

The Auditor-General
Auditor-General Report No.20 2023–24
Performance Audit

Design and Implementation of the Australian Apprenticeships Incentive System

Department of Employment and Workplace Relations

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Canberra ACT
27 March 2024

Dear 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 Employment and Workplace Relations. The report is titled *Design and Implementation of the Australian Apprenticeships Incentive System*. 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

A handwritten signature in black ink, appearing to read 'Rona Mellor'.

Rona Mellor PSM
Acting Auditor-General

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

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Audit snapshot

Auditor-General Report No.20 2023–24

Design and Implementation of the Australian Apprenticeships Incentive System



Why did we do this audit?

- ▶ The Vocational Education System, which includes apprenticeships and traineeships, aims to ensure a skilled workforce that can meet demand and promote economic growth.
- ▶ An audit of the Australian Apprenticeships Incentive System (the Incentives System) during phase one provides assurance to the Parliament on the effectiveness of the design and implementation of the program by the Department of Employment and Workplace Relations.



What did we find?

- ▶ The design and implementation of the Incentives System was largely effective.
- ▶ The design of the program took into account various reviews and evaluations, and options were developed for government consideration. The program guidelines are consistent with the Commonwealth Grant Rules and Guidelines 2017.
- ▶ Appropriate compliance monitoring is in place; however, the approach to performance measurement and monitoring needs improvement. The planned review of the program had not been finalised as at March 2024.



Key facts

- ▶ The objective of the Incentives System is to contribute to the development of a highly skilled and relevant Australian workforce that supports economic sustainability and competitiveness.
- ▶ A potential impact of the program set out in the Regulation Impact Statement was an expected increase in commencements by around 11,500 per year for each of the first two years then 5,500 per year ongoing, compared with pre-COVID levels.



What did we recommend?

- ▶ There was one recommendation to the Department of Employment and Workplace Relations (DEWR) relating to developing internal and external performance measures that can provide a clear view of program impact.
- ▶ DEWR agreed to the recommendation.

\$318.6m

Provided by the Incentives System since 1 July 2022 to 31 December 2023.

40,043

Employers assisted through the Incentives System to 31 December 2023.

120,494

Apprentices assisted through the Incentives System to 31 December 2023.

Summary and recommendations

Background

1. Australia's vocational education and training (VET) system is designed to ensure skills are developed in wide range of occupations, through practical school-based and work-based learning. Apprenticeships and traineeships are key components of the VET system and are an employment arrangement that combines paid work with a structured program of on-the-job and off-the-job training.
2. The Australian Apprenticeships Incentive System (the Incentives System) commenced on 1 July 2022, and replaced the Australian Apprenticeships Incentive Program which had been in place since 1998. The Incentives System aims to contribute to the development of a highly skilled and relevant Australian workforce that supports economic sustainability and competitiveness, and the program is the responsibility of the Department of Employment and Workplace Relations (DEWR).
3. The Incentives System received \$2.994 billion in funding from 2022–23 to 2026–27 and since 1 July 2022 to 31 December 2023 has paid \$318.6 million in financial supports to employers, apprentices and training organisations.

Rationale for undertaking the audit

4. The Incentives System began on 1 July 2022 and provides financial support to apprentices, employers and Registered Training Organisations. Funding of \$2.994 billion over five years from 2022–23 has been allocated to the Incentives System. An audit of the Incentives System at the mid-point in its implementation is timely in order to provide assurance to the Parliament on the implementation of the new system and its program management.

Audit objective and criteria

5. The audit objective was to assess whether the design and implementation of the Incentives System by DEWR is effective.
6. To form a conclusion against the objective, the Australian National Audit Office (ANAO) applied the following high-level criteria.
 - Has the Incentives System been effectively designed and implemented to support the intended program objectives?
 - Have appropriate compliance and program monitoring arrangements been established for the Incentives System?

Conclusion

7. The design and implementation of the Incentives System was largely effective.
8. The design and implementation of the Incentives System was effective in supporting the new program's objective. The Regulation Impact Statement developed for the Incentives System set out options which were informed by external reviews of the apprenticeships, skills and training environment, and evaluations of the former Australian Apprenticeships Incentives Program. The

program guidelines align with the mandatory requirements of the Commonwealth Grants Rules and Guidelines 2017, and the corresponding factsheets and guidance are consistent with the program guidelines. The Apprenticeships Data Management System (ADMS) has appropriate controls in place to ensure the correct processing of applications and claim payments.

9. DEWR has implemented largely effective compliance and program monitoring arrangements for the Incentives System. It undertakes a compliance monitoring activity to assess Australian Apprenticeships Support Network (AASN) providers' compliance with the administration of the Incentives System. DEWR has established the capability to collect a range of data on the Incentives System and apprenticeships, through ADMS. There are regular internal reports prepared on the Incentives System; however, there are no internal performance measures in place to support these reports. The current target for the external performance measure on the Incentives System does not demonstrate that the program is meeting its intended objectives. A review and evaluation of the Incentives System to inform phase two from 1 July 2024 had not significantly progressed as at March 2024.

Supporting findings

Design and implementation

10. The design of the Incentives System was informed by external reviews of the broader apprenticeships environment and evaluations of the Australian Apprenticeships Incentives Program. This culminated in a Regulation Impact Statement that set out three options for the new Incentives System, which incorporated the findings of the reviews and evaluations and identified challenges and lessons learned. The option selected by government resulted in the implementation of the current Incentives System. (See paragraphs 2.2 to 2.24)

11. Program guidelines were developed for the Incentives System which comply with the mandatory requirements of the Commonwealth Grants Rules and Guidelines 2017. A range of factsheets and reference guides were produced which support the guidelines. These guidelines and supporting documents provide the necessary information to assist AASN providers to administer the Incentives System, and for employers and apprentices to understand their claiming entitlements and obligations. (See paragraphs 2.25 to 2.36)

12. ADMS — the IT system used by DEWR to administer the Incentives System — has appropriate controls in place to ensure the correct processing of applications and claim payments. ADMS also contains system controls that maximise the automated completion of key processes and minimise manual interventions. (See paragraphs 2.37 to 2.52)

Compliance and program monitoring

13. The primary compliance monitoring activity undertaken by DEWR is a review of AASN providers' compliance with the administration of the Incentives System, as part of the AASN contractual obligations. The results of the two most recent compliance rounds undertaken in 2022–23 found that AASNs were largely compliant with the requirements of the Incentives System in terms of eligibility advice, fee-for-service and claim accuracy but were not compliant for processing timeliness. In 2023 DEWR implemented a second compliance activity which reviews the AASN providers' assessment of apprentices and employers' eligibility for Incentives System payments and whether decisions to override eligibility are being correctly recorded. The

initial results of this activity show that AASNs are correctly applying the program guidelines in assessing eligibility. (See paragraphs 3.2 to 3.24)

14. DEWR collects a range of data on the Incentives System and apprenticeships through ADMS. This data functionality is an emerging capability which was not previously available in the previous Australian Apprenticeships Incentives Program. While there is regular reporting undertaken by DEWR on the Incentives System take-up numbers and expenditure, there are no internal performance measures in the reports to provide an indication of program effectiveness. There is an external performance measure on the Incentives System, but the target to maintain apprenticeship commencements to pre-COVID levels does not demonstrate whether the program is meeting its intended objective. (See paragraphs 3.25 to 3.47)

15. DEWR committed to undertaking a checkpoint review around the end of 2023 and as at March 2024 this had not been completed. The government approved a broader strategic review of the Incentives System to be completed in mid-2024. These two reviews aim to inform policy changes for phase two of the Incentives System beginning on 1 July 2024. (See paragraphs 3.48 to 3.54)

Recommendations

Recommendation no. 1 The Department of Employment and Workplace Relations develops complementary internal and external performance measures and targets for the Incentives System that provide a clear view of program effectiveness and the extent to which the program objective is being achieved.

Paragraph 3.44

Department of Employment and Workplace Relations response:
Agreed.

Summary of entity response

The department welcomes the audit's recommendations and the overall positive findings. In particular the department welcomes the ANAO's recognition that the design and implementation of the Australian Apprenticeships Incentive System was 'effective' in supporting the program's objective and was informed by relevant reviews and evaluations.

The department agrees to the ANAO recommendation to develop complementary performance measures and targets for the Incentive System that provide a clear view of program effectiveness and the extent to which the program objective is being achieved.

Key messages from this audit for all Australian Government entities

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

Performance and impact measurement

- Successful implementation of a program should be underpinned by effective performance monitoring and evaluation processes, supported by meaningful data and targets that are directly related to the achievement of program objectives and can justify ongoing program expenditure.

Policy/program implementation

- A key contributor to successful program design and implementation is well-delivered systems that have appropriate controls in place to ensure accurate determination of eligibility, correct processing of payments, and enable users to effectively administer the program within the program guidelines. This was the case with the development and implementation of the Apprenticeships Data Management System by DEWR.

Audit findings

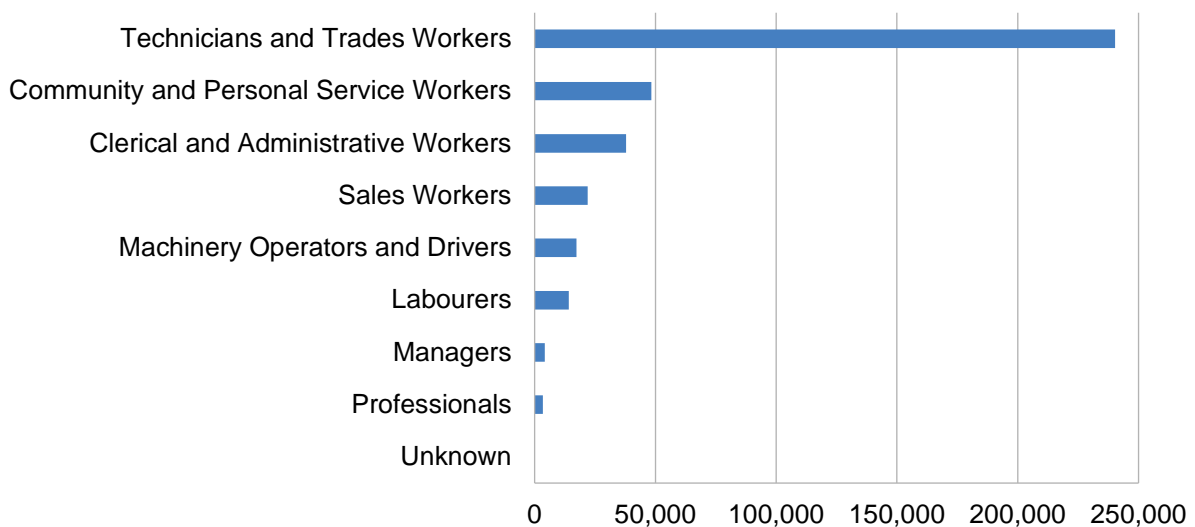
1. Background

Introduction

1.1 Australia’s vocational education and training (VET) system is designed to ensure skills are developed in a wide range of occupations, through practical school-based and work-based learning. Apprenticeships and traineeships (referred to as apprenticeships in this report) are key components of the VET system and are an employment arrangement that combines paid work with a structured program of on-the-job and off-the-job training.

