis of departmental documentation.

2.14 In 2017 COAG established a time-limited Ministerial Council for Indigenous Affairs to oversee work on the Closing the Gap framework and other Aboriginal and Torres Strait Islander priorities. The Council's terms of reference focus primarily on the Closing the Gap Refresh process (discussed in paragraphs 1.14 and 1.15). In early 2019 the Council will be reviewed as part of a scheduled COAG council review.

Oversight of reporting of progress against Closing the Gap targets

2.15 Oversight of monitoring and reporting on progress under the Closing the Gap framework was originally the responsibility of the COAG Reform Council. The Reform Council had responsibility for reporting annually on the performance of all jurisdictions in achieving outcomes against the Closing the Gap targets and associated performance indicators. As noted in paragraph 1.9, it was considered by COAG to be an independent body, with appointed members from outside of government, and it produced five NIRA Performance Assessments between 2010 and 2014.

2.16 The primary focus of the NIRA Performance Assessments was reporting against the Closing the Gap targets and indicators at both a national and state and territory level. Until its 2012 report, it also included reporting by relevant entities against national partnership agreements that underpinned the Closing the Gap framework. From 2012 it ceased including this material, noting a concern with such reporting:

We cannot link the activity reported to the outcomes and objectives in the [NIRA]. Reports on National Partnerships generally provide information on the activity without evidence of the effect the activity has on outcomes.¹⁷

2.17 The Reform Council was dissolved in early 2014 following COAG's decision to streamline and refocus the COAG council system. As an interim measure, COAG asked the Productivity Commission

¹⁷ COAG Reform Council, *Indigenous reform 2010–11: Comparing performance across Australia*, report to COAG, 30 April 2012, p. 59.

to provide an independent assessment of progress against the Closing the Gap targets in 2015. In 2016 the COAG Senior Officials Meeting considered rationalising national Aboriginal and Torres Strait Islander reporting, by consolidating the *Overcoming Indigenous Disadvantage* report, *Indigenous Expenditure Report* and NIRA Performance Assessment, but no decision was taken at this time.

2.18 The required annual independent assessment of jurisdictional progress under the Closing the Gap framework has not been undertaken since 2015.

2.19 The *Closing the Gap Prime Minister's Report*, which has been released in February each year since 2009, has also included reporting against the Closing the Gap targets. From 2016 it has been the primary reporting mechanism for the national assessment of progress against the targets.¹⁸ However, as discussed further in Chapter 4, it does not provide an independent assessment of jurisdictional performance.

2.20 Submissions and feedback received by the ANAO noted a deterioration of the reporting and oversight arrangements over time and a focus on reporting against the targets without corresponding oversight of and accountability for implementation of the framework.¹⁹ For example, one peak body stated that:

... the process has come to focus on measuring progress against the Closing the Gap targets and producing reports, rather than providing analysis of the effectiveness of interventions, appropriateness of expenditure and where to direct resources, and measuring incremental progress to highlight more clearly any changes towards achieving the targets.

NIRA Performance Information Management Group

2.21 From July 2009 the NIRA Performance Information Management Group has played the lead role in advising on Closing the Gap data issues. It has provided advice to the WGIR, the Steering Committee for the Review of Government Service Provision and other COAG councils and working groups on reporting against the Closing the Gap targets, and facilitated cross-jurisdictional agreement on data specifications. As shown in Figure 2.1, it is the only Closing the Gap oversight body that has been maintained for the duration of the framework. The Group is currently chaired by a senior officer from the Department of the Prime Minister and Cabinet (PM&C) with representation from data agencies and Australian, state and territory government Aboriginal and Torres Strait Islander Affairs and mainstream social policy agencies.²⁰

2.22 Over the duration of the Closing the Gap framework, the Group has undertaken tasks such as annually updating the specifications for NIRA datasets, and monitoring progress on various data quality improvement projects. For example, following the introduction of the new target for early childhood education in December 2015 (95 per cent of Indigenous four-year-olds enrolled in early childhood education by 2020), the Group provided advice to finalise technical specifications for the

18 Results against the Closing the Gap targets have also been reported in PM&C's *COAG Report on Performance* in 2015 and 2016, and Productivity Commission's internet-based 'Performance Reporting Dashboard' in 2018. The NIRA Performance Information Report does not include an assessment of progress against the targets.

19 The ANAO contacted 52 Aboriginal and Torres Strait Islander organisations, including peak Aboriginal and Torres Strait Islander bodies and human rights and health organisations, inviting contributions to the audit. The ANAO held meetings with six organisations and received an additional six submissions (four from organisations and two from individuals).

20 The Productivity Commission is not a member of the NIRA Performance Information Management Group, it is an observer.

target and determine an appropriate methodology for measuring it. The Group's work on administering protocols for Closing the Gap data is discussed in more detail in Chapter 3.

2.23 Following the dissolution of the WGIR, there has been no formal governance structure for the Performance Information Management Group, although it has continued to meet regularly and has provided advice on request to the Steering Committee for the Review of Government Service Provision.

2.24 The Productivity Commission has continued collating and publishing data for the annual assessment of progress towards the Closing the Gap targets. This work has continued to feed into the *Closing the Gap Prime Minister's Report* and COAG Report on Performance. In June 2017 the Performance Information Management Group noted the data collation task was originally intended to support the COAG Reform Council's independent assessment of progress against the Closing the Gap targets, and its purpose is unclear following the dissolution of the Reform Council.

Oversight of the refreshed Closing the Gap framework

2.25 PM&C has noted the need for oversight of the refreshed Closing the Gap framework, and this also emerged as a key message from PM&C's stakeholder consultation. In October 2018 a group of 14 Aboriginal and Torres Strait Islander peak bodies wrote to the Prime Minister, Premiers and Chief Ministers to express concern around the oversight of the refreshed framework, noting that it must include agreement on a governance mechanism that will allow joint monitoring, evaluation and reporting on progress.

2.26 To ensure a program or framework is effective, appropriate governance arrangements should be established to oversight its implementation and ongoing management. COAG's December 2018 communique committed to establishing a new Ministerial Council on Closing the Gap 'with Ministers nominated by jurisdictions and representation from Aboriginal and Torres Strait Islander peoples'.²¹ The communique and a separate COAG statement on the Closing the Gap Refresh state that the arrangements for this formal governance partnership will be established by the end of February 2019. In order to ensure momentum is sustained for the refreshed framework, it will be important to maintain the governance arrangements established through this partnership for the duration of the framework.

Has the National Indigenous Reform Agreement been updated to reflect changes to the framework?

The NIRA has not been updated since 2012 and does not reflect changes to the framework, including changes to the Closing the Gap targets, oversight responsibilities and delivery mechanisms. In December 2018 COAG committed to reviewing the NIRA by mid-2019.

2.27 The NIRA states that:

[This agreement], like other National Agreements, is a living document subject to enhancement over time to reflect additions and changes to existing and new National Agreements and National

21 COAG, 'Communique', 12 December 2018, p. 2.

Partnership agreements. As COAG agrees to additional reforms to Close the Gap in Indigenous disadvantage, these will be reflected in this Agreement.²²

2.28 Responsibility for maintaining and updating the NIRA was vested in the WGIR. The NIRA was first updated in June 2009 to incorporate additional elements such as information on baselines and trajectories for the Closing the Gap targets and the National Framework for Reporting Expenditure on Services to Indigenous Australians. It was updated again in February 2011 and November 2012 to include various changes, such as revisions to performance indicators.

2.29 The NIRA has not been updated since November 2012 and does not reflect a number of changes that have occurred within the Closing the Gap framework since 2012 (see Table 2.3).

Table 2.3: Elements that are out of date or not reflected in the NIRA

Element	Issues
Closing the Gap targets	Remote early childhood education target expired in 2013, but is included in the NIRA. New targets for school attendance, agreed in 2014, and early childhood education (replacing the remote early childhood target), agreed in 2015, are not included.
Oversight bodies and roles	References are included in the NIRA to the following defunct bodies or roles: • COAG Reform Council — disbanded in 2013; • Working Group on Indigenous Reform — disbanded in 2013; • Coordinator-General for Remote Service Delivery — role abolished in 2014; and • Closing the Gap Clearinghouse — funding ceased in 2014.
National agreements	Reference is made in the NIRA to national agreements and partnership agreements that have expired, including eight Indigenous-specific national partnership agreements. These agreements were intended to underpin the Closing the Gap framework.
Overarching bilateral Indigenous plans	All overarching bilateral Indigenous plans negotiated between the Australian Government and states and territories were removed from the Standing Council on Federal Financial Relations website in late 2014 and have nominally expired.
Schedules	The following elements of NIRA schedules have expired: • Schedule A 'Aboriginal and Torres Strait Islander Education Action Plan 2010–2014' — expired in 2014 • Schedule F 'Agreed data quality improvements' — only includes actions up to 30 June 2013. • Schedule H 'National Food Security Strategy' — expired in 2012.

Source: COAG, *National Indigenous Reform Agreement (Closing the Gap)*, 2012.

2.30 A November 2017 internal PM&C briefing for the Closing the Gap Refresh stated that the NIRA did not support the Australian Government's ambitions for modernising COAG arrangements in its current form, and it would need to be shortened, language clarified and expired schedules removed.

2.31 As the NIRA is out of date, it should be revised or replaced with a new agreement to support the refreshed Closing the Gap framework. To avoid the new or revised agreement becoming out of

22 COAG, *National Indigenous Reform Agreement (Closing the Gap)*, 2012, p. 3

date in the future, PM&C should work through the COAG system to ensure that mechanisms are established that enable it to be regularly updated to reflect changes in the underlying framework.

2.32 In December 2018 COAG committed to review the NIRA by mid-2019.

Have Aboriginal and Torres Strait Islander stakeholders been engaged in governance of the framework?

Engagement with Aboriginal and Torres Strait Islander stakeholders on the design and implementation of the original Closing the Gap framework was limited. There has been improved engagement undertaken by PM&C on the refreshed Closing the Gap framework and COAG has committed to establishing a new formal partnership between COAG and Aboriginal and Torres Strait Islander peoples by February 2019.

Engagement in implementation of the Closing the Gap framework

2.33 As noted in paragraph 1.2, the Closing the Gap framework had its genesis in a campaign initiated by Aboriginal and Torres Strait Islander stakeholders. Despite this, there was limited consultation with Aboriginal and Torres Strait Islander stakeholders in the development of the original Closing the Gap framework.

2.34 Under the NIRA, COAG committed to work in partnership with Aboriginal and Torres Strait Islander peoples to achieve the Closing the Gap reforms. This was reflected in the NIRA's service delivery principles (see Table 1.2); in particular, the Indigenous engagement principle stated that 'engagement with Indigenous men, women and children and communities should be central to the design and delivery of programs and services.'²³

2.35 Nevertheless, working groups established to oversight the framework, such as the WGIR, did not provide for Aboriginal and Torres Strait Islander participation. The NIRA Performance Information Management Group has noted that its lack of formal Aboriginal and Torres Strait Islander representation has limited its ability to provide advice on barriers to data development and Aboriginal and Torres Strait Islander data priorities. In 2017 it agreed that any future terms of reference should expand its membership to include Aboriginal and Torres Strait Islander representatives.

2.36 Stakeholders consulted by the ANAO noted the need for greater clarity on engagement mechanisms and genuine engagement with Aboriginal and Torres Strait Islander peoples under the refreshed Closing the Gap framework.

National Congress of Australia's First Peoples

2.37 In 2008 the Australian Government requested that the Aboriginal and Torres Strait Islander Social Justice Commissioner convene an independent steering committee to develop a preferred model for a national representative body for Aboriginal and Torres Strait Islander peoples. Following widespread consultation, the National Congress of Australia's First Peoples was announced by the Commissioner in May 2010 as the national representative body. The Australian Government

23 COAG, *National Indigenous Reform Agreement (Closing the Gap)*, 2012, p. A21.

allocated \$6 million to establish the National Congress and a total of \$38.2 million to support its operation from January 2011 to June 2017.

2.38 The overarching Indigenous bilateral plans established between the Australian Government and states and territories recognised the National Congress as the peak representative body for Aboriginal and Torres Strait Islander engagement, and noted that it would be consulted where appropriate. However, the ANAO reviewed the minutes of the bilateral plan working groups and found no evidence that they engaged with the National Congress.

2.39 In 2014 the Government withdrew the remaining \$15 million in funding that the National Congress had been allocated from 2014–15 to 2016–17. It was subsequently provided \$3 million over three years in the 2016–17 Budget to deliver specific outcomes for the Government, which have included facilitating consultation on the Closing the Gap Refresh (discussed below).

Indigenous Advisory Council

2.40 The Prime Minister's Indigenous Advisory Council was established by the Government in 2013. The Council plays a key advisory role to the Government, and its members are directly appointed by the Prime Minister. The Council's original terms of reference did not include any reference to the Closing the Gap framework.

2.41 Following the change of Prime Minister in late 2015 and the expiry of the previous Council's term, a new Indigenous Advisory Council was appointed in 2016. Its revised terms of reference noted that it would perform a key role in Closing the Gap, including through providing advice on the Closing the Gap Refresh.

Engagement in Closing the Gap reporting

2.42 The NIRA states that jurisdictions will work in partnership with Aboriginal and Torres Strait Islander peoples by 'sharing information on performance against indicators in implementation plans and agreements, and reports on progress towards the COAG targets'.²⁴

2.43 The ANAO examined the extent to which Aboriginal or Torres Strait Islander stakeholders were engaged in the preparation of the 2018 *Closing the Gap Prime Minister's Report* and found there was limited engagement prior to its final release.

- PM&C consulted internally with staff that identify as Aboriginal or Torres Strait Islander through a Senior Indigenous Reference Group and the PM&C Aboriginal and Torres Strait Islander Employee Network.
- Through the PM&C Regional Network, engagement with Aboriginal or Torres Strait Islander communities focussed on asking for 'good news stories' and obtaining permission for the use of photos in the report.
- The Indigenous Advisory Council was briefed on the proposed approach to the 2018 report in October and December 2017 and provided advice on messaging.

Engagement in the Closing the Gap Refresh

2.44 PM&C's Closing the Gap Refresh taskforce developed an engagement strategy in 2017 to facilitate collaboration with Aboriginal and Torres Strait Islander peoples during the Refresh

²⁴ COAG, *National Indigenous Reform Agreement (Closing the Gap)*, 2012, p. 29.

process. The strategy proposed conducting consultation sessions from late 2017 until mid-2018. Engagement was targeted at national representative bodies, peak organisations, regional organisations, academics, specialists, practitioners, key Aboriginal and Torres Strait Islander leaders and community members.

2.45 PM&C held 18 meetings across Australia between November 2017 and April 2018, co-hosted with the National Congress, and included a Special Gathering of prominent Aboriginal and Torres Strait Islander peoples that coincided with the first COAG meeting of 2018. These meetings were attended by approximately 460 stakeholders representing a wide range of organisations and bodies. These meetings were intended to gain an understanding of issues of importance to Aboriginal and Torres Strait Islander peoples and key priorities. In addition, in December 2017 a discussion paper was released for public comment. Submissions closed in April 2017 and PM&C received 107 organisation and 66 individual submissions.

2.46 Following the meetings and public consultation, PM&C hosted two technical workshops in May and June 2018. These workshops focused on developing targets and indicators based on the priority areas raised in the meetings and other consultations, and were attended by academics, practitioners, other experts and Australian, state and territory government officials.

2.47 An additional 11 meetings were held across Australia in August 2018 to provide stakeholders that had previously been engaged through the Refresh process the opportunity to provide feedback on the draft target areas that had been developed through the technical workshops. The information gathered from these consultations fed into the draft Closing the Gap targets that were released by COAG in its December 2018 statement on the Closing the Gap Refresh.