1.2 Apprenticeships are undertaken in a range of occupations, as shown in Figure 1.1.

Figure 1.1: Australian apprentices by major occupation type March 2023



Note: Seventy-five occupations were listed as ‘unknown’.

Source: National Centre for Vocational Education Research data 31 March 2023.

1.3 The Australian Apprenticeships Incentive System (the Incentives System) commenced on 1 July 2022 and its objective is to ‘contribute to the development of a highly skilled and relevant Australian workforce that supports economic sustainability and competitiveness’. The Incentives System supports Australian apprenticeships in priority occupations listed on the Australian Apprenticeships Priority List¹, and provides financial support to Australian apprentices and their employers.

1.4 The Incentives System is the responsibility of the Department of Employment and Workplace Relations (DEWR) and supports Outcome 2 of DEWR’s strategic purpose – *Promote growth in economic productivity and social wellbeing through access to quality skills and training*. It is managed through DEWR’s Skills and Training Group by Apprenticeships Policy Branch and Apprenticeships Operations Branch.

1 Department of Employment and Workplace Relations, *Australian Apprenticeships Priority List*, DEWR, Canberra, January 2024, available from <https://www.dewr.gov.au/skills-support-individuals/resources/appendix-australian-apprenticeship-priority-list-1-january-2024> [accessed 19 January 2024].

1.5 The Incentives System is delivered through the Australian Apprenticeships Support Network (AASN) which consists of seven service providers, located in all states and territories as well as the Torres Strait, that are contracted by DEWR to support employers and prospective apprentices to enter into an Australian apprenticeship arrangement. Under the contractual arrangements in 2023–24² the AASNs were:

- Apprenticeship Support Australia;
- Sarina Russo Job Access Pty Ltd;
- VERTO Ltd;
- MEGT (Australia) Ltd
- Top End Group Training Pty Ltd;
- The BUSY Group Ltd; and
- MAS National Ltd.

1.6 The services offered by AASNs are free of charge to apprentices and employers.³ Services to assist apprentices include help to find an employer, find the right training course, support to make Incentives System payment claims, and providing general support and advice. Services available to employers include matching them with a suitable apprentice, facilitating the execution of the contract with the apprentice, and providing advice and support.

The Incentives System

1.7 The Incentives System replaced the Australian Apprenticeships Incentives Program (AAIP) which was introduced in 1998 and closed to new recipients on 30 June 2022. The key difference between the two programs is that financial supports are available to apprentices as well as employers under the Incentives System, whereas the AAIP primarily provided financial supports to employers. Differences in the supports offered under the AAIP and the Incentives System are set out in Table 1.1.

2 In August 2023 DEWR released a Request for Tender for a new Australian Apprenticeships Support Service, which will commence on 1 July 2024, replacing the AASNs.

3 AASNs are paid on a fee-for-services basis under contractual arrangements with DEWR (noting that funding for the AASN program is separate to the Incentives System).

Table 1.1: Supports available through the Australian Apprenticeships Incentives Program and the Incentives System

	AAIP	Incentives System
Supports for employers	Commencement Incentive Rural and Regional Skills Shortage Incentive Declared Drought Area Commencement Incentive Mature Aged Workers Commencement Incentive Australian School-Based Apprenticeship Commencement Incentive Australian School-based Apprenticeship Retention Incentive Recommencement Incentive Completion Incentive Group Training Organisations Certificate II Completion Incentive Declared Drought Area Completion Incentive Mature Aged Worker Completion Incentive Support for Adult Australian Apprentices Australian Apprentice Wage Subsidy Disabled Australian Apprenticeship Wage Support	Priority Wage Subsidy ^a Hiring Incentive ^a Disability Australian Apprenticeship Wage Support
Supports for apprentices	Additional Identified Skills Shortage Payment ^b Living Away from Home Allowance Off-the-job Tutorial, Mentor and Interpreter Assistance	Australian Apprentice Training Support Payment New Energy Apprentice Support Payment Living Away from Home Allowance Off-the-job Tutorial, Mentor and Interpreter Assistance
Occupation eligibility	National Skills Needs List	Australian Apprenticeships Priority List
Priority occupations	Aged Care, Child Care, Disability Care Workers and Enrolled Nurses	As per the priority list

Note a: For an employer to receive wage subsidies, their apprentices must be undertaking an apprenticeship in priority occupations as listed on the Australian Apprentices Priority List. All other apprenticeship occupations are eligible for the hiring incentive.

Note b: The Additional Identified Skills Shortage payments were two payments of \$1000 available to apprentices who commenced and completed occupations experiencing national skills shortages. The payment differs from the support payments available under the Incentives System which are incremental payments available during specific periods throughout the apprenticeship.

Source: Australian Apprenticeship Incentives System Reform Regulation Impact Statement.

Roles and responsibilities

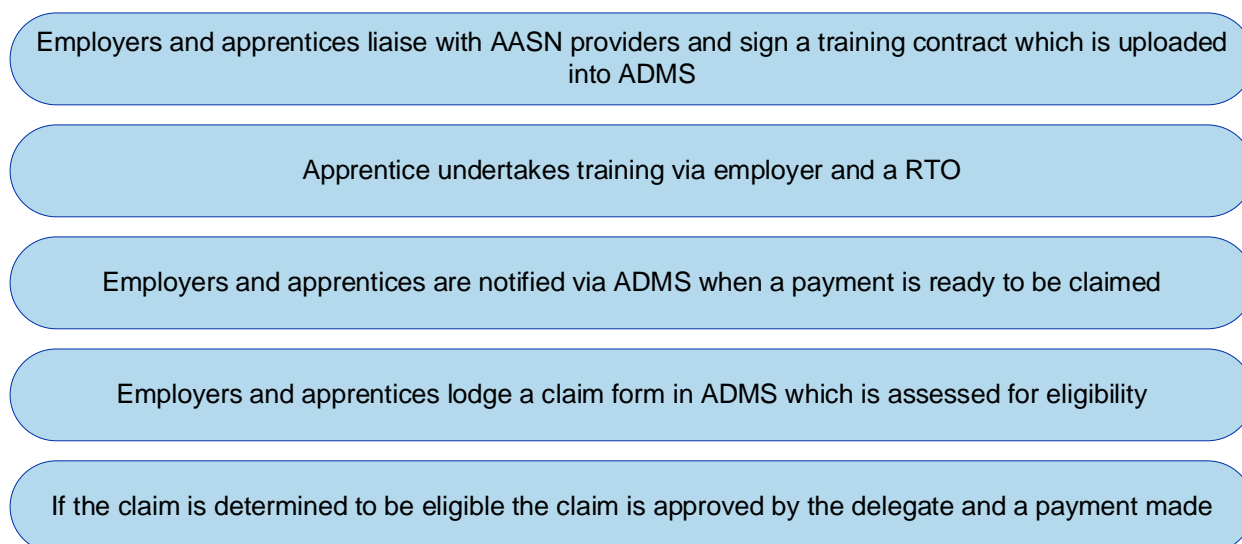
1.8 While DEWR is responsible for the overall administration of the Incentives System, there are various stakeholders involved in the Incentives System.

- Apprentices — individuals undergoing either apprenticeships or traineeships involving structured on-the-job and off-the-job training leading to formal qualifications.
- Employers — employ apprentices and provide them on-the-job training and support to complete their apprenticeship.
- AASN providers — work with employers and apprentices on behalf of DEWR to administer the Incentives System, including recruitment, providing eligibility assessment, support to claim payments, training and other assistance.
- Group Training Organisations (GTOs) — employ apprentices who then work for host employers to receive on-the-job training.
- Registered Training Organisations (RTOs) — approved education providers, such as TAFE, where the apprentice receives training.
- State and Territory Training Authorities (STAs) — responsible for their respective state or territory VET. They monitor GTOs and RTOs and certify training agreements and employment arrangements for apprentices.

Program administration

1.9 Administration of the Incentives System is through DEWR's Apprenticeship Data Management System (ADMS). ADMS enables stakeholders to complete required tasks including making claims for payments under the Incentives System. A high-level overview of the process is set out in Figure 1.2.

Figure 1.2: Incentives System processes



Note: The training contract can be signed either in ADMS or offline and then uploaded into ADMS.

Source: Australian National Audit Office (ANAO) analysis of the Incentives System process.

Budget and expenditure

1.10 As at the 2023–24 Mid-Year Economic and Fiscal Outlook, the Incentives System was allocated \$2.994 billion from 2022–23 to 2026–27. Funding for the AAIP continues under grandfathering arrangements, where an employer or apprentice continues to receive their eligible payment until the training and qualification is completed or the apprenticeship ceases. A breakdown of the budget for both programs is shown in Table 1.2.

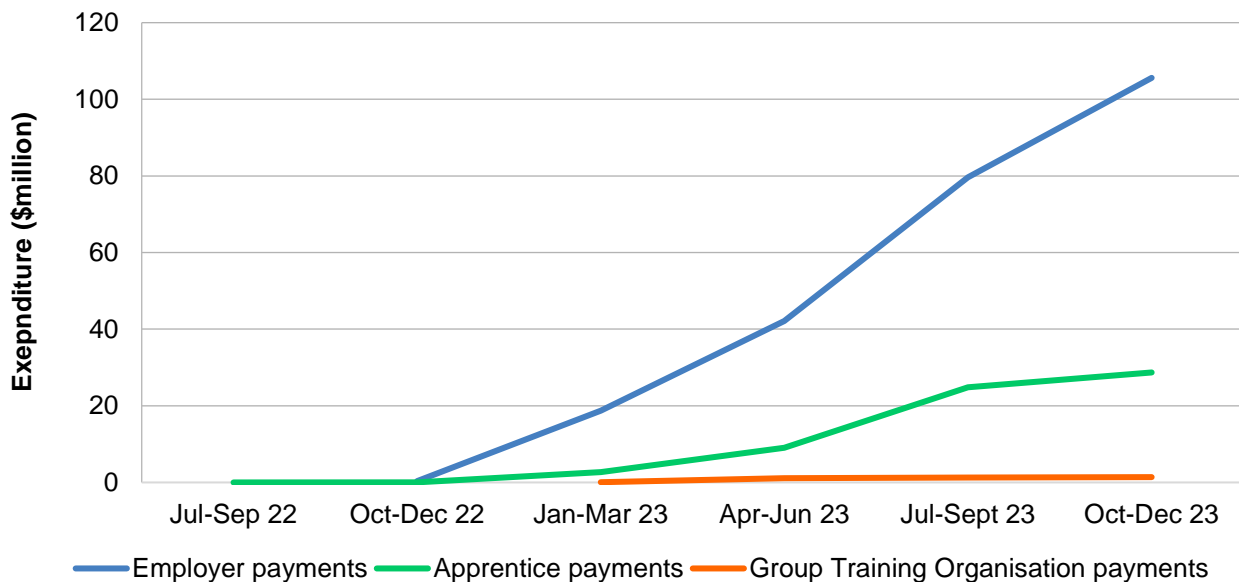
Table 1.2: Incentives System budget 2022–23 to 2026–27

Program	2022–23 Actual (\$millions)	2023–24 Budget (\$millions)	2024–25 Forward estimate (\$millions)	2025–26 Forward estimate (\$millions)	2026–27 Forward estimate (\$millions)	Total 2022–23 to 2026–27 (\$millions)
Australian Apprenticeships Incentive System	78.43	633.71	922.52	789.23	570.13	2,994.01
Australian Apprenticeship Incentives Program	3,664.00	1,337.73	226.76	106.53	5.09	5,340.11
Total	3,742.43	1,971.44	1,149.28	895.76	575.22	8,334.13

Source: Portfolio Budget Statement 2022–23 Budget Related Paper No. 1.6 Employment and Workplace Relations and 2023–24 Mid-Year Economic and Fiscal Outlook estimate.

1.11 The expenditure on Incentives System payments from 1 July 2022 to 31 December 2023 is provided in Figure 1.3.

Figure 1.3: Incentives System expenditure



Note: Payments were minimal in the first quarter because claims can only be made after the three-month claiming period under the program guidelines. Group training organisations received \$3,822,298 between January 2023 and December 2023.

Source: ANAO analysis of Incentives System performance reports.

1.12 Since 1 July 2022 to 31 December 2023, the Incentives System has provided assistance to 40,043 employers and 120,494 apprentices.

Incentives System as a grant program

1.13 The Commonwealth Grants Rules and Guidelines 2017 (CGRGs)⁴ are a legislative instrument under subsection 105C(1) of the *Public Governance, Performance and Accountability Act 2013* and establish the Australian Government's overarching grants policy framework. Sections 2.3 and 2.4 of the CGRGs state:

2.3 For the purposes of the CGRGs, a 'grant' is an arrangement for the provision of financial assistance by the Commonwealth or on behalf of the Commonwealth:

a. under which relevant money or other CRF money is to be paid to a grantee other than the Commonwealth; and

b. which is intended to help address one or more of the Australian Government's policy outcomes while assisting the grantee achieve its objectives.

2.4 The CGRGs apply to all forms and types of grants. Grants may take a variety of forms, including payments made:

a. as a result of competitive or non-competitive selection processes;

b. where particular criteria are satisfied; or

c. on a one-off or ad hoc basis.

Program guidelines

1.14 In line with the CGRGs, the Australian Apprenticeships Incentive System Program Guidelines state that 'In accordance with paragraph 2.3 of the CGRGs, payments under the Incentives System are defined as a 'grant' and are subject to the provisions of the CGRGs'. The program guidelines set out the requirements for the administration and delivery of the Incentives System and the payments available.

Legislative authority to make payments

1.15 The legislative authority which enables DEWR to make payments under the Incentives System is provided by section 1062A of the *Social Security Act 1991* — 'Arrangements and grants relating to assisting persons to obtain and maintain paid work' — which came into effect on 2 April 2022.⁵

1.16 Legislative authority can also be exercised under item 554 in Part 4 of schedule 1AB of the *Financial Framework (Supplementary Powers) Act 1997*:

To provide funding, including for apprentices and employers of apprentices, to encourage and support the commencement and completion of apprenticeships.

4 Department of Finance, *Commonwealth Grants Rules and Guidelines 2017*, Finance, Canberra, 2017, available from <https://www.finance.gov.au/government/commonwealth-grants/commonwealth-grants-rules-and-guidelines> [accessed November 2023].

5 Subsection 1062A(1) states that: 'The Employment Secretary may, on behalf of the Commonwealth, make, vary or administer an arrangement for the making of payments by the Commonwealth, or make, vary or administer a grant of financial assistance...' and then details 13 circumstances where payments can be made.

1.17 The Secretary of DEWR has delegated authority to approve claims for payments under the Incentives Systems to the Assistant Secretary of Apprenticeship Operations Branch (Senior Executive Service Band 1).

Rationale for undertaking the audit

1.18 The Incentives System began on 1 July 2022 and provides financial support to apprentices, employers and RTOs. Funding of \$2.994 billion over five years from 2022–23 has been allocated to the Incentives System. An audit of the Incentives System at the mid-point in its implementation is timely in order to provide assurance to the Parliament on the implementation of the new system and its program management.

Audit approach

Audit objective, criteria and scope

1.19 The audit objective was to assess whether the design and implementation of the Incentives System by DEWR is effective.

1.20 To form a conclusion against the objective, the ANAO applied the following high-level criteria:

- Has the Incentives System been effectively designed and implemented to support the intended program objectives?
- Have appropriate compliance and program monitoring arrangements been established for the Incentives System?

1.21 The scope of the audit included the implementation of the Incentives System and ongoing monitoring and evaluation of the program noting the end date for phase one is 30 June 2024. The establishment of procedural guidelines, processes, systems and assurance mechanisms used to deliver the Incentives System were examined. The interactions with the states and territories (in terms of the regulatory and training elements) and the involvement of the Australian Apprenticeships Support Network for initial eligibility assessments, were also reviewed.

1.22 Areas out of scope for this audit were the broader operations of the AASNs, Trade Support Loans and Australian Apprentice Support Loans.

Audit methodology

1.23 The audit methodology involved:

- examination of Incentives System documentation including policies, program guidelines, process maps, systems specifications, budget information;
- determining how program guidelines and process are implemented in practice, through walkthroughs of the key processes undertaken by DEWR;
- reviewing the systems used to process Incentives System payments and manage the program from DEWR's perspective and determining if the IT general controls are suitable to provide assurance on data and payment accuracy, including through system walkthroughs;
- assessing performance measures, metrics, and reporting arrangements;

- analysis of Incentives System data sets;
- assessing compliance activities and results since 1 July 2022; and
- meetings with DEWR staff.

1.24 The audit was conducted in accordance with ANAO Auditing Standards at a cost to the ANAO of approximately \$352,000.

1.25 The team members for this audit were Renina Boyd, Dr Vivian Turner, Jiyoung Kim, Qing Xue, Claire Holden, James Wright and Michelle Page.

2. Design and implementation

Areas examined

This chapter examines whether the Australian Apprenticeships Incentive System (the Incentives System) was effectively designed and implemented to support the intended program objectives.

Conclusion

The design and implementation of the Incentives System was effective in supporting the new program's objective. The Regulation Impact Statement developed for the Incentives System set out options which were informed by external reviews of the apprenticeships, skills and training environment, and evaluations of the former Australian Apprenticeships Incentives Program. The program guidelines align with the mandatory requirements of the Commonwealth Grants Rules and Guidelines 2017, and the corresponding factsheets and guidance are consistent with the program guidelines. The Apprenticeships Data Management System has appropriate controls in place to ensure the correct processing of applications and claim payments.

2.1 *Delivering Great Policy*, available through the APS Academy⁶, sets out four principles:

- clear on intent — clear policy intent so the advice is relevant and outcomes-focused;
- well informed — forward looking, utilising lessons learned, and seeking input from stakeholders;
- practical to implement — work with those involved in implementation, try multiple options for a practical solution, and plan for an evaluation; and
- influential — the right stakeholders have been engaged throughout the process and advice is tailored to each audience.

Was the design of the Incentives System informed by a clear evidence base as well as lessons learned from the Australian Apprenticeships Incentives Program?

The design of the Incentives System was informed by external reviews of the broader apprenticeships environment and evaluations of the Australian Apprenticeships Incentives Program. This culminated in a Regulation Impact Statement that set out three options for the new Incentives System, which incorporated the findings of the reviews and evaluations and identified challenges and lessons learned. The option selected by government resulted in the implementation of the current Incentives System.

External reviews

2.2 In November 2018, the Honourable Steven Joyce (the former New Zealand Minister for Tertiary Education, Skills and Employment) was appointed by the Prime Minister to lead a review into Australia's vocational education and training sector. The 2019 report, *Strengthening Skills*:

⁶ Australian Public Service Commission, *Delivering Great Policy*, APSC, Canberra, 2023, available from <https://www.apsacademy.gov.au/aps-craft/strategy-policy-evaluation/delivering-great-policy>, [accessed January 2024].

*Expert Review of Australia's Vocational Education and Training System*⁷, recommended simplifying apprenticeship incentives to increase take-up by employers and apprentices. It also recommended that the National Skills Commission develop a new National Skills Priority List for apprentices with an annual consultation process to ensure it targets required skills.⁸

2.3 The Productivity Commission's 2020 *National Agreement for Skills and Workforce Development Review*⁹ highlighted that reforms to the apprenticeship system should 'focus on reducing barriers to the supply of apprentices, lifting completion rates, and simplifying the hiring process for employers'. It also noted that completion rates could be improved by matching apprenticeships to employers, courses and support needs, mentoring apprentices, and making apprenticeships more flexible. Employer incentives could also be improved by better targeting incentives, either through changing the payments available to 12 and 24 month progress payments and improving their ease of access, or through reorientating the funding to screen and support apprentices.