2.48 COAG's December 2018 communique committed to establishing a formal partnership between COAG and Aboriginal and Torres Strait Islander representatives by the end of February 2019, which would include a new Ministerial Council on Closing the Gap. COAG committed to working jointly through this formal partnership to undertake the following actions by mid-2019:

- finalise the draft targets;
- review the NIRA;
- develop an independent, Aboriginal and Torres Strait Islander-led, three-yearly evaluation and review of progress, working with the Productivity Commission; and
- co-design the development of Commonwealth, state and territory action plans to achieve the refreshed targets.

2.49 In addition, COAG's statement outlined a set of implementation principles. Engagement with Aboriginal and Torres Strait Islander stakeholder was addressed by the Shared Decision-Making principle, which stated:

Shared Decision-Making — Implementation of the Closing the Gap framework, and the policy actions that fall out of it, must be undertaken in partnership with Aboriginal and Torres Strait Islander peoples. Governments and communities should build their capability to work in collaboration and form strong, genuine partnerships in which Aboriginal and Torres Strait Islander peoples can be an integral part of the decisions that affect their communities.²⁵

25 COAG, 'COAG Statement on the Closing the Gap Refresh', 12 December 2018, pp. 7–8.

2.50 COAG's commitment to a formal partnership with Aboriginal and Torres Strait Islander peoples to design, implement and monitor the refreshed Closing the Gap framework is an opportunity to establish a governance framework that facilitates ongoing engagement and collaboration. It will be important to ensure this partnership arrangement is maintained for the duration of the refreshed framework.

3. Reporting against the Closing the Gap targets

Areas examined

This chapter examines whether appropriate processes have been established for collating Closing the Gap data and reporting against the Closing the Gap targets, with a focus on the data collation and reporting process for the Productivity Commission's 2016–17 National Indigenous Reform Agreement (NIRA) Performance Information report and the Department of the Prime Minister and Cabinet's (PM&C's) 2018 *Closing the Gap Prime Minister's Report*.

Conclusion

Entities responsible for collating data and reporting against the Closing the Gap targets have established and maintained appropriate processes to manage the quality and timeliness of data. Reporting against the Closing the Gap targets has predominantly drawn on appropriate information, analysis and interpretation.

Areas for improvement

The ANAO made one recommendation aimed at ensuring that quality assurance processes for Closing the Gap data are appropriately documented, and one suggestion to publish the methodologies for determining whether Closing the Gap targets are on track.

Have robust processes been implemented to administer Closing the Gap data?

Robust processes have been established to administer Closing the Gap data. The Productivity Commission, data owners and the NIRA Performance Information Management Group have worked together effectively to manage annual updates to technical specifications.

3.1 Since 2009 the National Indigenous Reform Agreement (NIRA) Performance Information Management Group has maintained oversight of Closing the Gap data protocols. Two key aspects of its oversight role have been:

- annual updates to Closing the Gap data specifications; and
- monitoring progress on data quality improvement projects.

Closing the Gap data specifications

3.2 Under the Closing the Gap framework, there are currently 15 performance indicator sets (see Table 3.1), seven of which relate to the Closing the Gap targets. These indicator sets draw on source data from 16 separate national datasets, which are managed by the Australian Bureau of Statistics (ABS), Australian Curriculum, Assessment and Reporting Authority (ACARA) and Australian Institute of Health and Welfare (AIHW).

3.3 As shown in Table 3.1, ABS is the data custodian²⁶ for the majority of Closing the Gap datasets, providing data for 13 of the 16 datasets. AIHW is the custodian for one dataset and ACARA

²⁶ A data custodian manages the aggregation, storage and use of data, and is responsible for ensuring data quality and controlling access to data.

is responsible for two datasets. Unlike ABS and AIHW, ACARA acts as a clearinghouse that redistributes data received from the states and territories, rather than as a data custodian, for the two datasets it manages.

Table 3.1: Data responsibilities under the Closing the Gap framework

Agency	Performance indicator (PI) sets ^a	Datasets managed
ABS	Estimated life expectancy at birth (PI 01) Mortality rate by leading causes (PI 02) Rates of current daily smokers (PI 03) Levels of risky alcohol consumption (PI 04) Prevalence of overweight and obesity (PI 05) Under five mortality rate by leading cause (PI 06) Proportion of Indigenous children enrolled in a preschool program in year before formal schooling (PI 10) Attainment of Year 12 or equivalent (PI 12)^b Level of workforce participation (PI 14)^b Proportion of Indigenous 20–64 year olds with or working towards a post-school qualification (PI 15) ^b	Australian Health Survey Australian Aboriginal and Torres Strait Islander Health Survey Birth Registration Data Census of Population and Housing Causes of Death Collection Death Registrations Collection Estimated Resident Population Indigenous Estimates and Projections Life Tables for Aboriginal and Torres Strait Islander Australians National Aboriginal and Torres Strait Islander Social Survey National Health Survey Perinatal Deaths Collection Survey of Education and Work
ACARA	Percentage of students at or above the national minimum standard in reading, writing and numeracy for Years 3, 5, 7 and 9 (PI 11) Attendance rates Year 1 to Year 10 (PI 13)	National Student Attendance Collection National Assessment Program – Literacy and Numeracy (NAPLAN) Report
AIHW	Proportion of babies born of low birthweight (PI 07) Tobacco smoking during pregnancy (PI 08) Antenatal care (PI 09)	National Perinatal Data Collection

Note a: Performance indicator sets related to Closing the Gap targets are bold.

Note b: These indicator sets have separate specifications for the use of Census and survey data.

Source: ANAO analysis of AIHW's Metadata Online Registry (METeOR) data specifications.

3.4 The NIRA Performance Information Management Group provides advice on proposed changes to data specifications for Closing the Gap performance indicators.²⁷ Data specifications include:

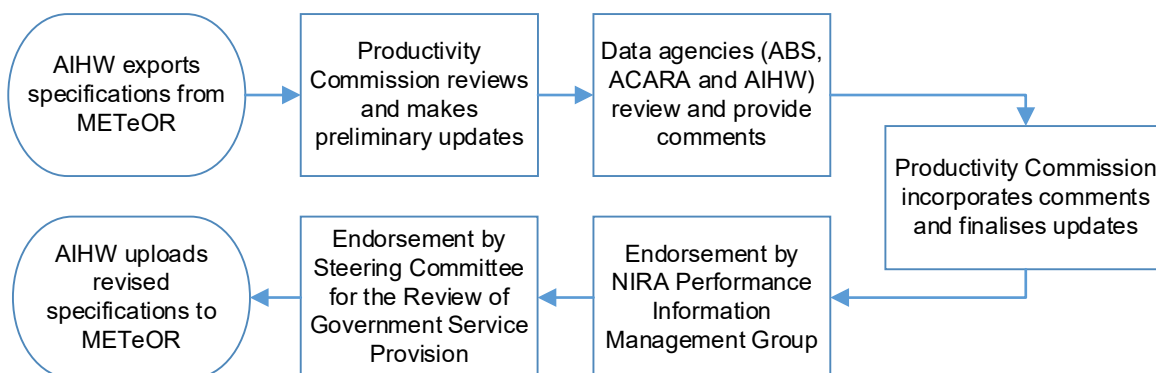
- type, status, description, rationale and related outcome area;
- quality statement — describing any data quality issues relating to the indicator set;
- computation — how it is calculated, including specifying the numerator and denominator;
- disaggregation — for example, by state/territory and/or remoteness area; and

²⁷ If changes are required to the indicators (as opposed to the specifications), the changes must be endorsed by the Council of Australian Governments (COAG).

- data source.

3.5 Each year AIHW and the Productivity Commission manage a process to update the data specifications for indicator sets, after which AIHW publishes them on METeOR²⁸ (see Figure 3.1 below). After the specifications have been formally endorsed by the Performance Information Management Group, they are provided to the Steering Committee for the Review of Government Service Provision for endorsement. The process is generally undertaken in June to July each year.

Figure 3.1: Closing the Gap data specification process



Source: ANAO analysis.

3.6 Based on a review of agency internal documentation and meeting papers and minutes of oversight bodies, the ANAO found the annual data specification process has been conducted consistently since 2009, with regular oversight from the Performance Information Management Group and Steering Committee. It is good practice to publish specifications for performance indicators at the level of detail that has been demonstrated for the Closing the Gap indicators, and this process should be retained for the refreshed Closing the Gap framework.

Data quality improvement projects

3.7 Under Schedule F of the NIRA, ABS and AIHW were tasked with undertaking a variety of data development activities to improve the quality of Aboriginal and Torres Strait Islander health and welfare data in order to better monitor the COAG Closing the Gap targets. Oversighting this work has been a key responsibility of the NIRA Performance Information Management Group. In November 2010, all members of the Group agreed to provide written updates on data development activities.

3.8 Improvements that resulted from this work include:

- publication in 2012 of national best practice guidelines for data linkages relating to Aboriginal and Torres Strait Islander peoples;
- completion of a feasibility study in 2012 that led to the initiation of an ongoing enhanced mortality database project to improve estimates of Aboriginal and Torres Strait Islander life expectancy;
- development and release in 2015 of a best practice model for improving Aboriginal and Torres Strait Islander identification in the medical general practice sector; and

28 METeOR is a repository for national metadata standards for health, housing and community services statistics and information. It can be accessed at: <http://meteor.aihw.gov.au>.

- enhancements to the Perinatal National Minimum Data Set to capture data on antenatal care and the Indigeneity of babies.

3.9 Although Schedule F of the NIRA expired in June 2013 (as noted in Table 2.3), members have continued to provide an annual update on progress against the schedule to the Performance Information Management Group. In June 2017 the Group noted some concerns with the annual update report, including that:

- while ABS, AIHW and some jurisdictions had provided some updates for the report, on the whole changes were minimal and there were areas in the report that had not been updated for a number of years; and
- funding to oversee data development activities was provided by a national agreement that had since ceased.

3.10 Following the June 2017 meeting, AIHW was tasked with reviewing the reporting on data development activities. In April 2018 NIRA Performance Information Management Group papers listed this work as closed as it will be superseded by new arrangements anticipated to come out of the Closing the Gap Refresh.

Are effective arrangements in place to ensure the quality and timeliness of data?

Entities responsible for collating and reporting data for the Closing the Gap targets have established effective arrangements for managing data quality and timeliness, although the ABS did not adequately document its quality assurance processes.

3.11 The preparation of data for annual reporting under the Closing the Gap framework occurs across three key stages:

- (a) data agencies (ABS, ACARA and AIHW) create relevant national datasets;
- (b) data agencies prepare data for the Closing the Gap indicators in accordance with agreed specifications; and
- (c) the Productivity Commission and PM&C collate and publish the data in the NIRA Performance Information report and *Closing the Gap Prime Minister's Report*.

National dataset creation

3.12 ABS, ACARA and AIHW are responsible for administering the 16 national datasets used for reporting under the Closing the Gap framework (see Table 3.1 above). Depending on the dataset, data is either collected directly by the agency or obtained from state and territory data owners. In either case, the agency conducts a validation process to assess the integrity and quality of the data, which can include both automated and manual data validation procedures. In the case of datasets managed by AIHW and ACARA, approval for validated data is sought from state and territory data owners before the national datasets are created and locked.

3.13 The ANAO examined whether there was evidence that data agencies validated datasets used for reporting under the Closing the Gap framework.²⁹ All agencies were able to provide evidence of the processes they undertake.

- ABS has established a number of mechanisms to plan and monitor data validation processes for its datasets. These include strategic decision points throughout the data creation and validation process, and automated validation checks undertaken using SAS and SuperCROSS.³⁰ ABS has also established additional validation processes for Census data involving Aboriginal and Torres Strait Islander peoples.
- ACARA disseminates national data standards to guide schools and education agencies in collecting data for the National Student Attendance Collection and NAPLAN Report. For student attendance data it has an automated validation process that generates exception reports, which are provided to states and territories to correct identified discrepancies. Data validation processes for the NAPLAN Report are conducted by the contractor that compiles the dataset.
- AIHW uses a system called 'Validata' for the National Perinatal Data Collection, which identifies anomalies and discrepancies with submitted data and allows states and territories to correct and re-upload their data. After jurisdictions have addressed issues identified by Validata, AIHW runs manual data validation checks and liaises with states and territories to address any additional issues.

Preparation and collation of Closing the Gap data

3.14 Following the annual data specification process outlined in paragraph 3.4 and 3.5, the Productivity Commission prepares a series of data request templates for each indicator set, reflecting any changes to the specifications. It provides these templates and data specifications to ABS, ACARA and AIHW in July, which then extract data from the datasets for which they are responsible and populate the templates. ACARA undertakes limited data extraction, as it provides the entire National Student Attendance Collection and NAPLAN Report datasets directly to the Productivity Commission and PM&C.³¹

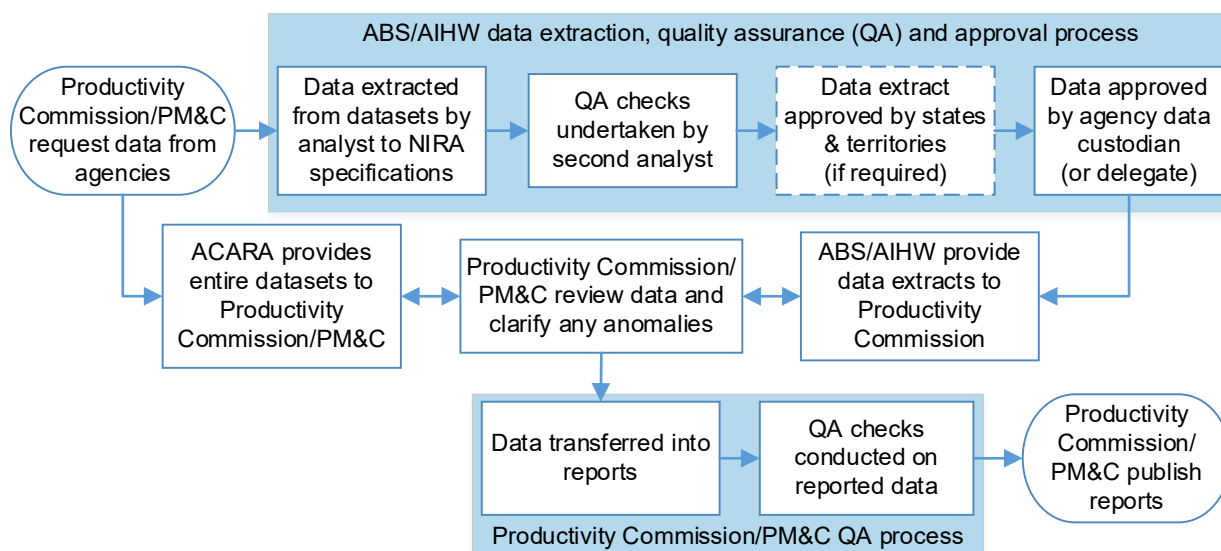
3.15 Although the request process undertaken by PM&C for the *Closing the Gap Prime Minister's Report* is different to the Productivity Commission's data collation request, it predominantly relies on the same datasets.

3.16 The data collation process undertaken for Closing the Gap reporting, including the quality assurance activities to be conducted by data and reporting agencies, is outlined in Figure 3.2. The collation process generally occurs from July to December each year, with the timing of data delivery depending on the availability of data.

29 The ANAO examined all datasets managed by ACARA and AIHW, and the datasets relating to Closing the Gap targets for ABS. As a majority of national datasets examined were created for broader statistical applications than Closing the Gap reporting, the ANAO did not undertake independent data validation testing of these datasets.

30 SAS and SuperCROSS are data analysis software applications.

31 ACARA also separately provides two tables extracted from the National Student Attendance Collection.

Figure 3.2: Preparation and collation of Closing the Gap data process

Source: ANAO analysis of entity guidelines.