Reviews and evaluations of the Australian Apprenticeship Incentives Program

Australian Apprenticeship Incentives Review 2020

2.4 The National Skills Commission (now Jobs and Skills Australia (JSA)) engaged Deloitte in July 2020 to undertake a review of the Australian Apprenticeships Incentives Program (AAIP) to determine the effectiveness of the apprenticeship incentives provided by the AAIP. The review sought to determine drivers of changes to apprentice and employer behaviours in response to historical changes to AAIP eligibility, amount, timing, recipient and payment mechanisms. The review was informed by economic modelling of data from the Training Youth Information Management System (TYIMS)¹⁰, the Longitudinal Survey of Australian Youth¹¹ and a literature review and behavioural analysis. The AAIP review was completed in October 2020.

2.5 The review concluded that apprenticeship commencements had decreased over time as the AAIP most effectively incentivised shorter, non-trade traineeships. It also determined that employer incentives should reflect the relative cost of training in order to be effective, with larger incentives needed to increase employment levels in areas of skills shortage. Lastly, it detailed that evidence-based refinements of the AAIP require further research and experimentation, with a suggestion to test alternative wage supplement schemes with a variety of amounts and types of payments.

Surveys

2.6 In 2021, Wallis Social Research was contracted by the Department of Education, Skills and Employment to perform qualitative and quantitative surveys of employers and apprentices. The

7 Department of the Prime Minister and Cabinet, *Strengthening Skills: Expert Review of Australia's Vocational Education and Training System*, PM&C, Canberra, 2019, available from <https://www.pmc.gov.au/publications/strengthening-skills-expert-review-australias-vocational-education-and-training-system>, [accessed September 2023].

8 In October 2022 the National Skills Commission was replaced with Jobs and Skills Australia.

9 Productivity Commission, *National Agreement for Skills and Workforce Development Review*, Productivity Commission, Canberra, 2020, available from <https://www.pc.gov.au/inquiries/completed/skills-workforce-agreement/report>, [accessed September 2023].

10 TYIMS was the primary IT system used to administer the AAIP up until April 2022.

11 Longitudinal Surveys of Australian Youth are managed and funded by the Department of Education with the National Centre for Vocational Education Research (NCVER) providing analytical, reporting and publishing services and Wallis Social Research conducting the phone and online interviews.

department sought to determine what non-financial support and incentives would encourage apprentices to complete their training and employers to hire apprentices and maintain apprentice employment. The results found that:

- greater support and mentorship was needed from Registered Training Organisations (RTOs) and Australian Apprenticeship Support Network (AASN) providers for both employers and their apprentices throughout the apprenticeship;
- there was inadequate time given to both employers and apprentices during the sign-up process, with contact from the AASNs before the sign-up being helpful;
- apprentices required more time to understand the training contract they were being asked to sign and only eight per cent considered AASNs as a point of support;
- some apprentices had no contact from their AASN provider after signing the contract;
- employers experienced an administrative burden in completing paperwork which could be improved with help from the AASNs; and
- feedback indicated that RTOs did not always provide high quality courses in the fields required nor pastoral support to apprentices.

Other reviews

2.7 Five review activities targeted to specific payments available under the AAIP were undertaken by the department during 2021–22, summarised in Table 2.1.

Table 2.1: AAIP evaluations for specific payments

Evaluation	Purpose	Outcomes
Boosting Apprenticeship Commencements (BAC) ^a Survey (February 2021)	To determine employers' experiences with BAC.	Smaller businesses deemed BAC more important. The more important the BAC was for the business the more likely the apprenticeship recruitment had not been previously planned.
Apprenticeship elasticity review (May 2021)	To determine the response of employers and individuals to different apprenticeship incentive payments.	Fifty-seven per cent of employers would increase the number of apprentices they intend to hire in response to an incentive. Sixty-one per cent of individuals would start an apprenticeship based on a financial incentive.
Additional Identified Skills Shortage (AISS) Impact Analysis (April 2021)	To determine the retention and commencement rate of apprentices supported by the AISS.	AISS encouraged commencements. Retention of AISS recipients was 3.6 times as likely as non-recipients.
Australian Apprentice Wage Subsidy (AAWS) Evaluation (August 2022)	To determine whether the AAWS increased rural and remote employer participation in the apprenticeships system.	AAWS increased rural and remote employer participation. However, it was difficult to determine if these employers were already intending to hire an apprentice with evidence suggesting these employers were intending to hire.

Evaluation	Purpose	Outcomes
Supporting Apprentices and Trainees (SAT) ^b Evaluation (August 2022)	To determine the impact of the SAT wage subsidy on retention and re-hiring of apprentices.	SAT payments increased employer participation in the apprenticeships system, improved apprenticeship retention rates, and reduced redundancies.

Note a: BAC payments were introduced in October 2020 to encourage employers to hire apprentices. The payment provided 50 per cent of the apprentice's wage for the first 12 month period from the date of commencement.

Note b: SAT payments were introduced in April 2020 to support small businesses to retain apprentices or to re-engage displaced apprentices during the COVID-19 pandemic. This was expanded to include medium businesses from 1 July 2020. A subsidy of 50 per cent of the apprentice's wages was available for eligible employers for wages paid between 1 January 2020 (for small businesses) or 1 July 2020 (for medium businesses) and 31 March 2021.

Source: Australian National Audit Office (ANAO) analysis of evaluation reports provided by Department of Employment and Workplace Relations (DEWR).

2.8 Overall, the reviews, surveys and evaluations of the AAIP and the skills and workforce environment in Australia raised issues with the AAIP and the broader apprenticeships system. The findings and recommendations provided led to the approach to review and replace the AAIP with a simpler system and more targeted financial and non-financial supports.

Review and replacement of the National Skills Needs List

2.9 The AAIP had three separate priority lists which informed eligibility for certain payments.¹²

- The first list was the National Skills Needs List (NSNL) which was introduced in 2007 and sought to increase apprenticeships in areas of persistent skills shortage. In the 15 years it was in place, it was updated once in 2011. Of the 65 occupations on the list, 85 per cent were trade-based.
- The second was the AAIP Priority List, introduced in 2012, which consisted of aged care, child care and enrolled nursing, with disability care added in 2013.
- The third list related to the AISS Apprentice Commencement payment, introduced in 2019. The AISS aimed to support apprenticeships in occupations experiencing national skills shortages and targeted 12 occupations which faced a shortage of qualified workers and were determined to be in an area of national skills shortage. The AISS occupations were already on the NSNL.

2.10 A review of the NSNL began in August 2019 by the Department of Employment, Skills, Small and Family Business due to identified shortcomings in the list and its methodology. These shortcomings primarily related to the frequency of updates to the NSNL and the criteria used to define the scope of the list. Public consultations with industry and other stakeholders were performed in August 2019 and December 2019. Feedback confirmed that a new priority occupations list was required which was 'forward looking' and 'responsive to changes in skills shortages'. Fifty-five per cent of respondents agreed with an annual update of the list. Concerns were raised around annual updates disrupting workforce planning and increasing the administrative burden. Feedback on the proposed methodology received 'broad high-level support' from respondents with consultation during the assessment process being emphasised in submissions.

¹² Not all payments under the AAIP require apprenticeship occupations to be on one of these priority lists.

Introduction of the Australian Apprenticeships Priority List

2.11 On 1 July 2022 the Australian Apprenticeships Priority List replaced the NSNL, AAIP priority list and AISS payment list with the proposed methodology reviewed by stakeholders. The new priority list is based on the JSA Skills Priority List incorporating skills that are currently in shortage or are forecast to be, and are skilled occupations with an apprenticeship pathway.¹³ These two data points are used to compile the Priority List; however, no direct stakeholder consultation is performed when the list is updated annually which is not consistent with the proposed methodology. Skills shortage is determined by JSA and relates to the ability to fill vacancies, with occupations with fill rates below 67 per cent highly likely to be in shortage.

2.12 The list is updated by DEWR in line with changes to the JSA Skills Priority List, which is published annually. The first update of the priority list was on 1 January 2023, increasing from 77 to 111 occupations.¹⁴ In advice for the 2023–24 Budget, DEWR noted that ‘The addition of 39 new occupations on the 1 January 2023 Priority List is budgeted to have an additional cost impact of \$196.6 million on the Australian Apprenticeships Incentive System over five years from 2022–23.’

Development of the Incentives System

2.13 Incentives for Australian Apprenticeships, announced as part of the 2019–20 Budget, was to be implemented on 1 July 2020. Its intention was to simplify the AAIP by reducing incentive categories and extending some eligibility criteria, thereby responding to the *Strengthening Skills* review. The Incentives for Australian Apprenticeships program was to have 15 payment types (the AAIP had 30) with streamlined eligibility requirements.

2.14 Implementation of the Incentives for Australian Apprenticeships was delayed due to the COVID-19 pandemic, which also resulted in additional payments for apprenticeships.¹⁵ The Incentives for Australian Apprenticeships program was redeveloped into the Australian Apprenticeships Incentive System in response to the further reviews of the apprenticeships system and AAIP (discussed from paragraphs 2.2 to 2.6 and Table 2.1), along with lessons learned from the COVID-19 pandemic (refer to the analysis of the BAC and SAT payments in Table 2.1).

13 Occupations with an apprenticeship pathway are classified by the Australian Bureau of Statistics Australian and New Zealand Standard Classification of Occupations (ANZSCO) as either Technicians and Trades Workers (ANZSCO Major Group 3) or Community and Personal Service Workers (AANZSCO Major Group 4).

14 Thirty-nine occupations were added while five occupations were removed. The removed occupations were: nursing support worker, electrical engineering draftsman, electrical engineering technician, signwriter and shipwright.

15 SAT payments were introduced to support businesses to retain apprentices or to re-engage displaced apprentices during the COVID-19 pandemic. Small employers (fewer than 20 employees) that had an apprentice in training on 1 March 2020 could claim the 50 per cent SAT wage subsidy for wages paid between 1 January 2020 and 31 March 2021. This was subsequently expanded such that small employers and medium employers (20 to 199 employees) that had an apprentice or trainee in training on 1 July 2020 could claim the SAT for wages paid between 1 July 2020 and 31 March 2021. Any employer that re-engaged an apprentice that was previously eligible for the SAT could also claim the SAT in respect of that apprenticeship..

2.15 A Regulation Impact Statement (RIS) was produced to guide the changes.¹⁶ The RIS detailed the need for a more fiscally sustainable model of apprenticeship incentives that are better targeted to support commencements and completions in priority occupations and address skills shortages.

2.16 The RIS was informed by the *Strengthening Skills* review, the *National Agreement for Skills and Workforce Development Review*, the Wallis Surveys, data from the National Centre for Vocational Education Research¹⁷, and workshops with stakeholders. Feedback which led to the options presented in the RIS included providing apprentices more financial and non-financial support, reducing barriers to sign-up, targeting priority skills via apprenticeships, continuing to encourage increased commencements and ensure completions are considered.