Quality assurance of data extracted from national datasets

3.17 The ANAO examined whether ABS and AIHW had formal quality assurance processes for Closing the Gap data extraction and whether they followed these processes for the 2017 Closing the Gap data collation process (see Table 3.2).

Table 3.2: Quality assurance of data extracted for Closing the Gap reporting

Test	ABS	AIHW
Does the agency have standard operating procedures for extracting data from its datasets for Closing the Gap reporting?	▲	◆
Does the agency undertake independent quality assurance checks of data extracted to report against the indicator? ^a	▲	◆
Does the agency obtain approval for extracted data from data owners prior to supplying it to the Productivity Commission/PM&C? ^a	N/A ^b	◆
Does the agency obtain approval from the internal data custodian prior to supplying it to the Productivity Commission/PM&C? ^a	▲	◆

Key: ◆ Effective ▲ Partially effective ■ Not effective N/A Not applicable

Note a: For these tests, the rating is based on an aggregated assessment across multiple datasets. For ABS, the ANAO examined processes for five indicators (linked to Closing the Gap targets) extracted from ten datasets; and for AIHW, three indicators extracted from one dataset.

Note b: Under the *Census and Statistics Act 1905*, ABS is not required to seek approval from state and territory data owners to release data compiled from jurisdictional sources.

Source: ANAO analysis of department quality assurance procedures and processes.

3.18 AIHW had a standard operating procedure outlining quality assurance checks and approval processes for extracting data from the National Perinatal Data Collection, which aligned with the tests in Table 3.2. AIHW maintained adequate records that it followed the required steps in accordance with its procedure.

3.19 ABS's internal *Policy and Legislation Manual* contains high-level principles outlining the need for statistical teams to define and apply quality assurance and approval processes for the release of

data, and document their compliance with these processes for audit purposes. While there was evidence that ABS undertook quality assurance checks for data extracted for the 2017 process, well defined procedures for extracting data from its datasets for Closing the Gap reporting were not consistently in place and quality assurance checks and internal approvals were not adequately documented.

Recommendation no.1

3.20 The Australian Bureau of Statistics develop and implement procedures to systematically document quality assurance checks and internal approvals for data extracted for Closing the Gap reporting.

Australian Bureau of Statistics response: *Agreed.*

3.21 *ABS accepts this recommendation and will seek to ensure documentation is more consistent in capturing the current high quality assurance processes for data extraction across the numerous datasets used for Closing the Gap reporting.*

Quality assurance of data for the NIRA Performance Information report

3.22 The Productivity Commission does not have an overarching quality assurance framework. As outlined in Figure 3.2, for the NIRA Performance Information report, it manually reviews data return spreadsheets received from data agencies to ensure there are no obvious anomalies. Where anomalies are identified, it liaises with the data agency to resolve issues and confirm there are no errors in the data. Once it is satisfied the data is correct, it transfers the data from the data return spreadsheets to the report. The Productivity Commission informed the ANAO that, prior to its release, two staff members review the accuracy of the data in the report, but it did not maintain records of these checks for the 2017 NIRA Performance Information report.

3.23 The ANAO independently checked the accuracy of data presented in the 2017 NIRA Performance Information report relating to the seven Closing the Gap targets and did not find any errors. While this suggests the Productivity Commission's quality assurance was effective, it should document its processes to ensure they are consistently followed and reporting is accurate.

Quality assurance of data for the Closing the Gap Prime Minister's Report

3.24 PM&C undertook quality assurance checks of the accuracy of reported data for each of the Closing the Gap targets reported in the 2018 *Closing the Gap Prime Minister's Report*. It maintained registers to track quality assurance checks for two targets. For the other targets, email correspondence provided evidence of quality assurance checks. PM&C did not maintain a central register to track quality assurance processes for the report as a whole.

3.25 The ANAO checked the accuracy of data presented in the 2018 *Closing the Gap Prime Minister's Report* relating to the seven Closing the Gap targets and did not find any errors in the reported figures, but identified one instance where the presentation of data was unclear.

- The 2018 *Closing the Gap Prime Minister's Report* states that 'Between 1998 and 2016, the Indigenous infant mortality rate declined significantly by around 66.7 per cent (from 13.5 deaths per 1,000 live births in 1998 to 6 in 2016)'.³² The decline from 13.5 to 6 is

32 PM&C, *Closing the Gap Prime Minister's Report 2018*, p. 38.

55.6 per cent. The reported decline of 66.7 per cent was calculated using linear regression, but the method of calculation was not communicated in the report. PM&C indicated that it planned to include a footnote in the 2019 Closing the Gap Prime Minister's Report to clarify this point.

3.26 In response to the ANAO's findings during the audit, PM&C improved its approach to systematically managing quality assurance on data presented in the 2019 *Closing the Gap Prime Minister's Report*, using a central register to record data sources and checks undertaken.

Timeliness of Closing the Gap data

3.27 Although the NIRA Performance Information report and *Closing the Gap Prime Minister's Report* are produced annually, the datasets they draw on were not created for annual Closing the Gap reporting and are updated at different intervals. For example, the National Aboriginal and Torres Strait Islander Social Survey provides data for four Closing the Gap indicator sets, but has only occurred twice within the duration of the Closing the Gap framework.³³ The disparity in timeframes between datasets means some indicator sets are not updated each reporting cycle. In addition, for data that is updated annually, due to differences in the timing of data collection and availability, reported data can be from the previous year or two years prior.

3.28 Timeframes for the NIRA performance information reporting cycle are agreed in May by the Steering Committee for the Review of Government Service Provision. Following the annual confirmation of Closing the Gap data specifications (discussed in paragraphs 3.2 to 3.6), the Productivity Commission sends out data requests in late July. A data deadline is set as late September, although much of these data are not available until after this date with the latest currently available in December. The draft NIRA Performance Information report is provided to PM&C in late December, and then published in February.

Does reporting draw on appropriate information, analysis and interpretation?

Reporting against the Closing the Gap targets by PM&C has predominantly drawn on appropriate information, analysis and interpretation.

3.29 The NIRA included a commitment to annual reporting against COAG's Closing the Gap targets. This has been a central component of the Closing the Gap framework since 2010, when baseline data collected in 2009 was first reported in the NIRA Performance Assessment and *Closing the Gap Prime Minister's Report*.

3.30 Since 2011 progress towards the targets has been determined by comparing annual results for each target indicator with indicative target trajectories, developed based on an assessment of the level of progress that would be needed each year to meet the target. If the result is on or better than the target trajectory in a given year, progress is determined to be 'on track', otherwise progress is determined to be 'not on track'. See Table 3.3 for a summary of progress determinations between 2011 and 2018.

33 The survey occurred in 2008–2009 and in 2014–15. The indicator sets that use the survey data are: Rates of current daily smokers (PI 03); Attainment of Year 12 or equivalent (PI 12); Level of workforce participation (PI 14); Proportion of Indigenous 20–64 year olds with or working towards a post-school qualification (PI 15).

Table 3.3: Progress towards Closing the Gap targets, 2010–2018^a

Target	2011	2012	2013	2014	2015	2016	2017	2018
	COAG Reform Council				PC ^b	PM&C		
Life expectancy/mortality	▲	■	■	■	■	■	■	■
Child mortality	◆	◆	◆	◆	◆	◆	■	◆
Reading, writing and numeracy ^c	◆	◆	■	■	■	▲	■	■
Employment outcomes	▲	▲	■	■	■	■	■	■
Remote early childhood education	▲	▲	◆	▲	■	–	–	–
Year 12 or equivalent attainment	▲	■	◆	◆	◆	◆	◆	◆
School attendance	–	–	–	▲	▲	■	■	■
Early childhood education	–	–	–	–	–	▲	▲	◆

Key: ◆ On track ■ Not on track ▲ No determination

Note a: Years are reporting years; depending on the target, the results are either the previous year or two years earlier.

Note b: Productivity Commission.

Note c: Since 2012, due to a change in the NAPLAN writing test, progress has only been assessed for the reading and numeracy targets.

Source: ANAO analysis of NIRA Performance Assessments and *Closing the Gap Prime Minister's Reports*.

3.31 The COAG Reform Council was initially responsible for reporting progress towards the Closing the Gap targets in the NIRA Performance Assessment. Following the Reform Council's dissolution, the Productivity Commission published an independent assessment in 2015. Since 2016, there has not been an independent assessment, so the *Closing the Gap Prime Minister's Report* (which has been published since 2009) has been the primary means for reporting progress against the targets at a national level.

3.32 The ANAO examined whether information, analysis and interpretation included in the 2018 *Closing the Gap Prime Minister's Report* was appropriate, focussing on determinations of progress against the Closing the Gap target trajectories. As noted in paragraph 2.18, the report also includes case studies and descriptions of certain programs and services for Aboriginal and Torres Strait Islanders; the appropriateness of this information as a form of performance reporting is discussed in Chapter 4.

Determinations of progress against target trajectories

Development of target trajectories

3.33 The NIRA Performance Information Management Group developed target trajectories at a national, state and territory level in December 2010. The trajectories were developed by calculating the 'gap' at the baseline year, then determining the rate of change that would be necessary to close or halve the gap by the target year. For the two targets that use mortality data (life expectancy/mortality and child mortality), the Group subsequently updated the target trajectories in 2014 to take account of population estimate updates from the 2011 Census. The Group

developed target trajectories for the school attendance and early childhood education targets when they were introduced in 2014 and 2015.

3.34 Five of the current targets (life expectancy/mortality, child mortality, employment outcomes, student attendance and early childhood education) have straight line trajectories. Two targets (reading and numeracy, and Year 12 or equivalent attainment) have non-linear trajectories, which were selected to anticipate the impact of the roll-out of education programs. Unlike the data specifications for Closing the Gap performance indicators, the methodologies for calculating the target trajectories are not published.

3.35 For the life expectancy/mortality and child mortality targets, ABS calculates variability bands around the annual results to assist in understanding the variability in the data using a methodology agreed by the Performance Information Management Group in 2010.³⁴ In addition, since the COAG Reform Council's 2011 NIRA Performance Assessment, a variability band has been applied to the target trajectory when determining whether a target is on track. While the methodology for calculating variability bands for the annual results is published in the METeOR data specifications, the methodology for applying the variability band to the target trajectory has not been published.

3.36 The trajectories for the seven current targets, including variability bands for the mortality and child mortality targets and results from the 2018 *Closing the Gap Prime Minister's Report*, are presented in Appendix 2.

2018 progress determinations

3.37 In the 2018 *Closing the Gap Prime Minister's Report*, four of the Closing the Gap targets were determined to be 'not on track' and three were determined to be 'on track'. The ANAO reviewed the underlying data and found the determinations, along with the supporting analysis and interpretation in the report, were generally appropriate (see Table 3.4).

34 The Performance Information Management Group agreed on the use of a 95 per cent variability band, reflecting that this is the standard error band used by the AIHW for reporting Aboriginal and Torres Strait Islander mortality data. The variability band operates like a 95 per cent confidence interval.

Table 3.4: ANAO assessment of 2018 progress determinations

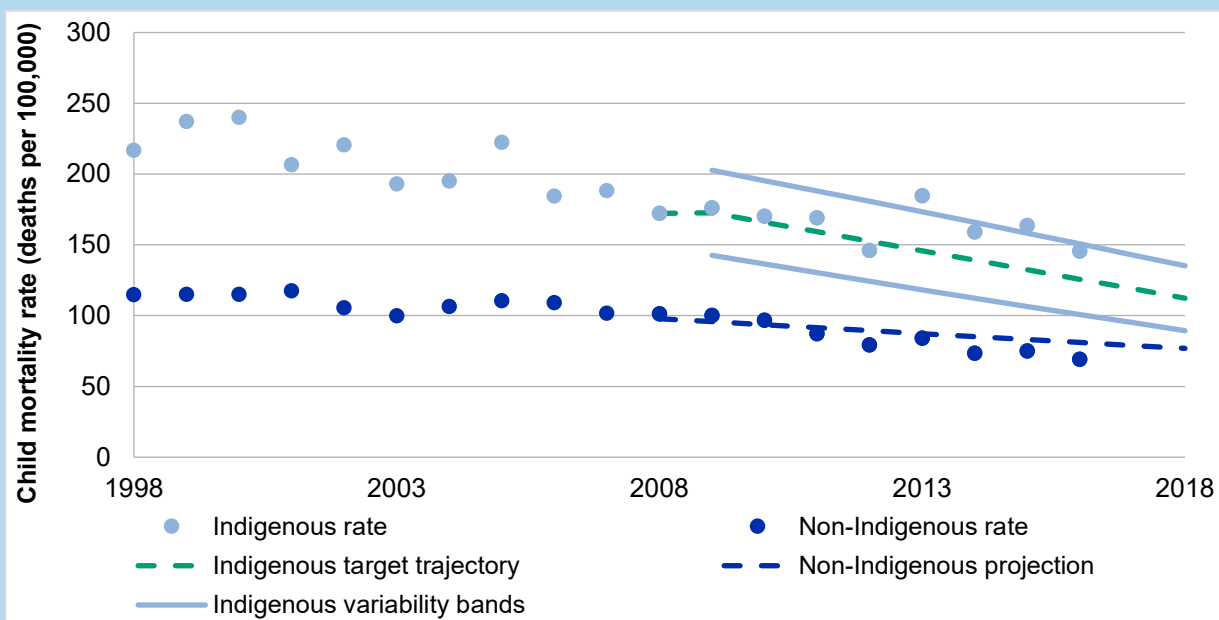
Closing the Gap target	2018 progress determination	ANAO assessment
Mortality	Not on track: 'Over the longer term, Indigenous mortality rates have declined significantly by 14 per cent since 1998. However, there has been no improvement since the 2006 baseline and the target is not on track to be met.' (p. 104)	The report correctly acknowledges the lack of progress since 2006 and that the target is not on track.
Child mortality	On track: 'The 2016 Indigenous child mortality rate is on track to halve the gap by 2018.' (p. 37)	As the 2016 rate fell just inside the variability band, it was determined to be 'on track'. Case Study 1 outlines the ANAO's comments on the report's presentation of the data.
Reading and numeracy	Not on track: 'While the gap between Indigenous and non-Indigenous students has narrowed since 2008 across all areas, the target is not on track.' (p. 58)	The report correctly acknowledges the target is not on track. Since PM&C has not tested whether changes in the gap are statistically significant, the first part of its statement is not firmly based.
Employment outcomes	Not on track: 'Progress for this target is being masked by a change in remote employment programs. If this effect is removed, the employment rate rose by 4.2 percentage points over the past decade. Nonetheless, this target is not on track.' (p. 76)	The report correctly acknowledged the target is not on track.
Year 12 or equivalent attainment	On track: 'The target to halve the gap in Year 12 attainment by 2020 is on track, and the gap has narrowed by 12.6 percentage points over the past decade.' (p. 64)	The report correctly acknowledges the target is on track and correctly reports the narrowing of the gap.
School attendance	Not on track: 'Attendance rates for Indigenous students have been stable between 2014 (83.5 per cent) and 2017 (83.2 per cent). However, the target is not on track to be met.' (p. 51)	The report correctly acknowledges the target is not on track.
Early childhood education	On track: 'The target to have 95 per cent of Indigenous four-year-olds in early childhood education is on track, with 91 per cent enrolment in 2016.' (p. 42)	The report correctly acknowledges the target is on track.

Source: ANAO analysis; quotes are from PM&C, *Closing the Gap Prime Minister's Report 2018*.

Case study 1. Variability around the child mortality target

Figure 3.3 shows the representation of the child mortality target in the 2018 *Closing the Gap Prime Minister's Report*, with a variability band plotted around the target trajectory line. As the observed Indigenous child mortality rate for 2016 fell just within the upper range of the variability band, the target was determined to be on track. This determination was consistent with the approach used in previous years, which had been developed through the NIRA Performance Information Management Group in November 2010.

Figure 3.3: Child mortality rates, 0–4 years (with variability band on target trajectory)

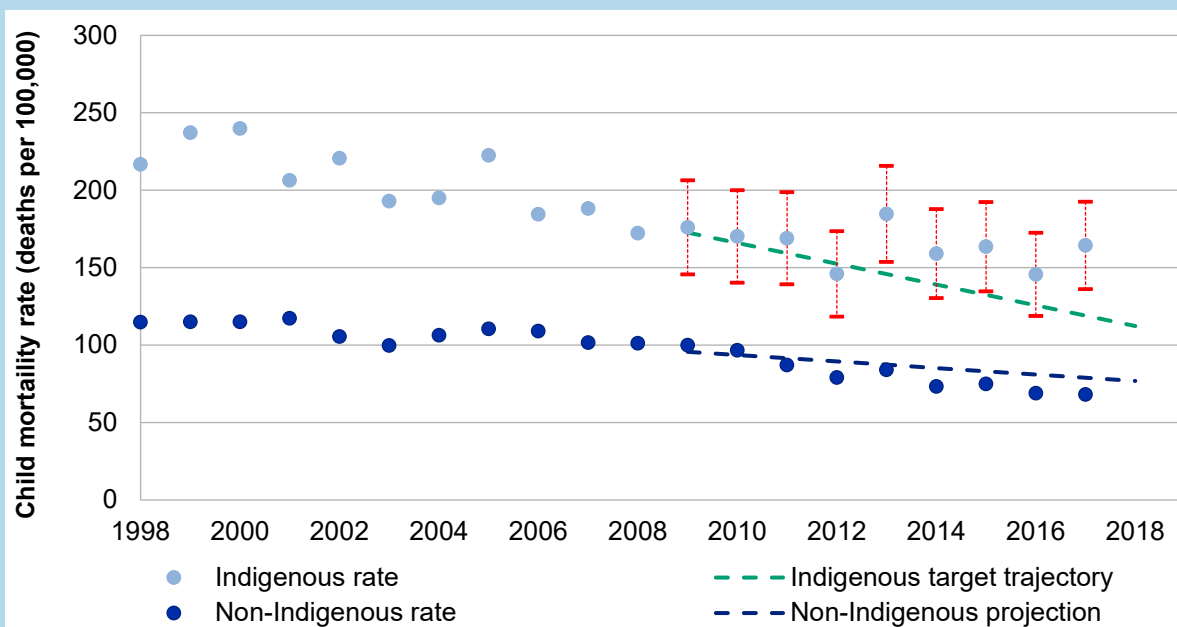


Source: PM&C, *Closing the Gap Prime Minister's Report 2018*, p. 38.

Making a binary 'on track'/'not on track' assessment in this context downplays the level of uncertainty in the data. Falling just within the upper range of the variability band indicates there is a small chance that the target is on track, and a higher chance that it is not on track. The ANAO calculated that there was a 7.3 per cent probability that the child mortality target was on track in 2016, given the observed rate, and a 92.7 per cent probability that it was not on track (see Appendix 3 for detailed analysis).

Figure 3.4 shows the child mortality rates, updated with 2017 data, with variability bands plotted on the observed rates rather than the target trajectory. This way of presenting the data conveys the range of values within which the Indigenous child mortality rate may fall. While the variability band for the 2016 observed rate just overlaps with the target trajectory, the majority of the band is above the target. The observed rate for 2017, which was clearly above the target trajectory, reinforces this interpretation.

Figure 3.4: Child mortality rates, 0–4 years (with variability bands on observed rates)



Source: PM&C internal documentation.

Several stakeholders consulted by the ANAO expressed criticisms around the presentation of the child mortality target and determination of its status as on track. These stakeholders stated that the characterisation of the target as on track or not on track based on a single year result failed to account for the overall trend since 2008, which was insufficient to meet the target.

3.38 The ANAO's analysis of the child mortality data in Case Study 1 and Appendix 3 was based on unpublished papers and data obtained over the course of the audit. It would be difficult to replicate this analysis without access to this unpublished information. Given the high level of stakeholder interest in the Closing the Gap targets, there is a need for greater transparency about the methodologies used for determining trajectories and making determinations about whether targets are on track. PM&C should work through the COAG system to publish these methodologies in sufficient detail to allow replication of the calculations.

4. Monitoring and evaluating the Australian Government contribution to Closing the Gap

Areas examined

This chapter examines whether Australian Government programs have been designed to contribute to Closing the Gap, and whether effective processes have been established to monitor and evaluate their contribution to the Closing the Gap targets.

Conclusion

Most Australian Government programs which reference the Closing the Gap framework were implemented in its first years, and there is alignment between current programs and elements of the framework. Arrangements for monitoring and evaluating the contribution of the Australian Government's programs to the Closing the Gap targets are not effective and do not provide an objective assessment of performance.

Areas for improvement

The ANAO made two recommendations aimed at ensuring the Australian Government: has a robust implementation plan for the refreshed Closing the Gap framework; and establishes monitoring and reporting arrangements that provide an objective assessment of its contribution to the framework.

Have new programs been explicitly linked to the Closing the Gap framework?

In the early years of the Closing the Gap framework, a large number of national partnership agreements and Australian Government programs were implemented with explicitly stated links to the Closing the Gap framework. In recent years, fewer agreements and programs have been directly linked to the framework. There is alignment between current major Aboriginal and Torres Strait Islander programs and the Closing the Gap 'building blocks' and targets.

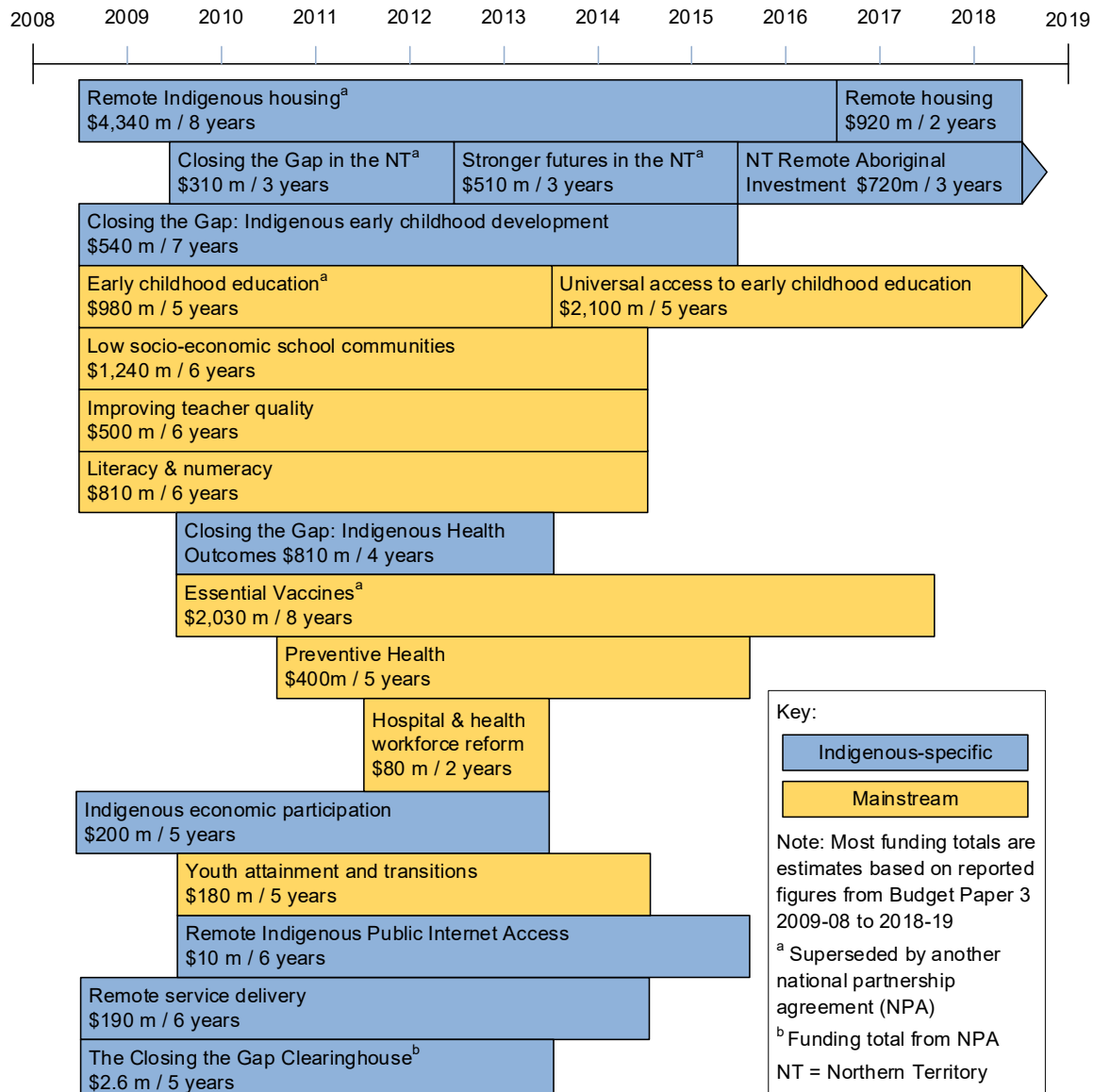
4.1 In line with the National Indigenous Reform Agreement (NIRA) priority principle, any Australian Government programs for Aboriginal and Torres Strait Islander peoples developed since 2008 should exhibit clear links to the Closing the Gap framework. To assess whether new programs have been linked to Closing the Gap, the ANAO examined the extent to which national partnership agreements and Indigenous Budget measures introduced between 2008 and 2018 had explicitly stated links to the Closing the Gap framework. The ANAO also reviewed links between the Australian Government's two major Indigenous-specific programs: the Department of the Prime Minister and Cabinet's (PM&C) Indigenous Advancement Strategy; and the Department of Health's Indigenous Australians' Health Programme. These programs did not involve any new funding, so were not reported as new Indigenous-specific measures in Budget papers.

National partnership agreements

4.2 National partnership agreements, negotiated under the 2009 *Intergovernmental Agreement on Federal Financial Relations*, facilitate payments from the Australian Government to states and territories to support the delivery of improvements in service delivery or reforms. They

can be supported by implementation plans that outline key deliverables and milestones. Figure 4.1 shows national partnership agreements implemented between 2008 and 2018 with direct links to the Closing the Gap framework.

Figure 4.1: National partnership agreements with links to Closing the Gap, 2008–2018



Source: ANAO analysis.

4.3 When the NIRA was last updated in 2012, it was underpinned by eight Indigenous-specific national partnership agreements, which had been negotiated during 2008–09 and 2009–10, as well as eight other mainstream agreements that had direct links to the Closing the Gap framework (see Figure 4.1). Many of the agreements that underpinned the NIRA expired between 2012–13 and 2013–14, or were superseded by other agreements. These changes to the underlying structure of the Closing the Gap framework were not incorporated into the NIRA.

4.4 As Figure 4.1 illustrates, the majority of agreements that reference the Closing the Gap framework were implemented in its first five years. Only three additional national partnership agreements have been developed since 2012 that reference the Closing the Gap framework:

- National Partnership Agreements on Universal Access to Childhood Education — four consecutive agreements, implemented in 2013, 2015, 2016 and 2018, which include the revised Closing the Gap target for early childhood as a performance measure;
- National Partnership on Northern Territory Remote Aboriginal Investment (2016–2022) — which references the Closing the Gap targets; and
- National Partnership on Remote Housing (2016–2018) — which states that it supports the outcomes of the NIRA.

4.5 There have been other national partnership agreements implemented since 2012, including agreements targeting Aboriginal and Torres Strait Islander peoples, that have not included direct links to the Closing the Gap framework. An example of an agreement that did not link to the framework is the National Partnership on Essential Vaccines (2017–2021), which includes an outcome to minimise the incidence of vaccine preventable diseases in Aboriginal and Torres Strait Islander people for diseases with vaccines listed under the National Immunisation Program, but, unlike the 2009–2017 Essential Vaccines agreement, there is no reference to the NIRA or Closing the Gap.

Aboriginal and Torres Strait Islander Budget measures

4.6 Between 2008 and 2013 the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) coordinated the development of a Single Indigenous Budget Statement that compiled Indigenous-specific new policy proposals for consideration by the Government. A key step in this process was a self-assessment by proponent agencies against the NIRA's service delivery principles (listed in Table 1.2). From 2014 the Single Indigenous Budget Statement process ceased, and there was no longer a requirement that policy proposals include an assessment of their contribution towards Closing the Gap targets.

4.7 In 2014 PM&C sought to establish an overarching whole-of-government framework for Aboriginal and Torres Strait Islander Affairs. This was intended to address program duplication through a review of all Australian Government Indigenous-specific programs and mainstream programs with a significant Aboriginal and Torres Strait Islander client base, including an assessment of the level of alignment with the Closing the Gap targets. Following delays collating information from entities and concerns about the utility of the information received, implementation of the framework was not completed.

4.8 In 2016 the Government established an Indigenous Policy Committee to promote a whole-of-government approach to Aboriginal and Torres Strait Islander policy decision-making and program implementation.

4.9 Since 2016, there have been two new measures, which were included in the 2017–18 Budget, with explicit links to the Closing the Gap framework:

- Closing the Gap — English language learning for Indigenous children trial (\$5.9 million over four years); and
- Closing the Gap — Employment services (\$54.3 million over four years).

4.10 Table 4.1 shows a breakdown of Indigenous-specific Budget measures announced between 2008–09 and 2018–19 where explicit reference was made in the description of the measure to

Closing the Gap. The majority (88 per cent) of Budget measures with direct links to Closing the Gap framework were announced in the 2008–09 and 2009–10 Budgets.

Table 4.1: Aboriginal and Torres Strait Islander Budget measures with links to Closing the Gap, 2008–2018^a

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Aboriginal and Torres Strait Islander measures	56	36	6	3	13	5	4	5	0	7	4
Direct link to Closing the Gap	38	35	1	0	5	1	0	1	0	2	0

Note a: The analysis was conducted by reviewing Budget measures described in Budget Paper No. 2 and Appendix A of the Mid-Year Economic and Fiscal Outlook from 2008–09 to 2018–19, based on key word searches for the terms ‘close the gap’, ‘closing the gap’, ‘Indigenous’, ‘Aboriginal’ and ‘Torres Strait’.

Source: ANAO analysis.

Major Aboriginal and Torres Strait Islander programs

Indigenous Advancement Strategy

4.11 The introduction of the Indigenous Advancement Strategy (IAS) in 2014 saw 27 programs consisting of 150 administered items, activities and sub-activities from eight separate entities moved into PM&C. The IAS created five broad-based programs: Jobs, Land and Economy; Children and Schooling; Safety and Wellbeing; Culture and Capability; and Remote Australia Strategies. As at 31 July 2018, approximately \$7.0 billion had been allocated through IAS grants since its inception.

4.12 While the Auditor-General’s performance audit of the IAS (Auditor-General Report No.35 2016–17) found PM&C did not effectively implement the strategy, the report did note that the IAS’s program structure broadly reflected the Government’s five key priority areas for investment.³⁵ The audit report included four recommendations, which PM&C accepted, focusing on improving IAS grant administration processes, performance measurement and the operation of PM&C’s Regional Network.

4.13 The Closing the Gap framework is not referenced in the original policy proposal for the IAS (2014), the implementation plan (2014) or the current IAS grant guidelines (March 2016). Nevertheless, there is a degree of alignment between IAS program objectives and the Closing the Gap building blocks and targets. The IAS programs broadly align with five of the seven Closing the Gap building blocks (the two not aligned are health and healthy homes), and program outcomes have been linked to five of the seven targets (the two not linked are life expectancy/mortality and child mortality).