2.17 The RIS set out five challenges to consider when reforming apprenticeship payments, set out in Table 2.2.

Table 2.2: Challenges outlined in the RIS

RIS challenge number	Description
1	Incentives should be targeted to address skill shortages in priority occupations to ensure a steady pipeline of skilled workers and minimise the risk of future workforce shortages.
2	Costs remain high and are increasing, for both the employer and the apprentice.
3	Incentives do not adequately target the decision maker. Recent research shows the apprentice makes most decisions throughout the apprenticeship, yet most incentives target the employer.
4	The complexity of the incentives system is hard for employers and apprentices to navigate and understand.
5	Non-financial support is needed, such as job matching and mentoring, with evidence highlighting the positive impact non-financial support can have on apprenticeship completion rates.

Source: Australian Apprenticeship Incentives System Reforms Regulation Impact Statement.

2.18 The ANAO analysed the issues identified from the key reviews and evaluations (see paragraphs 2.2 to 2.8) and the corresponding challenges from the RIS. The results are set out in Table 2.3.

16 Department of Education, Skills and Employment, *Australian Apprenticeships Incentives Reforms Regulation Impact Statement*, DESE, Canberra, 2022, available from https://oia.pmc.gov.au/sites/default/files/posts/2022/03/Regulation%20Impact%20Statement_1.pdf, [accessed October 2023].

17 The NCVER collects, manages, analyses, and communicates research and statistics on the Australian vocational education and training sector. It regularly publishes reports on apprenticeships, including quarterly data infographics and targeted research reports into specific issues to assist in informing policy.

Table 2.3: Issues identified in key apprenticeship reviews

Target	Review	Issues identified	RIS challenge number
Apprentice	Productivity Commission	• Immediate or prospective benefits too low	3
		• Cost of undertaking apprenticeship too high	2
		• Non-financial barriers and negative community/individual attitudes	5
	Wallis Surveys	• Need for non-financial support • Entry barriers	5 4
	NCVER reports	• Apprenticeship incentives need to be carefully calibrated	3
		• Apprentices may feel challenged by workplace expectations	5
Employer	Strengthening Skills Review	• Concern around skills shortages in occupations which require apprenticeships for entry into the occupation	1
	Productivity Commission	• Apprentice productivity too low	2
		• Employer costs high • No long-term return-on-investment	2 2
	Wallis Surveys	• Hiring and sign-up challenges • Apprentices require increased external support	4 5
AASNs	Productivity Commission	• Improve the system via joint contracts between AASNs and State or Territory Training Authorities	4
	National Australian Apprenticeship Association ^a	• Commencement and completion rates	3
• User experience needs improvement		4	
• Business skill requirements should be supported		1	
• Reform of Vocational Education and Training should align with employer, apprentice and trainee requirements		All	

Note a: The National Australian Apprenticeship Association produced a technical paper 'A blueprint for strengthening apprenticeships' in February 2022 which recommended 14 initiatives to improve the apprenticeship system.

Source: Australian Apprenticeship Incentives System Reform Regulation Impact Statement and ANAO analysis.

2.19 The RIS compared the initial option for the Incentives for Australian Apprenticeships program with two other options. The first option was only targeted to apprenticeships in priority occupations and the second option was a two phased step-down¹⁸ approach which was to become the current Incentives System. This option included payments to apprentices in priority occupations, unlike the AAIP which focused on payments for employers. No analysis was undertaken by the department on potential impacts if apprenticeship payments were ended or if a completely different system of payments was introduced.

18 The first phase, from 1 July 2022 to 30 June 2024, included payments to employers in priority and non-priority occupations and apprentices in priority occupations. Phase 2 from 1 July 2024 is proposing to remove payments for non-priority occupations.

2.20 The Office of Impact Analysis¹⁹ assessed the RIS as adequate, and indicated it would have benefited from greater public consultation with stakeholders and further analysis on its social and economic impacts.

2.21 The RIS provided an analysis of how the three options would address the five challenges, set out in Table 2.4.

Table 2.4: Options for apprenticeship programs

Option	Detail of proposal	Expected benefits, drawbacks and outcomes
1: Introduce the Incentives for Australian Apprentices (no further reform)	<ul style="list-style-type: none"> • Employer incentives of \$1,500 for commencement of apprenticeship and \$2,500 for completion of apprenticeship • Employers of apprentices with a disability receive a wage subsidy of \$104.30 per week • Targeted incentives for employers if they hire people from target groups (based on age, work location, education level and existing worker status — \$750 on commencement and \$750–\$1,500 upon completion) • AISS payment to continue to provide employers \$2,000 on commencement and completion, and apprentices \$1,000 on commencement and completion • Living Away from Home Allowance (LAFHA) remains the same 	<p>Benefit</p> <ul style="list-style-type: none"> • Simplified system (challenge 4) • Continues non-financial support to apprentices (challenge 5) <p>Drawback</p> <ul style="list-style-type: none"> • Minimal impact on reducing skills shortages (challenge 1) • Apprentices and employers unequipped to address rising costs (challenge 2) • Incentives will focus on employer instead of apprentice (challenge 3) <p>Impact</p> <ul style="list-style-type: none"> • Unlikely to prevent continued decline in commencements and retention and completion rates will not increase

¹⁹ Prior to November 2022, the Office of Impact Analysis was known as the Office of Best Practice Regulation.

Option	Detail of proposal	Expected benefits, drawbacks and outcomes
2: Employer hiring incentive (priority occupations)	<ul style="list-style-type: none"> • Introduction of a priority list • Employer hiring incentive for priority occupations of \$1,000 at six months and \$3,000 at 12 months after commencement • Apprenticeship payments for priority occupations of \$750 every six months for two years, with increases indexed against the consumer price index • Expanded trade support loan for priority occupations • Targeted in-training support for apprentices ages 15–20 years • Keep LAFHA, in-training support and disability wage support 	<p>Benefit</p> <ul style="list-style-type: none"> • Incentives are targeted to address areas of priority (challenge 1) • Apprentice payment and Trade Support Loan assist apprentice costs (challenge 3 — partly addressed) • Simplified system (challenge 4) • Continues non-financial support to apprentices (challenge 5) <p>Drawback</p> <ul style="list-style-type: none"> • Does not address rising costs in non-priority occupations (challenge 2) <p>Impact</p> <ul style="list-style-type: none"> • Overall decline of around 24,500 commencements
3: A phased option of the Australian Apprenticeships Incentive System with the flexibility to respond to economic conditions	<p>Phase 1 from 1 July 2022 to 20 June 2024</p> <ul style="list-style-type: none"> • Introduction of a priority list • Employer wage subsidy for priority occupations of 10 per cent of wages in the first and second year and five per cent in the third year, maximum of \$15,000 over the life of the apprenticeship • Employer hiring incentive for non-priority occupations of \$1,750, six and 12 months after commencement • Apprentice payment for priority occupations of \$1,250 every six months for two years • Targeted in-training support for apprentices ages 15–20 years <p>Phase 2 from 1 July 2024</p> <ul style="list-style-type: none"> • Implementation of option two payments (i.e. hiring incentive and apprenticeship payment for priority occupations only) 	<p>Benefit</p> <ul style="list-style-type: none"> • Incentives are targeted to address areas of priority (challenge 1) • Addresses rising costs through increased financial support (challenge 2) • Both phases of the model target payments to apprentices and employers (challenge 3) • Simplified system (challenge 4) • Continues non-financial support to apprentices (challenge 5) <p>Drawback</p> <ul style="list-style-type: none"> • Successful implementation of phase 2 relies on a checkpoint review confirming the stabilisation of economic conditions <p>Impact</p> <ul style="list-style-type: none"> • Initial increase in commencements by 11,500 per year for the first two years then 5,500 per year. • Increase completions by 7.4 per cent

Source: Australian Apprenticeship Incentives System Reform Regulation Impact Statement and ANAO analysis.

Establishment of the new Incentives System

2.22 Submissions were provided by DEWR to the government in February and March 2022 detailing the new Priority List methodology and the options for the new Incentives System. The government agreed to the two-phased approach to the Incentives System in March 2022. This option met the apprenticeship challenges listed in the RIS by targeting incentives towards areas of skills shortages, providing financial support to both employers and apprentices, simplifying the incentives available and thereby reducing the administrative burden, and maintaining in-training support for apprentices. It also provides a step down from the additional payments provided during COVID-19, returning to pre-COVID investment levels during the second phase.

2.23 The Minister for Skills and Training was briefed in May 2022 and approved the grant guidelines in June 2022 (discussed at Table 2.6). Information provided to the minister on the implementation pathway for the Incentives System comprised plans for public communication and stakeholder engagement, contract variations with the AASNs, information on the legislative authority for payments, required system and business process changes, operational arrangements provided for in the grant guidelines, exemption from grants hub and policy issues and impacts.

2.24 The first phase of the Incentives System, from 1 July 2022 to 30 June 2024, provides a subsidy for both priority and non-priority occupations. Table 2.5 provides a summary of the payments available during the first phase of the Incentives System and how the payments incorporate feedback from reviews.

Table 2.5: Supports available during phase one of the Incentives System

Payment	Description	Amount	Duration	Incorporation of reviews
Employers				
Priority Wage Subsidy	Employers can claim a portion of wages paid to Australian apprentices employed in occupations on the Priority List	10 per cent of wages for the first and second 12-month period (up to \$1,500 per quarter) Five per cent of the wages paid for the third 12-month period (up to \$750 per quarter)	Up to three years	Payments targeted towards areas of skills shortage
Hiring Incentive	Supports employers of apprentices undertaking a Certificate II or above qualification not listed on the Priority List	\$1,750 for a full-time Australian Apprentice \$875 for a part-time Australian Apprentice	A one-off payment made at six and 12 months	Encourages apprenticeship commencements
Disability Australian Apprenticeship Wage Support	Aims to encourage employers to provide apprenticeships to people with disability undertaking a Certificate II or a	Wage subsidy of \$104.30 per week for a full-time Apprentice (or pro rata basis)	12 months for long-term or permanent disability Specific period for a	Encourages apprenticeship commencements

Payment	Description	Amount	Duration	Incorporation of reviews
	higher-level qualification		temporary disability	
Apprentices				
Australian Apprenticeship Training Support Payment	Financial assistance for apprentices undertaking a certificate III level or qualification in an occupation listed on the Priority List	\$1,250 every six months (up to \$5,000 in total) for a full-time apprentice \$625 every six months (up to \$2,500) for a part-time apprentice	Up to two years	Encourages apprenticeship commencements
New Energy Apprenticeship Support Payment ^a	Provides direct financial assistance to apprentices in the clean energy sector	Payments available at six, 12, 24, 36 months and at completion, up to \$10,000 for full-time apprentice and up to \$5,000 for part-time	Specified periods	Payments targeted towards areas of skills shortage
Living Away from Home Allowance	Provides assistance to apprentices who are required to move from their parents or legal guardians for the first time for an apprenticeship or supplementary training	\$77.17 per week for first 12 months \$38.59 per week for the second 12 months \$25.00 per week for the third 12 months	Up to three years	Providing financial support to apprentices
Registered Training Organisations				
Off-the-Job Tutorial, Mentor, and Interpreter Assistance ^b	Additional support for off-the-job training is available to apprentices with a disability	\$38.50 per hour up to \$5,500 per year for tutorial assistance \$38.50 per hour up to \$5,500 per year for mentor or interpreter assistance	While concurrently eligible for Disability Australian Apprenticeship Wage Support (whether claimed or not)	Providing non-financial support to apprentices

Note a: The New Energy payment was introduced on 1 January 2023 and informed by consultations with Industry Associations, Unions and Peak Bodies.