³⁵ The five priority areas are: ensuring children go to school, adults work, Indigenous business is fostered, the ordinary rule of law is observed in Indigenous communities as in other Australian communities, and Indigenous culture is supported.

Indigenous Australians' Health Programme

4.14 On 1 July 2014 the Australian Government established the Indigenous Australians' Health Programme (IAHP), consolidating four existing funding streams administered by the Department of Health. Since 2015 grants for primary healthcare under the IAHP totalling approximately \$1.44 billion have been awarded, with approximately 85 per cent of this funding going to Aboriginal Community Controlled Health Organisations (ACCHOs). As at 1 April 2018, more than 230 organisations (including around 140 ACCHOs) were funded under the IAHP. Of these, around 160 organisations and 130 ACCHOs were funded to deliver primary health care.

4.15 The Auditor-General's performance audit of primary healthcare grants under the IAHP (Auditor-General Report No.50 2017–18) found the Department of Health's design and implementation of this IAHP component has been partially effective as it 'has not implemented the planned funding allocation model and there are shortcomings in performance monitoring and reporting arrangements.'³⁶ The audit report included three recommendations, which the Department of Health accepted, focusing on improving value for money assessments, risk management of data collection processes and performance measurement.

4.16 The IAHP program guidelines explicitly refer to the Closing the Gap framework, referencing the two health related targets: life expectancy and childhood mortality. The guidelines also explicitly reference the NIRA service delivery principles, stating that the Department of Health's administration of the IAHP will comply with these principles.

Has an Australian Government implementation plan been developed for Closing the Gap?

The Australian Government has not developed an overarching implementation plan to focus its contribution to achieving the Closing the Gap targets.

4.17 When developing a whole-of-government strategic policy framework, it is good practice to prepare an implementation plan prior to commencement to set the direction for implementation processes.³⁷

4.18 For the Closing the Gap framework, as discussed in paragraph 2.5, it took nearly four years from the framework's commencement in 2008 for overarching bilateral Indigenous plans to be negotiated with all states and territories. While six of the eight Indigenous-specific national partnership agreements that underpinned the framework had implementation plans, no provision was made for an overarching Australian Government Closing the Gap implementation plan.

4.19 The Council of Australian Government's (COAG's) December 2018 statement about the implementation of the Closing the Gap Refresh committed to developing Australian, state and territory government action plans. It also included draft Closing the Gap targets, with lead responsibility attributed to different levels of government. As PM&C is the lead entity for Aboriginal

36 Auditor-General Report No.50 2017–18 *Primary Healthcare Grants under the Indigenous Australians' Health Programme*, p. 7.

37 ANAO, *Insights from performance audit reports tabled July to September 2017* [Internet], 13 December 2017, available from: <https://www.anao.gov.au/work/audit-insights/insights-performance-audit-reports-tabled-july-september-2017> [accessed 14 October 2018].

and Torres Strait Islander Affairs, it will need to work with other Australian Government entities to implement COAG's commitment.³⁸ Drawing on better practice performance measurement principles, the Australian Government action plan should identify the links between program inputs, outputs, intermediate outcomes and higher-level outcomes and targets.³⁹

Recommendation no.2

4.20 The Department of the Prime Minister and Cabinet ensure the Australian Government action plan for the refreshed Closing the Gap framework clearly identifies the links between program inputs, outputs and outcomes and the framework's higher-level outcomes and targets.

Department of the Prime Minister and Cabinet response: *Agreed with qualification.*

4.21 *The Commonwealth, states and territories share accountability for the refreshed Closing the Gap agenda and are jointly accountable for outcomes for Aboriginal and Torres Strait Islander peoples.*

4.22 *On 12 December 2018, COAG issued a statement outlining a draft strengths based framework, which prioritises intergenerational change and the aspirations and priorities of Aboriginal and Torres Strait Islander peoples across all Australian communities. The finalisation of this framework and associated draft targets will be agreed through a formal partnership with Indigenous Australians through their representatives. With the agreed establishment of a partnership approach, the targets and framework will not be finalised until mid-2019, before returning to COAG for endorsement. A review of the National Indigenous Reform Agreement will be informed by the framework.*

4.23 *The COAG statement notes that meeting specific targets will require the collaborative efforts of the Commonwealth, states and territories, regardless of which level of government has lead responsibility.*

4.24 *While the draft framework is still in negotiation, it is expected the Commonwealth, states and territories will develop action plans outlining program inputs, outputs and outcomes, in partnership with Indigenous Australians.*

Has the Australian Government's contribution to Closing the Gap been effectively monitored?

From 2008 to 2014 monitoring of the Australian Government's contribution towards Closing the Gap was only partially effective. Since 2015, monitoring has not been effective, as mechanisms for monitoring whole-of-government performance in Aboriginal and Torres Strait Islander Affairs have ceased. The *Closing the Gap Prime Minister's Report* does not provide an objective assessment of contribution towards Closing the Gap.

38 The 19 April 2018 Administrative Arrangements Order states that PM&C is responsible for 'Commonwealth Aboriginal and Torres Strait Islander policy, programmes and service delivery'.

39 See Department of Finance, *Resource Management Guide No. 131: Developing good performance information*, April 2015, pp. 22–30.

4.25 In 2008, under the NIRA accountability principle, COAG agreed that programs and services should have regular and transparent performance monitoring, review and evaluation. In addition, all jurisdictions committed to an annual review of progress, which would include an assessment of the impact of initiatives being undertaken through COAG and other mechanisms on the targets. These annual reviews were intended to be a mechanism for ongoing accountability and for adapting and adjusting programs to ensure they were on track to meet the targets.

4.26 As discussed in paragraph 2.6, intergovernmental oversight bodies to facilitate these annual reviews of progress were not maintained. Nevertheless, in accordance with the accountability principle, the Australian Government, through relevant departments, should have established monitoring arrangements to measure their contribution to the Closing the Gap framework. In line with this, the ANAO examined the extent to which the Australian Government has maintained such arrangements over the duration of the framework.

Australian Government monitoring arrangements 2008–2013

4.27 Over the first five years of the Closing the Gap framework, when FaHCSIA was the lead agency for Aboriginal and Torres Strait Islander Affairs, the primary whole-of-government mechanisms for monitoring the Australian Government's contribution towards Closing the Gap were:

- the *Indigenous Budget Statement* — an annual public Ministerial statement released on Budget night outlining Indigenous-specific and relevant mainstream programs;
- Australian Government Indigenous expenditure (AGIE) — reported annually by all entities through Portfolio Budget Statements; and
- regular reports provided to government between 2010 and 2012 on the implementation of Australian Government Aboriginal and Torres Strait Islander programs.

4.28 The Auditor-General's 2012 performance audit of *Australian Government Coordination Arrangements for Indigenous Programs* (Auditor-General Report No.8 2012–13) was critical of the effectiveness of these performance monitoring arrangements. Key findings from the report are outlined in Box 1. The audit report included a recommendation, which was agreed by FaHCSIA, to 'include a greater focus on outcomes in its overall reporting and enhance its financial oversight of mainstream and Indigenous-specific Australian Government Indigenous expenditure'.⁴⁰

40 Auditor-General Report No.8 2012–13 *Australian Government Coordination Arrangements for Indigenous Programs*, p. 29.

Box 1: Monitoring findings from Auditor-General Report No.8 2012–13

Indigenous Budget Statement and AGIE:

‘FaHCSIA monitors expenditure through the preparation of the Indigenous Budget Statement and by collating [AGIE] figures, reported by individual agencies in Portfolio Budget Statements. These two processes report on different items of expenditure and neither process gives a complete picture of Australian Government Indigenous expenditure. As a result, FaHCSIA is not tracking, monitoring and reporting on the full picture of Indigenous expenditure through either of these means. There is considerable scope for the department to enhance its financial reporting and take a more strategic oversight role in monitoring expenditure...’ (p. 25)

Reports to government on Closing the Gap implementation:

‘FaHCSIA’s reporting provides advice to government on the extent to which the nominated programs are being implemented as planned and milestones are being met... However, the reporting is not designed to assess the impacts, consequences or intermediate outcomes of implementation or progress towards the Closing the Gap targets... The reports could adopt a more strategic role to identify and report on intermediate outcomes of a more limited set of priority initiatives likely to have the biggest impact in achieving the Closing the Gap targets, and draw out the key issues and related remedial action.’ (p. 26)

Source: Auditor-General Report No.8 2012–13 *Australian Government Coordination Arrangements for Indigenous Programs*, pp. 25–26.

Australian Government monitoring arrangements since 2014

4.29 After responsibility for Aboriginal and Torres Strait Islander Affairs was transferred from FaHCSIA to PM&C in late 2013, all of the whole-of-government monitoring mechanisms discussed in paragraph 4.27 ceased with the exception of the AGIE, which was last reported in the 2015–16 Portfolio Budget Statements. No additional mechanisms have been developed since that time. Consequently, other than reporting on program activity through the *Closing the Gap Prime Minister’s Report* (discussed below), there has not been any consolidated monitoring of the Australian Government’s contribution towards the Closing the Gap framework since 2015.

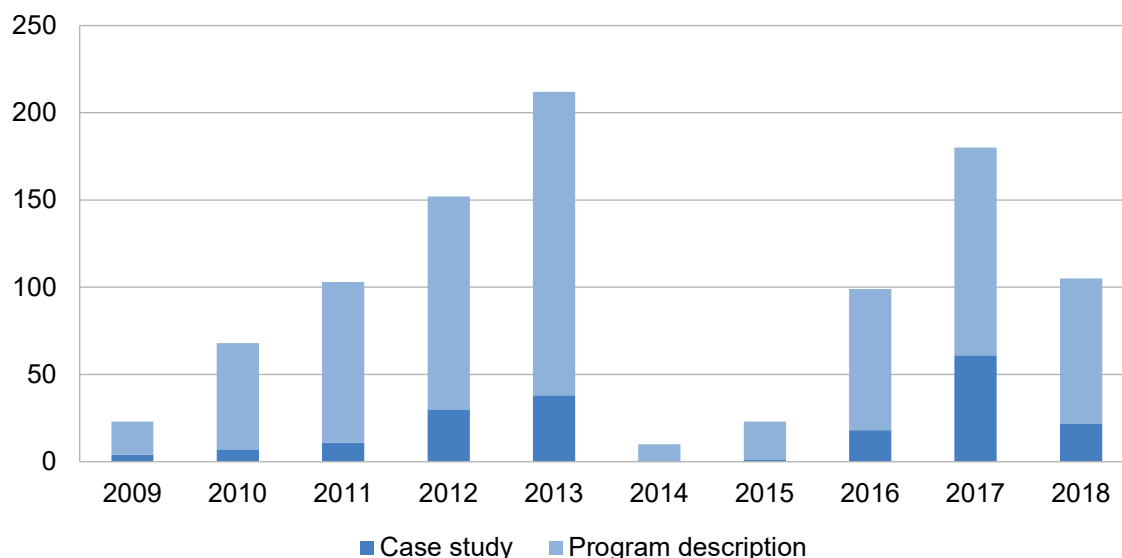
4.30 Over the duration of the Closing the Gap framework, individual entities (including PM&C, Department of Health and Department of Education and Training in recent years) have adopted specific Closing the Gap targets as their performance criteria in Portfolio Budget Statements and Corporate Plans. The Department of Finance’s guidance for developing performance criteria states that criteria should be focused on the impact of programs and the contribution they make to overall outcomes. In all cases, agencies had adopted the national Closing the Gap targets (which represent outcomes that many agencies across all levels of government are responsible for) as their performance criteria, rather than seeking to measure the specific impacts or contributions of their programs on these national targets.

Performance reporting in the *Closing the Gap Prime Minister’s Report*

4.31 In addition to its analysis of progress towards the Closing the Gap targets, discussed in Chapter 3, the *Closing the Gap Prime Minister’s Report* has also included information about Australian, state and territory government programs and services for Aboriginal and Torres Strait

Islander peoples and other initiatives deemed relevant to the Closing the Gap framework. Over the last ten years, the number of initiatives and case studies highlighted in the reports has ranged from 212 in 2013 to 10 in 2014 (see Figure 4.2).

Figure 4.2: Performance information in Closing the Gap reports, 2009–2018



Source: ANAO analysis

4.32 In 2012, Auditor-General Report No.8 2012–13 noted that the *Closing the Gap Prime Minister's Report* was primarily focussed on inputs and outputs and did not generally include analysis of the outcomes of initiatives or their contribution to meeting the Closing the Gap targets. The ANAO's analysis of performance reporting over the period 2009 to 2018 found 12.3 per cent of program descriptions or case studies referenced measured outcomes, and five per cent made an explicit link to the Closing the Gap targets or indicators. Information presented in the reports has also been overwhelmingly positive or neutral, with only one description out of 975 referencing delivery challenges or setbacks.

4.33 The original intention of the *Closing the Gap Prime Minister's Report* was to provide a high-level summary of national progress towards the Closing the Gap targets and achievements since the last report. The report was not intended, and has not functioned, as an accountability document for the Australian Government.

Recommendation no.3

4.34 The Department of the Prime Minister and Cabinet establish arrangements to prepare an annual Australian Government Closing the Gap performance report that transparently and objectively reports on:

- the links between program-level expenditure and outputs and outcomes for Aboriginal and Torres Strait Islander peoples; and
- the contribution of programs towards Closing the Gap targets.

Department of the Prime Minister and Cabinet response: *Agreed with qualification.*

4.35 COAG has committed to provide direct accountability to Aboriginal and Torres Strait Islander peoples and the Australian public as a whole. As outlined in the December 2018 COAG Statement, each jurisdiction will report publicly each year on its Closing the Gap strategy.

4.36 COAG has proposed an Indigenous-led three yearly review of progress nationally. The intention is that the Productivity Commission's Indigenous Commissioner will play a critical role in this review.

4.37 While the scope is still being negotiated, a Ministerial Council on Closing the Gap, with Ministers nominated by jurisdictions and representation from Aboriginal and Torres Strait Islander peoples, will be instituted. The Council will also monitor progress made against the Closing the Gap targets.

4.38 The scope, format and content of the Commonwealth's annual reporting will be informed by the (yet to be finalised) COAG reporting process.

4.39 The Department of the Prime Minister and Cabinet is committed to transparency and accountability in all reporting. The Prime Minister will continue to make an annual statement to parliament on the Commonwealth's contribution to Closing the Gap and Departmental reporting arrangements will take into account Recommendation 3.

4.40 Since 2008 there have been changes in population measurement, improvement in data quality and greater recognition that a wide variety of social determinants can impact the high level Closing the Gap targets. While the Department agrees with the intention of this recommendation, the ability to explicitly measure program specific expenditure to outcomes for people, and its subsequent contribution to high-level national targets (which are aggregated measures), is limited given the complexity of effort across jurisdictions and policy portfolios.

4.41 Nevertheless, the ambition of the refreshed framework is to provide greater accountability for outcomes. This will be done through revised performance reporting and a new partnership approach to setting targets that is based on historical evidence and data.

Have evaluation frameworks been established to measure the impact of programs on Closing the Gap targets?

An evaluation framework has not been established to measure the impact of programs on Closing the Gap targets. As part of the Government's 2017 Aboriginal and Torres Strait Islander research and evaluation package, the Productivity Commission was tasked with the development of a whole-of-government evaluation strategy. This work has not formally commenced as an Indigenous evaluation commissioner was not appointed until December 2018. PM&C's evaluation framework for the Indigenous Advancement Strategy does not include any references to Closing the Gap.

4.42 The NIRA accountability principle notes the importance of 'evaluating programs and services from multiple perspectives including from the client, Indigenous communities and government perspectives and incorporating lessons into future program and services design'.⁴¹

41 COAG, *National Indigenous Reform Agreement (Closing the Gap)*, September 2012, p. D-78.

4.43 Over the period the NIRA has been in place, an overarching evaluation strategy or framework to measure the impact of programs on Closing the Gap targets has not been developed. Stakeholders consulted by the ANAO over the course of the audit commented on the lack of evaluation linked to the Closing the Gap framework, noting a need for more and better evaluation to inform policy and program development.

Strategic Review of Indigenous Expenditure

4.44 In 2009 the *Strategic Review of Indigenous Expenditure*, conducted by Department of Finance to assess how well the Government's Aboriginal and Torres Strait Islander policy co-ordination arrangements and programs were placed to achieve the Closing the Gap targets, noted:

The strong commitments to evidence-based policy made by the Prime Minister and other Heads of Government are not matched by the quality of the evidence currently available in the Commonwealth's own domain. Even basic information on the number of distinct Indigenous-specific programs and their key characteristics was a challenge to discover and assemble... Moreover, a major constraint on the work of the Review has been the lack of robust evidence on the performance and effectiveness of many Indigenous programs.⁴²

4.45 The report recommended that the Productivity Commission be requested to conduct a review of the adequacy of arrangements for evaluating Aboriginal and Torres Strait Islander programs, at both an Australian Government and state and territory level, but this recommendation was not taken up by the Government at that time.

Closing the Gap Clearinghouse

4.46 In 2009, following a tender process, the Closing the Gap Clearinghouse was initiated with funding of \$5.2 million over five years from the Australian, state and territory governments. Jointly delivered by the Australian Institute of Health and Welfare and Australian Institute of Family Studies, its key objective was to improve access to evidence by analysing research and evaluation findings to identify what works to address Indigenous disadvantage. While the Clearinghouse maintained a register of government research and evaluations (which contained 1,249 items as at March 2014), it was not tasked with establishing an overarching whole-of-government evaluation strategy or framework.

4.47 Through analysis of key research and evaluation reports from Australia and overseas, the Clearinghouse published 50 evidence synthesis reports (37 resource sheets and 13 issues papers) and three 'what works' summary reports. A common issue identified in the 'what works' reports was a lack of robust evaluations to inform program development. In particular, the reports noted there was a lack of high-quality quantitative social policy research in the Australian and Aboriginal and Torres Strait Islander contexts.

Closure of the Clearinghouse

4.48 A review of the Clearinghouse in 2013 found stakeholders were 'overwhelmingly positive about [its] existence' and there was strong support for continuing its research synthesis function. However, it also found there was scope for the Clearinghouse to take a more active role in providing

42 Department of Finance and Deregulation, *Strategic Review of Indigenous Expenditure*, Commonwealth of Australia, Canberra, 2010, p. 365.

a quality assurance function for evaluation services and commissioning research to fill evidence gaps.

4.49 In briefing the Minister for Indigenous Affairs on the review, PM&C noted there was insufficient new research and evaluation evidence being produced in Australia for the Clearinghouse to continue with its previous rate of publication. In 2014 the minister gave in principle agreement to fund a smaller-scale Clearinghouse for three years from 2014–15, pending states and territories matching the Australian Government funding commitment. In late 2014, after PM&C was unable to negotiate matching commitments from all jurisdictions, the Minister decided to discontinue the initiative. Funding for the Clearinghouse ceased in 2014, but until 2016 it continued to publish synthesis reports that had previously been commissioned.

Productivity Commission's 2015 NIRA performance assessment

4.50 In November 2015 the Productivity Commission's *NIRA Performance Assessment* (covering the 2013–14 period) stated that there was extensive focus at a whole-of-government level on monitoring broad outcome targets relating to Indigenous disadvantage, but little evidence of what works to bridge outcome gaps. The report outlined three options for COAG to reinvigorate evaluation by:

- conducting an overarching review of Indigenous evaluation (as had been recommended in the 2009 *Strategic Review of Indigenous Expenditure*);
- committing to evaluating policy settings in a target area (such as education); and/or
- adding a procedural, evaluation-focused Closing the Gap target.⁴³

4.51 The ANAO examined COAG meeting papers from 2015 to 2018 and found no evidence that it considered these options. As noted in paragraph 2.18, this was the last independent assessment of progress towards Closing the Gap.

2017 Aboriginal and Torres Strait Islander research and evaluation package

4.52 In late 2016, in the context of considering the forward agenda for Aboriginal and Torres Strait Islander reform, the Government agreed to a greater focus on evidence, measuring impact and external oversight in Aboriginal and Torres Strait Islander policy. Noting the inconsistent quality of Aboriginal and Torres Strait Islander program evaluations and the lack of a structured requirement to undertake evaluations, in early 2017 the Government agreed to a package of three measures to address these gaps:

- (a) \$2.9 million over four years for an expanded role for the Productivity Commission in Aboriginal and Torres Strait Islander evaluation;
- (b) \$40 million over four years to strengthen evaluation of the IAS; and
- (c) \$10 million over three years for an Aboriginal and Torres Strait Islander research fund that would be co-designed with experts in research, data and analysis.

Expanded role for Productivity Commission

4.53 The Productivity Commission will develop a whole-of-government evaluation strategy for policies and programs that affect Aboriginal and Torres Strait Islander peoples, to be reported

43 Productivity Commission, *NIRA Performance Assessment 2013–14*, November 2015, p. 161.

against by all Australian Government agencies. This work will be overseen by a new commissioner with experience in this area.

4.54 Funding of \$2.9 million over four years was reprioritised from the IAS in the 2017–18 Budget to support the Productivity Commission’s enhanced role in evaluation, including the new commissioner. The measure required an amendment to the *Productivity Commission Act 1998* to allow for the appointment of an additional commissioner and to specify additional skill requirements, which was enacted in April 2018. On 11 December 2018 the appointment of the Indigenous evaluation commissioner was announced, with a commencement date in April 2019. The Productivity Commission advised the ANAO that work on developing a whole-of-government Aboriginal and Torres Strait Islander evaluation strategy had not formally begun pending the commencement of the commissioner.

Strengthening evaluation of the IAS

4.55 In early 2014 PM&C had committed to developing an Evaluation and Performance Improvement Strategy for the IAS by June 2014. The strategy was not formalised. In February 2017 the Minister for Indigenous Affairs announced funding of \$40 million over four years from 2017–18 to strengthen evaluation of the IAS. The following year, in February 2018, PM&C released the *Indigenous Advancement Strategy Evaluation Framework* and *2017–18 Annual Evaluation Work Plan*. The Auditor-General is conducting a separate performance audit, due to table during 2019, of the effectiveness of PM&C’s design and implementation of this framework.

4.56 The IAS evaluation framework notes that it is intended to align with the Productivity Commission’s future whole-of-government strategy, but it does not include any references to the Closing the Gap framework.

4.57 The ANAO also examined the 32 evaluations completed by PM&C from 2015 to 2018 and found that 31 contained between zero and five substantive references⁴⁴ to the Closing the Gap framework. The exception was the *Closing the Gap—Retrospective Review*, finalised in February 2018 but not published as at December 2018, which concluded that:

Overall we would have to conclude that the framework was not well implemented, and so there has been a great deal of lost opportunity... but there is plenty of potential to shift the way government and Indigenous Australian communities work together to Close the Gap.⁴⁵

Indigenous Research Exchange

4.58 In September 2017 PM&C briefed the Minister for Indigenous Affairs on potential models for establishing an Aboriginal and Torres Strait Islander research fund, which had been announced in the 2017–18 Budget, and indicated its preferred model was ‘an Indigenous Research Hub that would improve on the previous Closing the Gap Clearinghouse approach by emphasising Indigenous involvement’. In June 2018 the Australian Institute of Aboriginal and Torres Strait Islander Studies was contracted to establish and manage an Indigenous Research Exchange. On 3 December 2018

44 Substantive references to the Closing the Gap framework within the body of the report, as opposed to references to publications with ‘Closing the Gap’ in the title, such as the *Closing the Gap Prime Minister’s Report*.

45 Murawin Pty Ltd and Associates, *Closing the Gap—Retrospective Review*, unpublished consultancy report, February 2018, p. 33.

the Institute announced the establishment of the Exchange on its website, with an invitation for potential partners and collaborators to participate in the Exchange.



Grant Hehir
Auditor-General

Canberra ACT
20 February 2019

Appendices

Appendix 1 Entity responses

Formal responses received by ANAO following circulation of the draft report are reproduced in Appendix 1.

Responses were received from:

- Department of the Prime Minister and Cabinet;
- Productivity Commission;
- Australian Bureau of Statistics;
- Australian Curriculum, Assessment and Reporting Authority;
- Australian Institute of Health and Welfare; and
- Department of Health.



Australian Government
Department of the Prime Minister and Cabinet

Mr Grant Hehir
 Auditor-General
 Australian National Audit Office
 GPO Box 707
 CANBERRA ACT 2600

Dear Mr Hehir *Grant,*

Thank you for your email dated 20 December 2018 to the Secretary of the Department of the Prime Minister and Cabinet, Dr Martin Parkinson AC PSM, regarding the proposed audit report pursuant to section 19 of the *Auditor-General Act 1997* on Closing the Gap (the Report). I appreciate the opportunity to respond to the Report on Dr Parkinson's behalf.

The Department notes the Report and your assessment of the effectiveness of arrangements for monitoring, evaluating and reporting progress towards Closing the Gap in Aboriginal and Torres Strait Islander disadvantage. I am pleased the Report has found the Department's reporting against the Closing the Gap targets predominantly draws on appropriate information, analysis and interpretation. I also acknowledge the Report's findings and conclusions relating to strengthening governance arrangements and improving stakeholder engagement.

The Closing the Gap framework was established in 2008 and recognised that national effort is required to address Indigenous disadvantage. Over the last decade, we have seen improvements in the lives of Aboriginal and Torres Strait Islander people. However, there remains a shared view among Aboriginal and Torres Strait Islander peoples, the broader Australian community and Australian governments that there is more to be done. Consequently, in June 2017, the Council of Australian Governments (COAG) agreed to refresh the Closing the Gap agenda.

In December 2018, COAG agreed to create a new partnership with Aboriginal and Torres Strait Islander peoples through their peak and governing bodies. This new partnership will be at the heart of the development and implementation of the next phase of Closing the Gap. This showed that COAG is listening to Aboriginal and Torres Strait Islander peoples, communities and their representatives. COAG also released a draft framework and associated targets for a refreshed Closing the Gap. Leaders are committed to ensuring that the finalisation of targets and implementation of the Closing the Gap framework occurs through a genuine, formal partnership between the Commonwealth, state and territory governments and Indigenous Australians through their representatives.

Postal Address: PO Box 6500, CANBERRA ACT 2600
 Telephone: +61 2 6271 5880 Email: Ray.Griggs@pmc.gov.au www.pmc.gov.au ABN: 18 108 001 191

Whilst still a matter for negotiation with Indigenous Australians, the draft Framework also includes a way forward for the development of Commonwealth, state and territory action plans. These action plans will also be developed through a co-design process. Action plans will clearly specify what actions each level of government will be accountable for and establish how all levels of government will work together with communities, organisations and other stakeholders to achieve the targets.

The broad findings and recommendations made in the Report are timely and consistent with the approach agreed by COAG. However, it is important to note that any future action taken by the Commonwealth to progress elements of the draft framework will need to align with what is agreed in partnership with Indigenous Australians and through finalisation of the framework by COAG. On this basis, the Department agrees with the Report's Recommendations Two and Three with qualifications as outlined in our specific responses.

As the Report explains, the *Closing the Gap Prime Minister's Report* was not intended to serve as the accountability document for the performance of Commonwealth Government programs, but rather a high level summary of national progress against the targets. Over time, the analysis has expanded to provide greater insight into progress made by states and territories that is sometimes hidden in other reports.

Since 2008, we have seen changes in the policy context that have had implications for performance reporting and governance, many of which are the purview of Government. Nonetheless, I acknowledge the Report's findings regarding arrangements for monitoring and evaluating the contribution of Australian Government programs under the Closing the Gap framework.

The appointment of the Indigenous Productivity Commissioner to establish an evaluation framework for policies and programs affecting Aboriginal and Torres Islander peoples is an important step forward. COAG has proposed that an Indigenous-led three yearly review of progress nationally. The intention is that the Commissioner will play a critical role in this review, with the final details of the review negotiated through the partnership. While each jurisdiction will also report publicly each year on its progress against the Closing the Gap strategy, the review will provide the robust independent analysis that will underpin ongoing reporting on progress toward the targets.

In relation to the Report's specific suggestion about the establishment of a mechanism for regularly updating the National Indigenous Reform Agreement (NIRA), this will be a matter for COAG to consider in the context of its review of the NIRA. In relation to the suggestion to publish the methodologies for determining whether Closing the Gap targets are on track and comments on the presentation of the targets, the Department will take the findings of this Report to the appropriate data governance committee for its consideration.

As requested, the Department's Summary Response to the Report is at [Attachment A](#) and the detailed response to the two recommendations is at [Attachment B](#). I would like to thank the Australian National Audit Office for its professionalism throughout the audit of Closing the Gap reporting.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ray Griggs' with a stylized flourish at the end.

Ray Griggs AO CSC

Associate Secretary
Indigenous Affairs
Department of the Prime Minister and Cabinet

31 January 2019

Attachments:

Attachment A – Summary Response

Attachment B – Response to the Report's Recommendations



Australian Government
Productivity Commission

Locked Bag 2,
Collins Street East
Melbourne Vic 8003
Telephone 02 6240 3200
www.pc.gov.au

From the Chair's Office

24 January 2019

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

Dear Mr Hehir

Performance audit – Closing the gap

Thank you for the opportunity to respond to the proposed report under Section 19 of the *Auditor-General Act 1997* entitled Closing the Gap.

The Productivity Commission welcomes the report and overall findings.

It is pleasing that the report finds that the Productivity Commission has worked effectively with data owners and the NIRA Performance Information Management Group, with appropriate specifications and processes, to prepare the annual NIRA performance information reports.

We also welcome the report's recognition of the expanded role of the Productivity Commission to develop a whole-of-government evaluation strategy facilitated by the appointment of the Indigenous evaluation commissioner.

The audit's findings will inform the Commission's future data collation, assessment and evaluation work related to Closing the Gap.

Yours sincerely

Michael Brennan
Chair



Australian Statistician

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

Dear Mr Hehir 

Australian Bureau of Statistics (ABS) letter of reply to the Australian National Audit Office (ANAO) proposed report extract on Closing the Gap

Thank you for the opportunity to respond to the extract of the proposed audit report. I understand these comments will be considered in completion of the final report.

I welcome the report and note the positive finding that the ABS has well established and appropriate processes to manage data quality.

The National Indigenous Reform Agreement (NIRA) for Closing the Gap in outcomes between Aboriginal and Torres Strait Islander Australians and other Australians relies on high quality data for reporting against the Closing the Gap targets. The ABS works in accordance with strict legislative requirements in an environment where there is low tolerance for data that are not high quality. We appreciate the ANAO undertaking the audit to provide assurance that the data used is accurate and appropriate for informing the Closing the Gap framework.

The ABS has comprehensive quality assurance processes in place across all aspects of its statistical business, from data collection through to dissemination, including for the "Closing the Gap" indicators. Significant efforts are applied in the collection, coding and processing of statistical information to create quality assured datasets from which Closing the Gap data is extracted. These efforts ensure the data are of a high quality and the processes involved in extraction further improve the quality (the data extraction process being the sole focus of this audit for the ABS).