Note b: Tutoring, mentoring and interpreter assistance is only available to Registered Training Organisations.

Source: Australian Apprenticeships Incentive System Guidelines and ANAO analysis.

Have suitable guidelines and processes been developed to support effective and consistent service delivery of payments?

Program guidelines were developed for the Incentives System which comply with the mandatory requirements of the Commonwealth Grants Rules and Guidelines 2017. A range of factsheets and reference guides were produced which support the guidelines. These guidelines and supporting documents provide the necessary information to assist AASN providers to administer the Incentives System, and for employers and apprentices to understand their claiming entitlements and obligations.

Development of the program guidelines

2.25 Commonwealth grant programs are required to comply with the Commonwealth Grants Rules and Guidelines 2017 (CGRGs).²⁰ As the current Incentives System falls within the definition of a grant program (discussed previously in paragraphs 1.13 to 1.14), grant opportunity guidelines are required for the program.²¹ Grant guidelines which are clear, comprehensive, and consistent with policy objectives assist in ensuring accurate administration of the program through supporting quality decision-making. Regular reviews of the guidelines allow for updates to address program implementation issues or changes to policy, which ensures the guidelines remain accurate and up-to-date.

2.26 The Australian Apprentice Incentives System Program Guidelines (the guidelines) are the primary documentation for the program and provide key information on the program.

- An overview of the Incentives System, the purpose of the guidelines and the Australian Apprenticeship Support Network, and policies and funding of the Incentives System.
- Primary eligibility requirements, standard requirements for claiming payments and additional eligibility considerations.
- For each payment type detail on the payment type, eligibility requirements, payment schedule and rates, information on claiming payments and administrative information.
- Information on general administrative matters — how payments are made, withholding or refusing payment and suspect claims, debt recovery, waivers and review of decisions, taxation, conflicts of interest, privacy and freedom of information.

2.27 The guidelines were developed by DEWR staff and supported by internal legal advice where required. In developing the guidelines DEWR considered implementation issues and took account of multiple scenarios, for example, how different payment options may incentivise uptake of apprenticeships.

20 Department of Finance, *Commonwealth Grants Rules and Guidelines 2017*, Finance, Canberra, 2017, available from <https://www.finance.gov.au/government/commonwealth-grants/commonwealth-grants-rules-and-guidelines>, [accessed October 2023].

21 Auditor-General Report No.31 of 2014–15 *Administration of the Australian Apprenticeships Incentives Program (AAIP)* found that the AAIP met the revised definition of a grants program in the then Financial Management and Accountability Regulations and the 2013 Commonwealth Grant Guidelines. Program guidelines that aligned with the Commonwealth Grant Guidelines were subsequently produced during the audit.

2.28 As part of the CGRGs, entities are required to undertake a risk assessment for the grant opportunity and determine an overall risk rating to inform the management and release of the program guidelines. DEWR assessed the program guidelines for the Incentives System as ‘medium’ risk, based on advice from the Australian Government Solicitor. In May 2022 the Department of Finance agreed to the medium risk rating and the Minister for Finance approved the release of the guidelines on 25 June 2022.²²

2.29 The initial program guidelines were published on GrantConnect²³ on 29 June 2022. The guidelines have been reviewed and updated three times since the program commenced on 1 July 2022.

- The guidelines published on 15 December 2022 were updated to include the New Energy Apprenticeships, which came into effect on 1 January 2023.
- The guidelines published on 11 August 2023 had minor administrative updates, with the priority list also updated to include annual changes.
- Updated guidelines were published on 21 December 2023, and included minor administrative updates, predominantly clarifying the eligibility of apprentices for payments. A revised Priority List to commence on 1 January 2024 was also published.

2.30 From May 2022 to December 2023, the responsible ministers were provided briefings on the Incentives System seeking approval of (or providing advice on) the program guidelines or changes to policy, as set out in Table 2.6.

Table 2.6: Ministerial briefings for the Incentives System

Date	Minister	Summary of briefing
May 2022	Employment	Seeking approval of the initial guidelines
June 2022	Skills and Training	Noting the implementation pathway for the Incentives System and seeking approval of factsheets
June 2022	Finance	Seeking approval of release of the guidelines due to medium risk rating
November 2022	Skills and Training	Seeking approval to the eligibility criteria for the New Energy Apprenticeships and noting the implementation approach
November 2022	Skills and Training	Seeking approval of updated guidelines to include the New Energy Apprenticeships
December 2022	Finance	Noting guideline updates due to policy changes
August 2023	Skills and Training	Noting the administrative updates to the guidelines
December 2023	Skills and Training	Noting the administrative updates to the guidelines

Source: ANAO analysis of ministerial submissions provided by DEWR.

Alignment of the program guidelines with the CGRGs

2.31 The ANAO assessed the program guidelines published in August 2023 against the CGRGs and the results are set out in Table 2.7.

22 Any ratings above low must be approved by the Minister for Finance.

23 GrantConnect is the centralised, web-based grant information system for the Australian Government and is available at <https://help.grants.gov.au/>.

Table 2.7: Assessment of the program guidelines with the CGRG mandatory requirements and key principles

CGRG requirement or key principle	ANAO analysis of Incentives System August 2023 guidelines
Guidelines must be consistent with the <i>Public Governance, Performance and Accountability Act 2017</i> (PGPA Act) and PGPA Rule (section 3.4; mandatory requirement).	The guidelines are consistent with the requirements of the PGPA Act and Rule.
<p>Make guidelines available on GrantConnect (section 5.2; mandatory requirement).</p> <p>Develop and revise guidelines for significant changes, ensuring they are consistent with the CGRGs (section 4.4; mandatory requirement and section 8.7; key principle).</p>	The guidelines were first published on GrantConnect at the beginning of the program (1 July 2022) and updated on 15 December 2022, 11 August 2023 and 23 December 2023 to incorporate changes.
<p>Develop clear, consistent and well-documented grant guidelines (section 8.6; key principle).</p> <p>Grant opportunity guidelines should include (as relevant):</p> <ul style="list-style-type: none"> • grant objectives and purpose; • eligibility criteria; clear assessment criteria (if applicable); • weighting of assessment criteria; • the approval process (as relevant) including the: <ul style="list-style-type: none"> – closing date for applications; – likely decision date; – outline of selection process; – final recommendations; • decision-maker; • expected terms and conditions of the grant agreement; • indicative reporting and acquittal requirements; and • and a description of complaint handling, review and/or freedom of information (FOI) mechanisms. 	<p>The guidelines contain the following sections:</p> <ul style="list-style-type: none"> • grant objectives and purpose: part A section 1 ‘Australian Apprenticeships Incentive System Overview’ and section 2 ‘Purpose of Australian Apprenticeships Incentive System Program Guidelines and the Australian Apprenticeship Support Network’; • eligibility and assessment criteria: part B ‘Primary eligibility requirements and standard requirements for claiming payments’, parts D to F have specific eligibility requirements for each payment; • weighting of assessment criteria: N/A; • the approval process (as relevant) including the: <ul style="list-style-type: none"> – closing date for applications: page 1 – likely decision date: N/A as applications will be reviewed as they are received – outline of selection process: see eligibility – final recommendations: see eligibility; • decision-maker: part A section 3.3; • expected terms and conditions of the grant agreement: provided in the apprentices Training Contract; • indicative reporting and acquittal requirements: N/A, this interaction is between employers, apprentices and the AASNs; and • description of complaint handling, review and/or FOI mechanisms: part G section 4 ‘Waivers and review of decisions’ (which includes review of complaints by the Commonwealth Ombudsman) and section 8 ‘Freedom of Information’.

CGRG requirement or key principle	ANAO analysis of Incentives System August 2023 guidelines
At a minimum, guidelines for one-off or ad hoc grant opportunities should include the purpose or description of the grant, the objectives, the selection process, any reporting and acquittal requirements and the proposed evaluation mechanisms (section 9.3; key principle).	The guidelines contain the minimum requirements as listed above, with a checkpoint review detailed to occur in 2023–24 in part A section 1.
Guidelines are tailored based on potential risks and specific circumstances, taking into consideration the capability of potential grantees and grantees; the policy outcomes being sought; the purpose, value and duration of a grant; the nature and type of deliverables; governance; accountability requirements; and the nature and level of the risks involved (section 9.3; key principle).	The guidelines are appropriately tailored for these factors based on the nature of the grant program.
Clearly inform potential grantees of terms and conditions they will need to meet during the life of the grant, such as financial and performance reporting (section 8.7; key principle).	Apprentices and employers sign a Training Contract and Training Plan upon initiation of the apprenticeship. These documents are prepared and signed with the assistance of the AASNs.
The clarity of guidelines should be tested with stakeholders prior to their release (section 8.7; key principle).	Guideline clarity was not tested with non-government stakeholders.
Explanation of how the proportionality principle is to be applied (section 9.6; key principle)	As this grants program is a series of payments administered through service providers, the proportionality principle has been applied through the administration of the payments by the AASN providers. Through AASNs assisting in completing the administration required this minimises the complexity for applicants whilst ensuring consistent application of the guidelines. The role of the AASNs is detailed throughout the guidelines.
Specification of performance measures (section 10.8; key principle).	Performance measures are not specified in the guidelines but a performance measure for the Incentives System is included DEWR's corporate plan and annual reports (see paragraphs 3.36 to 3.41).
Set out who the decision-makers for different grants administration processes (section 12.4; key principle).	Part A section 3.3 details that the Deputy Secretary of the Skills and Training Group is delegated to approve the commitment and expenditure of relevant money. ^a AASNs are detailed throughout the guidelines to provide administrative services.
Clearly outline what constitutes a conflict of interest (section 13.8; key principle).	Part G section 6 sets out information on conflicts of interest
Equitable and transparent selection of recipients which best represent value with relevant money (section 13.9; key principle).	The primary eligibility for the program is detailed in part B, specific eligibility for each of the payment types are detailed in parts D to F. Decisions related to eligibility are documented the in

CGRG requirement or key principle	ANAO analysis of Incentives System August 2023 guidelines
	Apprenticeship Data Management System (ADMS).
Waiving or amending selection criteria (section 13.14; key principle).	Part G section 4: 'Waivers and review of decisions'.

Note a: The Secretary of DEWR has authorised delegation related to arrangements and grants for the purposes of section 1062A of the *Social Security Act 1991* to the Senior Executive Service (SES) Bands 2 and 3 (up to the limit of the appropriation available for the relevant program) and the SES Band 1 (up to the value of a particular grant not exceeding \$10 million). In practice, a SES Band 1 approves claims for payment under the Incentives System (refer to paragraph 1.17).

Source: ANAO analysis of the Incentives System Program Guidelines against the CGRGs

2.32 Overall, the program guidelines align with each of the CGRG mandatory requirements and key principles.

Supporting documentation

2.33 AASN providers are contracted to support the administration of the Incentives System on behalf of the Australian Government. They facilitate the training contract process and assist apprentices and employers to claim payments and complete other administrative matters. AASNs also run screening services to assist potential apprentices identify suitable apprenticeship pathways and provide in-training support during apprenticeships, such as mentoring.

2.34 DEWR has developed a range of factsheets (frequently asked questions/FAQS) to assist AASN providers, employers and apprentices to understand and/or administer the Incentives System. These factsheets cover topics such as: an overall summary of the Incentives System; the Priority List; New Energy Support Payments; school-based apprenticeships; hiring incentive payments; disability support payments; and taxation information.

2.35 The fact sheets contain clarifying information on each topic. For example, documents relating to payments provide an overview of the payment type, eligibility requirements, how payments are to be calculated, and the role of AASNs and State and Territory Training Authorities (STAs) in the claim process. Appendix 3 sets out examples of how the factsheets for the Priority Wage Subsidy, Hiring Incentive and Apprentice Training Support Payment align with the program guidelines.

Consultation with apprentices

2.36 DEWR has consulted with apprentices on their Incentives System experience. Workshops were held with apprentices to understand motivations and challenges experienced during their apprenticeships. A survey of apprentices was performed to understand their low claiming rates.

- A temporary blanket waiver of the three-month claim period for the Australian Apprentice Training Support Payment was enacted from 1 April 2023 because some cohorts of apprentices were experiencing difficulty in meeting the identity verification and Tax File Number requirements. The waiver allows apprentices to submit a manual claim via their AASN if the period to submit their first claim has expired.
- Due to the low claiming rates by apprentices, DEWR surveyed apprentices in September 2023 to identify barriers to claiming payments. Preliminary results from the survey

indicated that the complexity of claiming, including the need to provide a Tax File Number, training plans and accurate information was a key factor.

Are appropriate systems in place to ensure accurate processing of payments?

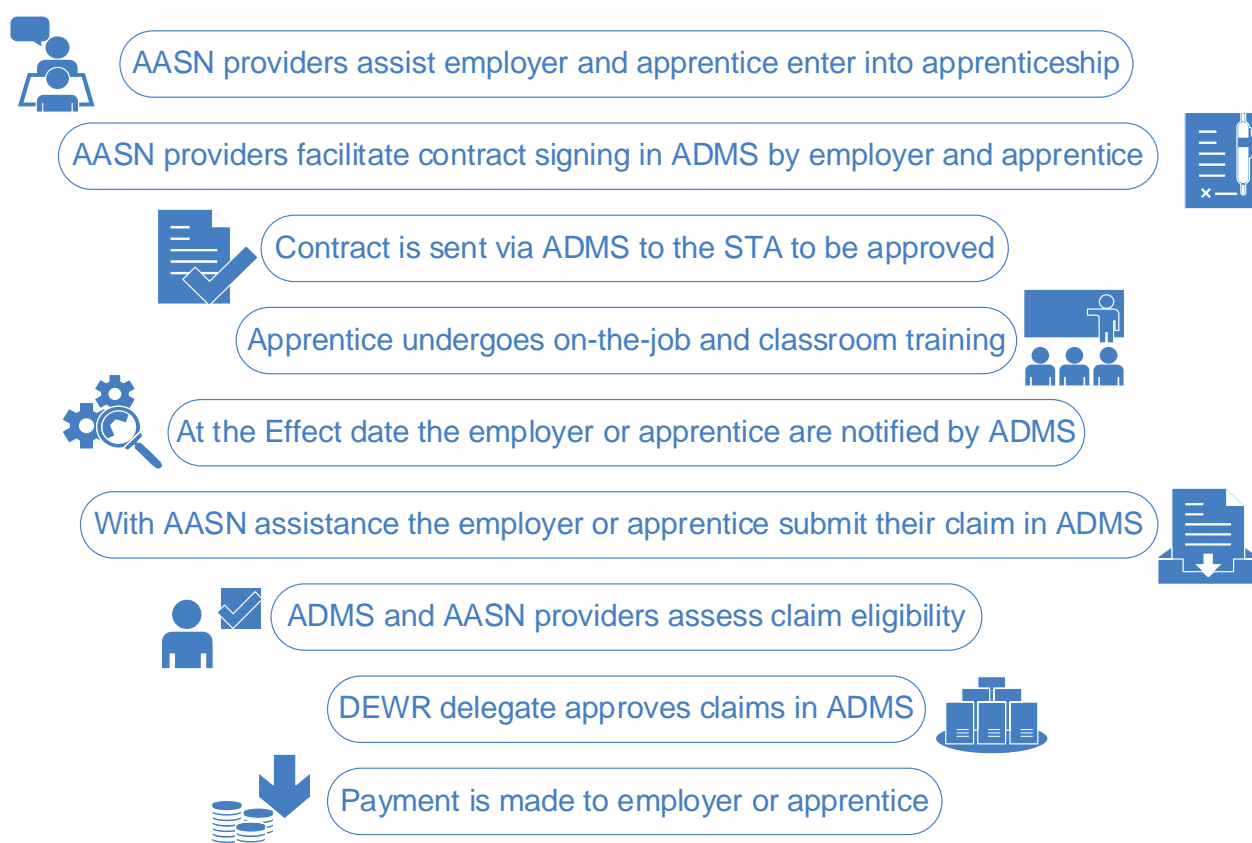
ADMS — the IT system created by DEWR to administer the Incentives System — has appropriate controls in place to ensure the correct processing of applications and claim payments. ADMS also contains system controls that maximise the automated completion of key processes and minimise manual interventions.

Apprenticeships Data Management System (ADMS)

2.37 ADMS is the primary mechanism for the administration of the Incentives System. As shown in Figure 2.1, AASNs connect apprentices with employers and facilitate the signing of training contracts and STAs approve the training contract. The apprenticeship then progresses, with the apprentice undertaking on-the-job and classroom training. Once the effect date²⁴ is reached, the employer or apprentice is notified of their eligibility to claim a payment through ADMS and AASNs. AASNs can assist employers and apprentices to submit their claim and assess claim eligibility.²⁵ If the claim is determined to be eligible, the DEWR delegate approves the claim and a payment is made.

24 The effect date is the date the payment can be claimed. For example, the Australian Apprentice Training Support Payment Effect dates are at 6, 12, 18 and 24 months after the apprenticeship has commenced.

25 The AASN employee who assisted in the claim submission cannot approve the claim.

Figure 2.1: ADMS functionality for administration of the Incentives System

Source: ANAO analysis.

2.38 In November 2023 ADMS had 223,820 active users. ADMS is used by employers and apprentices, AASNs, STAs, Services Australia and DEWR. Each type of user is provided different levels of access based on user requirements as set out in Table 2.8.

Table 2.8: User functionality in ADMS

User type	Available functionality
AASN provider staff ^a	Complete Training Contracts in consultation with apprentices and employers. Create claim applications, edit application, assess initial eligibility, override eligibility (discussed further at paragraphs 3.22 to 3.24), assess claim applications which cannot be automatically verified.
Apprentice	Submit claim applications, including checking the status of claim applications and uploading evidence to support claim applications.
Employer	Submit claim applications, including checking the status of claim applications and uploading evidence to support claim applications.
DEWR staff	Transfer employees and apprentices between AASN providers, approve special claims, manage STA updates, assist AASNs with issues.
DEWR delegate	Approve claim payments.
STA staff	Training contract authorisations. ^b

User type	Available functionality
Services Australia staff	Administration of payments. ^c

Note a: Different levels of access are provided to AASN staff members based on their level of responsibility and delegation.

Note b: STAs use their own systems which communicate with ADMS to perform this function.

Note c: Services Australia verifies Priority Wage Subsidy claims that are not verified through the automated process in ADMS. Services Australia is not involved in service delivery for any other Incentives System payments. Services Australia cannot amend the information provided by an employer in a claim, it can only verify that the evidence supports the amount claimed OR return it to the employer with instructions on what amendments need to be made.

Source: ANAO analysis.

Development of the system

2.39 ADMS was developed to replace TYIMS due to its increasing obsolescence. ADMS was developed as an in-house solution as this was determined to offer the greatest control over its development, provide the lowest risk to delivery, and provide greater potential for reuse across related systems. ADMS was designed to offer an improved user experience, increase efficiency and productivity, provide enhanced reporting capabilities, and have a greater adaptability to policy and program changes.

2.40 The second pass business case for the development of ADMS was approved by the government in August 2020, and the original approved budget for ADMS was \$92.9 million. DEWR advised the ANAO that as at 31 December 2023, the revised overall budget²⁶ for ADMS was \$124.96 million and \$99.74 million had been spent on the development of ADMS.