The ABS has custodial responsibilities for 13 of the 16 datasets used in the Closing the Gap framework and these data are assembled by a number of areas across the ABS applying quality assurance processes that reflect the specific extraction mechanism. While quality assurance processes were fully completed when extracting the data from the numerous datasets, the ABS accepts there have been some inconsistencies in the written recording of these processes for the 2017 Closing the Gap report and actions are already underway to remedy this. It is expected that the ABS' Statistical Business Transformation Program currently underway will assist in automating a consistent documentation process. Any gap in the consistent and systematic documenting of our standard quality assurance processes undertaken, did not adversely affect the quality of the data provided.

Yours sincerely



David W. Kalisch
7 February 2019

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

21 January 2019

Dear Mr Hehir

Thank you for the opportunity to respond to the proposed performance report regarding Closing the Gap in Indigenous Disadvantage, prepared by the Australian National Audit Office.

The Australian Curriculum, Assessment and Reporting Authority (ACARA) appreciates the acknowledgement of its validation work with state and territory jurisdictions to ensure the quality and integrity of the data it receives in reporting progress against Closing the Gap targets.

While beyond the scope of the audit, I would take this opportunity to draw attention to the work of ACARA's Aboriginal and Torres Strait Islander Advisory Group in supporting ongoing efforts to close the gap in indigenous educational disadvantage.

On behalf of ACARA I thank the staff of the Australian National Audit Office for their courteous and considered approach during the audit, in particular Ms Deborah Jackson, Executive Director, Performance Audit Services Group, and Mr Daniel Whyte, Senior Manager, Performance Audit Services Group.

Yours sincerely



Robert Randall
Chief Executive Officer

Australian Curriculum, Assessment and Reporting Authority



Australian Government
Australian Institute of
Health and Welfare



Mr Grant Hehir
Auditor General
Australian National Audit Office
GPO Box 707
Canberra ACT 2600

Dear Mr Hehir

Thank you for the opportunity to respond to the Australian National Audit Office's (ANAO) proposed audit report on Closing the Gap (CtG). I would like to also thank your staff who worked productively with us while preparing this audit.

I welcome the report and note the positive findings including:

- Entities responsible for collating data and reporting against the CtG target have established and maintained appropriate processes to manage the quality and timeliness of the data.
- That the AIHW has standard operating procedures outlining quality assurance and approval processes for extracting data from the National Perinatal Data Collection, which aligned with the ANAO's tests for quality assurance.
- The AIHW had adequate records documenting that the required steps have been completed, in accordance with the procedures.

The AIHW assisted with the development of the CtG trajectory modelling and as such can support the ANAO's recommendation to provide the methodology for determining if the CtG targets are on track. In addition, the AIHW will continue to play an active role in National Indigenous Reform Agenda Performance Information Management Group, and will publish updated CtG data specifications on METeOR, which is currently being enhanced to improve user experience.

I acknowledge that the Closing the Gap Clearinghouse was a valuable resource that was strongly supported by stakeholders. Its closure has left a gap in terms of the research synthesis function, and as such I would support any efforts to address that gap.

I also note the broader context in which the ANAO's report will be delivered. In December 2018 the Council of Australian Governments (COAG) agreed to a draft strengths-based framework for Closing the Gap, which will be further developed, in partnership with Indigenous Australians, for COAG consideration in mid-2019. The AIHW anticipates being involved in both the further development and the subsequent implementation of the new framework.

1 Thynne Street, Bruce ACT 2617

GPO Box 570, Canberra ACT 2601

+61 2 6244 1000

info@aihw.gov.au

www.aihw.gov.au

@aihw



As requested, a summary of the AIHW's response to the ANAO's proposed report is provided at Attachment A for inclusion in the ANAO's final report. As the AIHW has not been asked to respond directly to the recommendations of the ANAO's proposed report, I have not considered it necessary to provide a more detailed response.

Yours sincerely



Barry Sandison

CEO

31 January 2019



Australian Government

Department of Health

Secretary

Ms Lisa Rauter
Group Executive Director
Performance Audit Services Group
Australian National Audit Office
GPO Box 707
CANBERRA ACT 2601

Dear Ms Rauter

Thank you for providing the Department of Health with relevant extracts of the Australian National Audit Office's (ANAO) proposed report on Closing the Gap under section 19 of the *Auditor-General Act 1997*.

The Department welcomes the proposed report's findings including the links between the Indigenous Australians' Health Programme (IAHP) program guidelines and the Closing the Gap framework. I note no recommendations are made in respect of the Department in the proposed report.

The following wording is provided for the Summary Response:

The Department of Health (the Department) welcomes the audit and the report extract supplied.

The Department notes the ANAO's finding where the Indigenous Australians' Health Programme (IAHP) program guidelines explicitly refer to the Closing the Gap framework, referencing the two health related targets: life expectancy and childhood mortality. The Department further notes the ANAO's finding where the IAHP guidelines explicitly reference the service delivery principles articulated in the National Indigenous Reform Agreement, and the guidelines state the Department's administration of the IAHP will comply with these principles.

Phone: (02) 6289 8400 Email: Glenys.Beauchamp@health.gov.au

Scarborough House, Level 14, Atlantic Street, Woden ACT 2606 - GPO Box 9848 Canberra ACT 2601 - www.health.gov.au

If you have any questions regarding the Department's response please contact Ms Narelle Smith, Assistant Secretary, Corporate Assurance Branch, on (02) 6289 5342.

Thank you for the opportunity to comment.

Yours sincerely



Glenys Beauchamp

18 January 2019

cc:

Dr Martin Parkinson AC PSM, Secretary, Department of the Prime Minister and Cabinet

Mr Barry Sanderson, CEO, Australian Institute for Health and Welfare

Appendix 2 Closing the Gap target trajectories and results

Figure A2.1: Close the gap in mortality rates by 2031

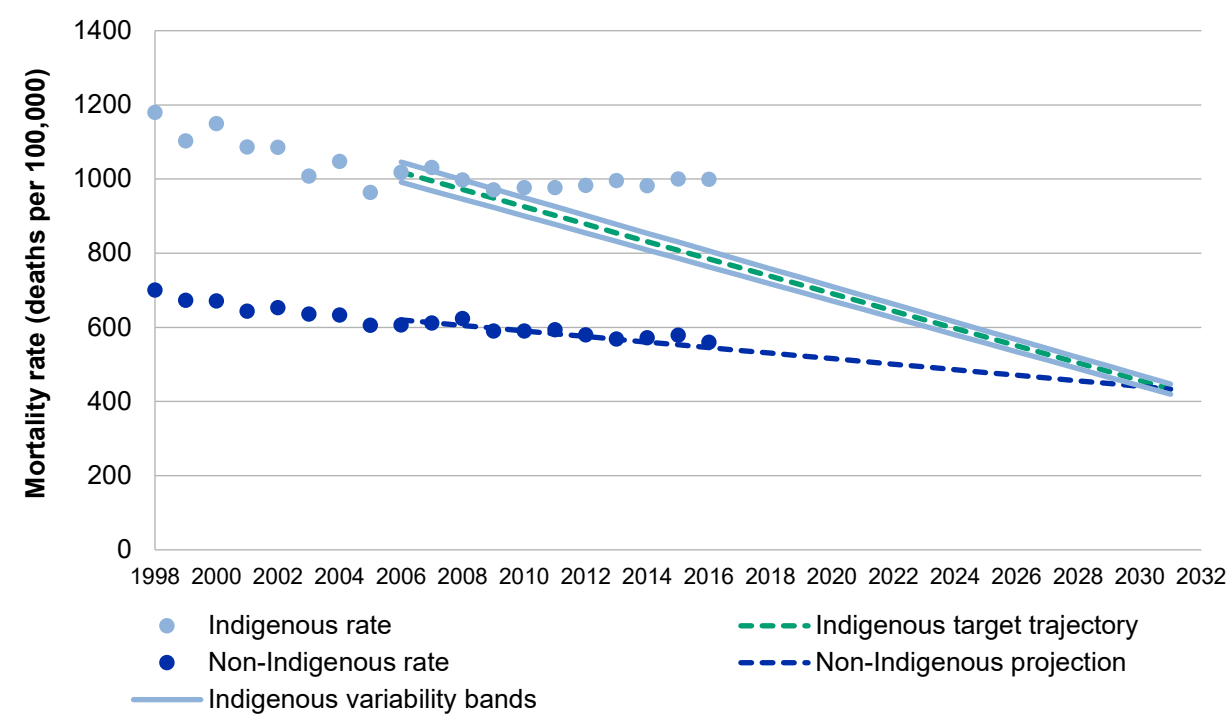


Figure A2.2: Halve the gap in mortality rates for Indigenous children under five by 2018

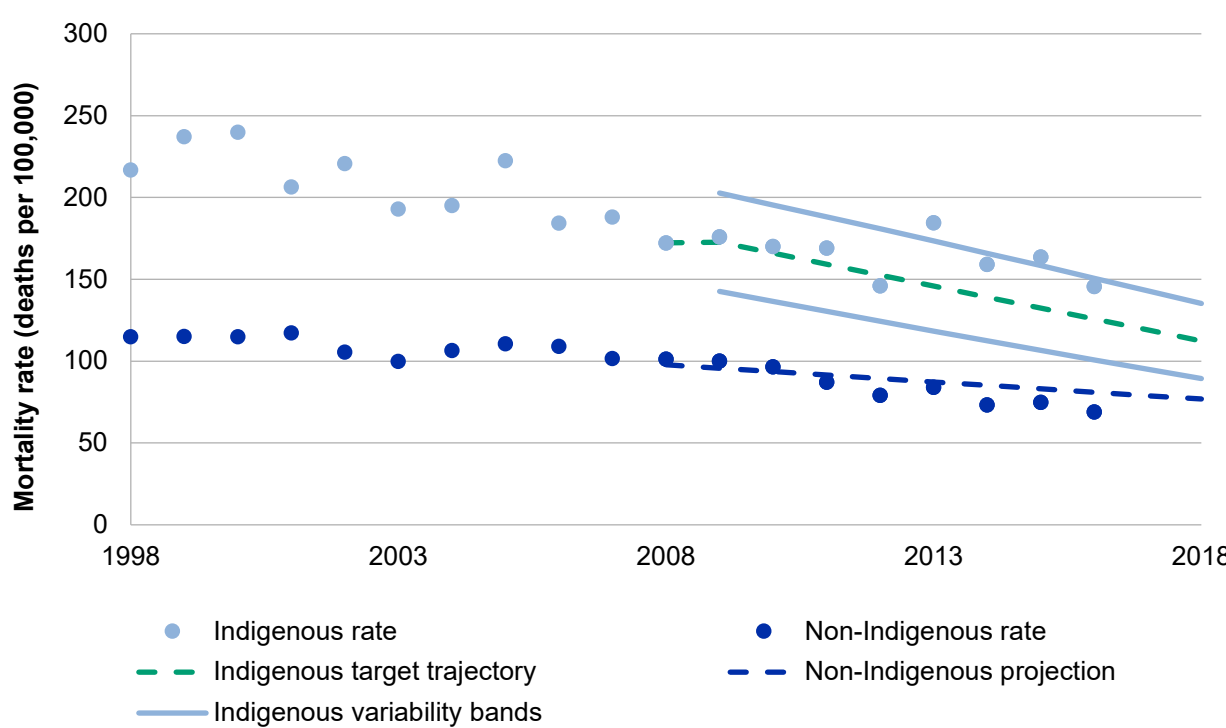


**Figure A2.3: Halve the gap for Indigenous students in reading and numeracy by 2018
(students meeting national minimum standards, %)**

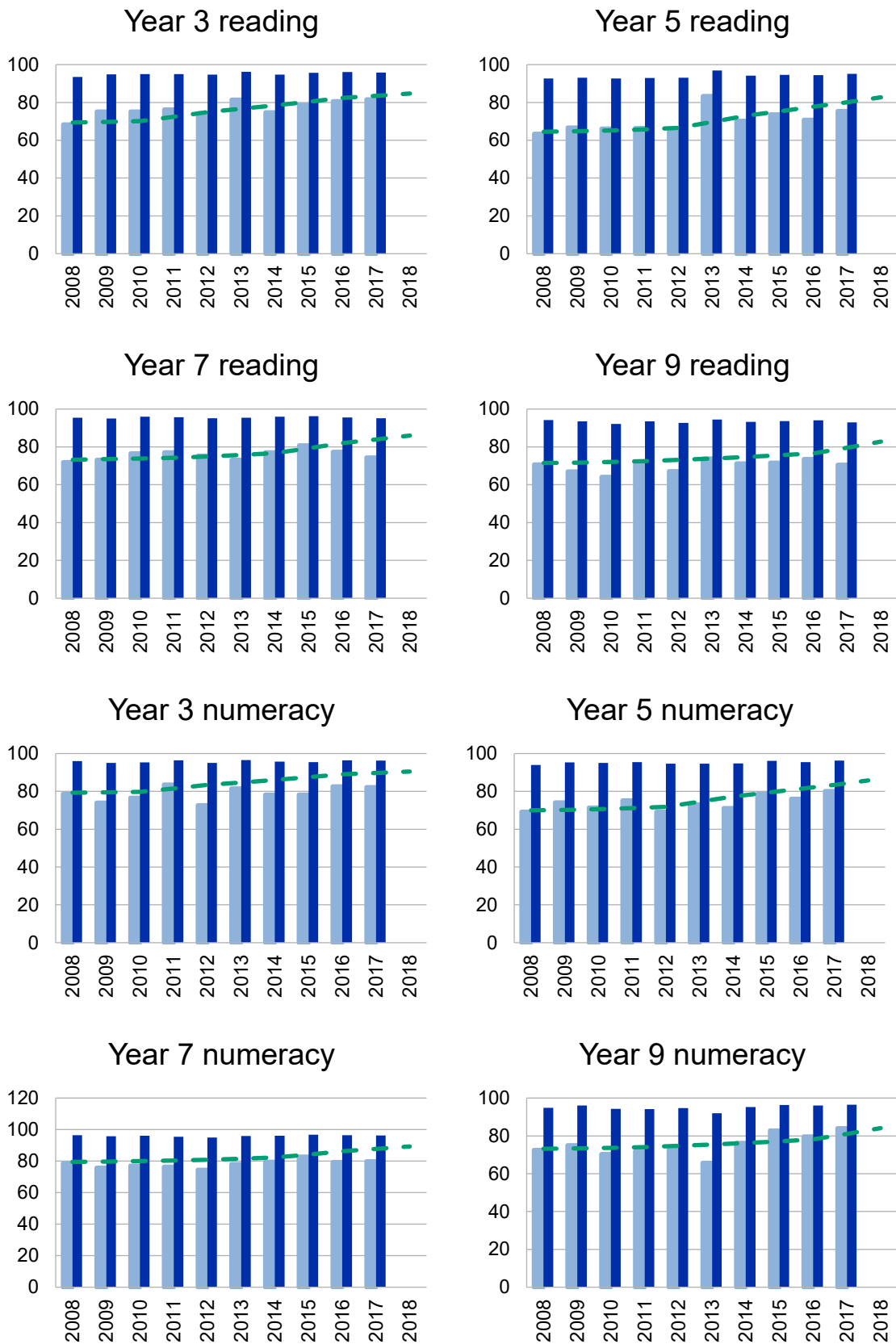


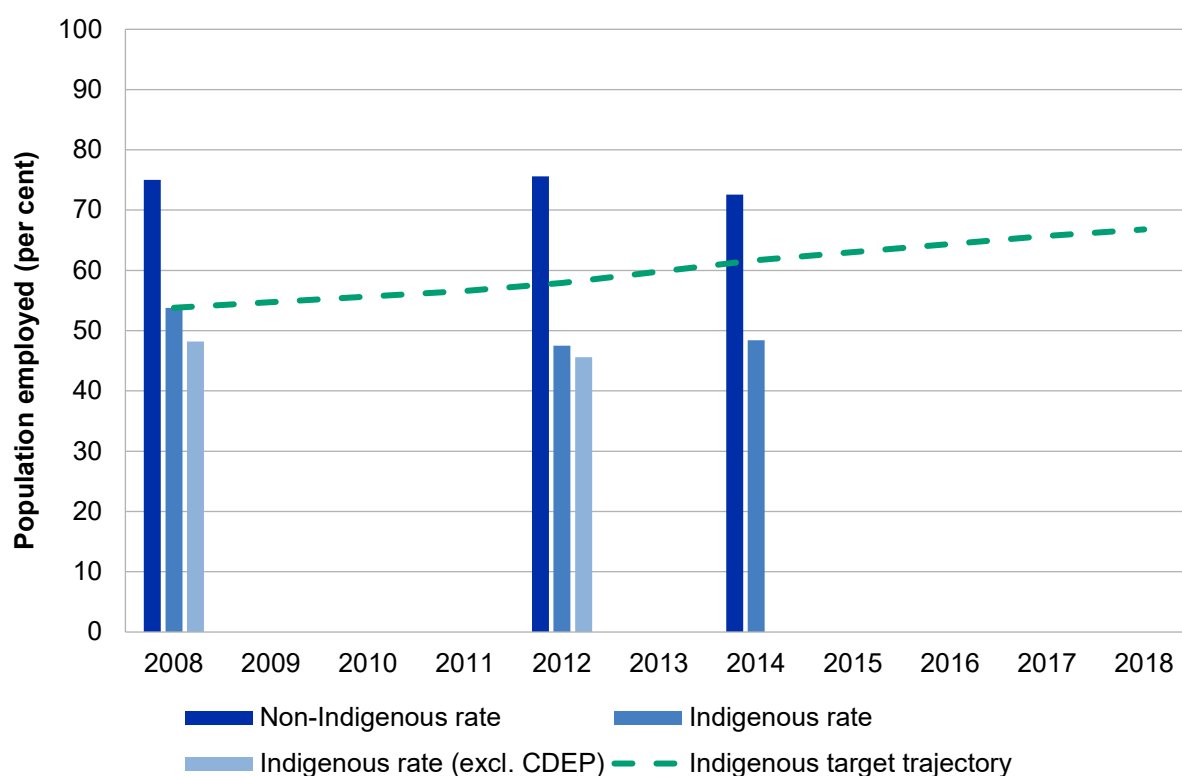
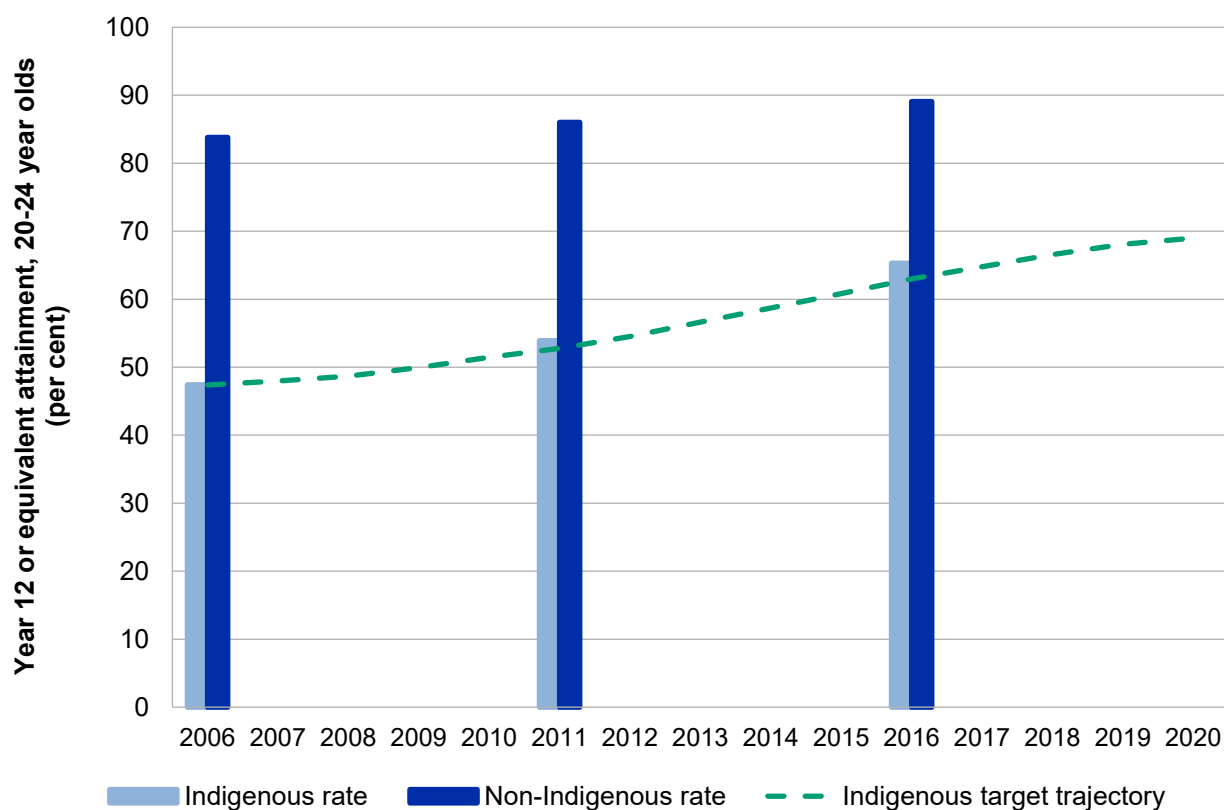
Figure A2.4: Halve the gap in Indigenous employment outcomes by 2018**Figure A2.5: Halve the gap for Indigenous people aged 20-24 in Year 12 or equivalent attainment rates by 2020**

Figure A2.6: Close the gap between Indigenous and non-Indigenous school attendance by 2018

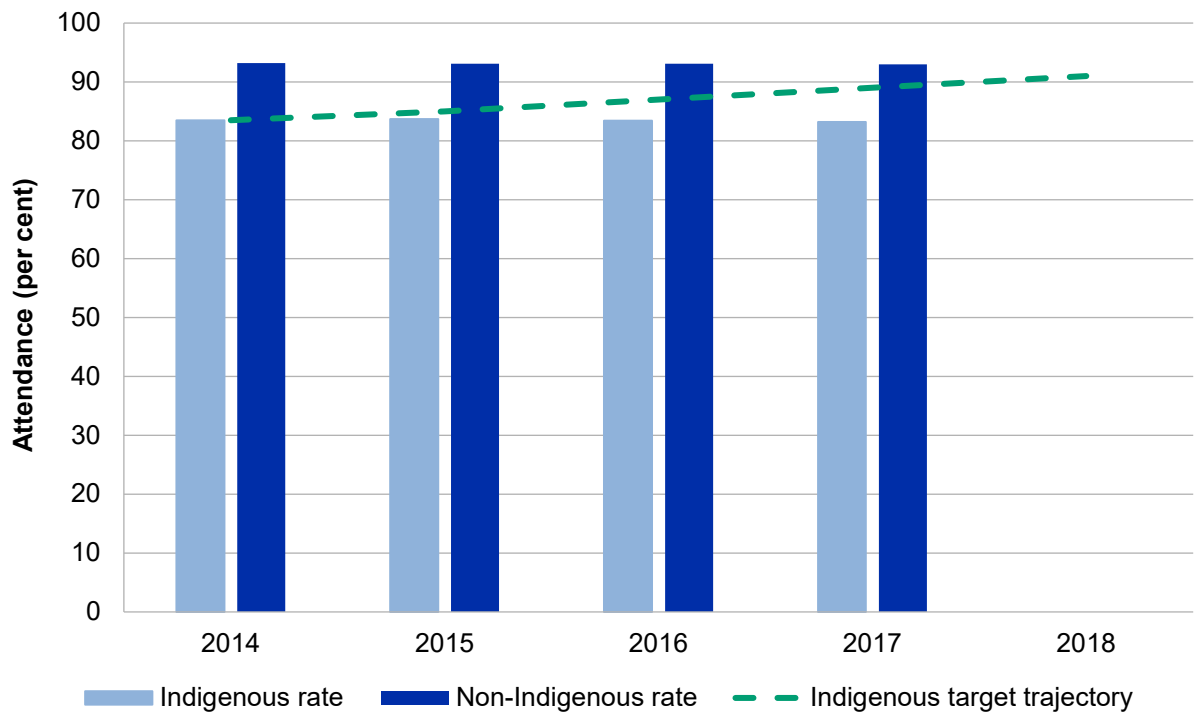
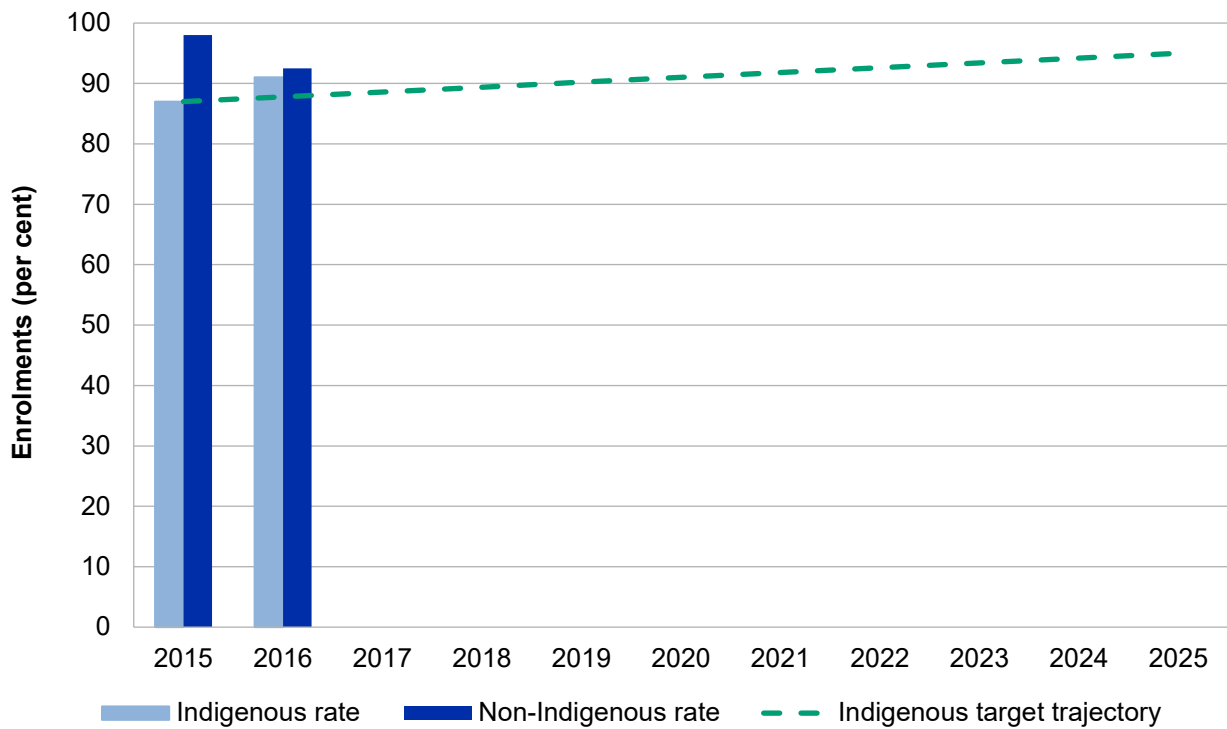


Figure A2.7: 95 per cent of all Indigenous four-year-olds enrolled in early childhood education by 2025



Source: PM&C internal documentation, based on data available at the time of preparation.

Appendix 3 Technical detail on analysis of child mortality target

Variability bands are calculated for mortality rates using the same formula used to calculate a 95 per cent confidence interval for a sample proportion. For child mortality, this effectively treats each cohort of 0 to 4 year-olds as a sample drawn from the population of potential cohorts. The formula used is:

Confidence interval = $\pm z \times SE$ (standard error), where

$z = 1.96$ (for a 95 per cent confidence interval); and

$$SE = \sqrt{\frac{\rho(1-\rho)}{n}} \quad (\rho = \text{mortality rate and } n = \text{size of cohort})$$

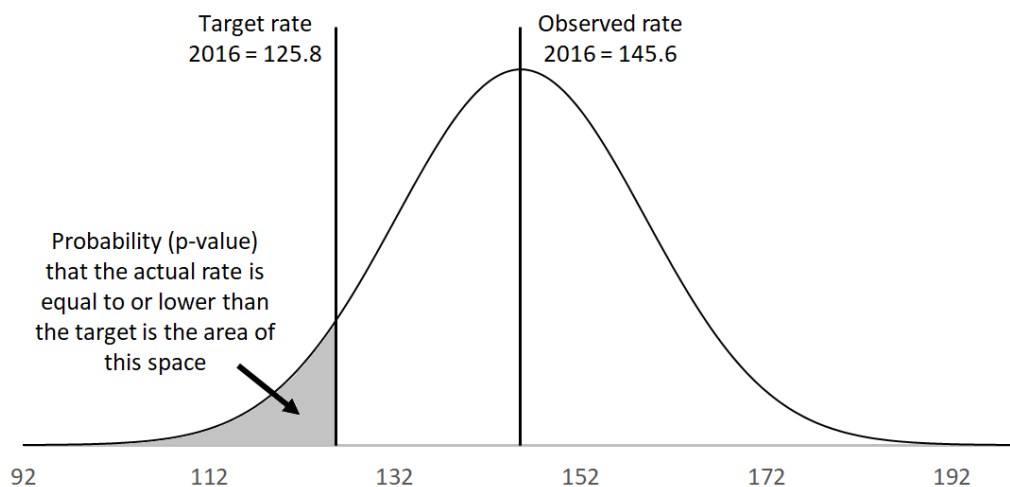
The methodology used to assess whether the childhood mortality indicator is on track is effectively a one-tail hypothesis test, with 'on-track' the null hypothesis and using a 95 per cent confidence interval. This means the likelihood of not being on track needs to be lower than 2.5 per cent to assess progress as 'not on track'.

Another way to approach the progress assessment would be to calculate the probability (p-value) that the 'true rate' for a year, given the 'observed rate' for that year, is equal to or lower than the target trajectory. The formula below can be used to calculate the Z-score and determine the probability from a normal probability distribution table.

$$z = \frac{\text{target rate} - \text{observed rate}}{SE}$$

Using this formula for the 2016 rate yields a Z-score of -1.45, which indicates the probability that the 2016 rate is equal to or lower than the target trajectory is 7.3 per cent. Figure A3.2 provides a graphical illustration of this one-tail hypothesis test.

Figure A3.2: One-tail hypothesis test



Source: ANAO.

The ANAO calculated the probability that the Indigenous child mortality rate was equal to or lower than the target rate (or 'on track'), based on annual results published from 2012 to 2018. As shown in the table below, while the probability of being on track was relatively high between

2012 and 2014, since 2015 it has fluctuated between 0.7 per cent and 8.5 per cent. Based on these results, it is unlikely that the child mortality target will be achieved.

Table A3.1: Child Mortality target - Probability of on-track/off-track determinations, 2012-2018

Reporting Year	2012	2013	2014	2015	2016	2017	2018
Data Year	2010	2011	2012	2013	2014	2015	2016
Reported progress assessment	On track	On track	On track	On track	On track	Not on track	On track
Target Indigenous child mortality rate (trajectory line)	166.0	159.3	152.6	145.9	139.1	132.4	125.8
Reported Indigenous child mortality rate	170.2	169.1	146.0	184.7	159.1	163.6	145.6
Probability target is on track given reported rate	39.0%	25.8%	67.9%	0.7%	8.5%	1.7%	7.3%
Probability target is not on track given reported rate	61.0%	74.2%	32.1%	99.3%	91.5%	98.3%	92.7%

Source: ANAO analysis.