2.41 ADMS development was split into four phases.

- Phase 1 from late 2020 to July 2021, sought to stabilise the previous system, TYIMS, and introduce new Application Programming Interfaces to assist with integration with AASN and STA systems.
- Phase 2 from July 2021 to June 2022, saw the development of early infrastructure and the building of user profiles.
- Phase 3 from July 2022 to June 2023, began the replacement of TYIMS with externally available releases of ADMS.
- Phase 4 from July 2023 to June 2024, will result in final enhancements to the user experience.

2.42 A summary of ADMS releases is provided at Appendix 4. Initial functionality in ADMS related to single touch payroll data exchange and user interfaces for each user profile. Progressive releases were timed for when functionality was required. For example, claim applications for the hiring incentive and apprentice support payments were released in December 2022, with the first claim periods for these payments due in January 2023.

²⁶ Additional funding was provided to DEWR in the 2022–23 and 2023–24 Federal Budgets to cover systems support/changes for a number of new measures such as New Energy Apprenticeship and Targeted Support for Apprentices.

2.43 In November 2023 the second last piece of core functionality in TYIMS was decommissioned with AASNs now performing almost all their business in ADMS. From March 2024 payments are processed and managed in ADMS and all claim types have been moved into ADMS.

Testing system functionality

2.44 System walkthroughs of ADMS and its interactions with the other systems — TYIMS and SAP — showed that the system controls could be relied upon to ensure that ADMS accurately administers the Incentives System. Controls ensured that claims were processed accurately, and the required evidence was recorded in ADMS, for example claimant details, eligibility assessment and claims approved. .

2.45 Third party data interactions with ADMS were also reviewed: STA reference data for training courses; Single Touch Payroll²⁷ data from the Australian Taxation Office; and the Unique Student Identifier with the Department of Education. The latter two processes are real time and automated within ADMS and the system controls are appropriate to ensure that the correct evidence is uploaded into ADMS. The STA reference data is uploaded ADMS in a timely manner and errors resolved where identified.

System guidance

2.46 A series of factsheets and reference guides were produced to assist with the administration of the Incentives System and using ADMS, particularly while the system was being rolled out. These documents are produced and updated to incorporate changes to the Incentives System and ADMS as required, and contain information on a range of topics including:

- registering for ADMS;
- logging into ADMS using myGovID²⁸;
- providing payslips as wage evidence;
- an overview of the claim application process;
- how to create employer profiles;
- checking the status of a claim application; and
- how to assess applications.

2.47 Appendix 4 (Table A.4) lists the ADMS guidance documents and how they align with the program guidelines. DEWR advised that a detailed ADMS user guide is being developed in preparation for final project closure in early 2024.

Communication and training

2.48 AASNs receive regular email communications and training presentations on changes to the Incentives System and ADMS. Feedback received from AASNs informs communication and training requirements. DEWR advised that training material is developed for AASN providers, employers and apprentices for all functionality upon its release.

27 Single Touch Payroll was introduced by the Australian Taxation Office in July 2018 to provide the capability for employers to report their employee's payroll information to the ATO each time the payroll is run.

28 MyGovID is a digital identity used by government online services to securely verify a person's identity.

Gateway reviews

2.49 Gateway reviews are overseen by the Department of Finance and aim to support effective delivery of major IT projects within entities.²⁹ Five gateway reviews have been completed during the development of ADMS with a final end-stage review due in September 2024. A summary of the reviews, the ratings and the number of recommendations is shown in Table 2.9.

Table 2.9: Summary of ADMS gateway reviews and outcomes

Review stage	Date completed	Number of recommendations	Rating ^a
First-Stage	11 December 2020	12	Green/Amber
Mid-Stage	27 August 2021	7	Green/Amber
Mid-Stage Short-Form Review: Readiness for Service	9 March 2022	5	Green
Mid-Stage	24 March 2023	8	Green
Mid-Stage Short-Form Review	13 December 2023	5	Green

Note a: Red was defined as: 'Successful delivery of the program/project appears to be unachievable. There are major issues on program/project definition, schedule, budget, quality or benefits delivery. The program/project may need to be re-baselined and/or overall viability re-assessed.'

Amber was defined as: 'Successful delivery of the program to time, cost, quality standards and benefits realisation appears feasible but significant issues already exist requiring management attention. These need to be addressed promptly.'

Green/Amber was defined as: 'Successful delivery of the program to time, cost, quality standards and benefits realisation appears probable however constant attention will be needed to ensure risks do not become major issues threatening delivery.'

Green was defined as: 'Successful delivery of the program/project to time, cost, quality standards and benefits realisation appears highly likely and there are no major outstanding issues that at this stage appear to threaten delivery significantly.'

Source: ANAO analysis of gateway reviews.

2.50 Recommendations were made against categories including business case and benefits, governance and planning, risk management, and readiness for service or the next stage. Of the 32 recommendations made to DEWR up until the March 2023 review, 29 had been noted by Finance as addressed or fully addressed in subsequent gateway reviews. DEWR has since fully addressed two of the remaining recommendations and the one recommendation from the March 2023 gateway review relating to a transition plan for decommissioning TYIMS was marked as partially addressed and in progress in the December 2023 review.

2.51 The March 2023 gateway review highlighted the success of the ADMS project and recommended DEWR:

- consider harnessing the ADMS approach to project implementation within the department; and

²⁹ Department of Finance, *Australian Government Assurance Reviews Resource Management Guide No. 106*, Finance, Canberra, 2016, available from <https://www.finance.gov.au/publications/resource-management-guides/guidance-assurance-reviews-process-rmg-106>, [accessed January 2024].

- consider sharing the successes achieved through the ADMS approach to project implementation with other areas of government.³⁰

2.52 The December 2023 gateway review subsequently found that:

...the ADMS project has further matured since the last review. Lessons have been learned from releases and are being actively sought through stakeholder engagement. This, along with continued workforce stability, business SMEs [subject matter experts] working alongside DSD in Agile delivery teams, and an effective dedicated SRO [senior responsible officer] model, has resulted in increasingly successful releases, most recently on 24 November 2023.

External stakeholders acknowledged recent project successes and reiterated the benefits the new system is now creating. This positive position has been facilitated by a comprehensive and well implemented change management and engagement strategy.

30 The gateway review team considered 'the Agile implementation of ADMS is in line with better practice and is well placed to be shared with other agencies as a model for future enabled implementations in government'.

3. Compliance and program monitoring

Areas examined

This chapter examines whether there were appropriate compliance and program monitoring arrangements in place for the Australian Apprenticeships Incentive System (the Incentives System).

Conclusion

The Department of Employment and Workplace Relations (DEWR) has implemented largely effective compliance and program monitoring arrangements for the Incentives System. It undertakes a compliance monitoring activity to assess Australian Apprenticeships Support Network (AASN) providers' compliance with the administration of the Incentives System. DEWR has established the capability to collect a range of data on the Incentives System and apprenticeships, through the Apprenticeships Data Management System (ADMS). There are regular internal reports prepared on the Incentives System; however, there are no internal performance measures in place to support these reports. The current target for the external performance measure on the Incentives System does not demonstrate that the program is meeting its intended objectives. A review and evaluation of the Incentives System to inform phase two from 1 July 2024 had not significantly progressed as at February 2024.

Areas for improvement

The ANAO recommended that DEWR reviews the external performance measure for the Incentives System and develop internal performance measures to support the reporting it undertakes. The ANAO also suggested that DEWR implements a process that captures business requirements when developing or adjusting data reports.

3.1 Establishing appropriate external and internal performance measures, and ensuring regular reporting against those measures, provides a view of program effectiveness and impact. A program of compliance activities that is linked to risk provides assurance that the program is being administered appropriately and facilitate continuous improvement.

Have appropriate compliance and program monitoring arrangements been established for the Incentives System?

The primary compliance monitoring activity undertaken by DEWR is a review of AASN providers' compliance with the administration of the Incentives System, as part of the AASN contractual obligations. The results of the two most recent compliance rounds undertaken in 2022–23 found that AASNs were largely compliant with the requirements of the Incentives System in terms of eligibility advice, fee-for-service and claim accuracy but were not compliant for processing timeliness. In 2023 DEWR implemented a second compliance activity which reviews the AASN providers' assessment of apprentices and employers eligibility for Incentives System payments and whether decisions to override eligibility are being correctly recorded. The initial results of this activity show that AASNs are correctly applying the program guidelines in assessing eligibility.

Identification of risk

3.2 DEWR's Enterprise Risk Management Policy and Framework require risk assessments to be developed at the enterprise level as well as the strategic and operational levels (the latter which cover policies, programs and projects, procurements, contracts and events).

3.3 DEWR has identified risks related to the Incentives System and mitigations to assist in managing each risk (see Appendix 5). The key risk relating to the Incentives System is 'compliance breaches of the Incentives System' and two of the treatments include:

- clear and consistent advice on the program guidelines and supporting material for Australian Apprenticeships Support Network (AASN) providers; and
- compliance monitoring of AASNs.

Compliance

Compliance workplan

3.4 The DEWR Skills and Training Compliance Governance Committee oversees compliance of skills and training programs. Its 2023–24 Compliance Workplan sets out the compliance activities to be undertaken for the administration of the Incentives System.

Table 3.1: Incentives System compliance activities 2023–24

Compliance activities	Responsible team	Actions
Eligibility breaches – apprentice is director/shareholder of employer entity	Compliance Intelligence and Compliance Delivery	Compliance reviews Intelligence data matching
Eligibility breaches – employer is claiming concurrent apprenticeship and employment wage benefits	Compliance Delivery	Compliance reviews Data matching
Eligibility breaches – employer is claiming concurrent apprenticeship and other wage subsidies	Compliance Delivery	Compliance reviews
Eligibility and payment accuracy breaches – employer claims after cessation or completion of apprenticeships	Compliance Intelligence and Compliance Delivery	Compliance reviews Prioritise compliance activities
Tip offs and referrals – assessment and response to non-compliance and potential fraud	Compliance Delivery	Assessment activities Referral activities
Compliance reviews resulting from tip-offs, referrals and other identified non-compliance	Compliance Delivery	Compliance reviews

Note: The compliance activities relate to both the Australian Apprenticeships Incentives Program (AAIP) and the Incentives System.

Source: Skills and Training Compliance Governance Committee Compliance Workplan 2023–24.

Assessment of compliance by AASN providers

3.5 AASN providers play a central role in the administration of the Incentives System and are required to meet the key performance indicators (KPIs) established under the AASN contract.

3.6 KPI assessment is performed over six-month periods (e.g. 1 February to 31 July or 1 August to 31 January) by staff in the DEWR State Office Network. Assessments are performed at the contract level as providers may hold individual contracts across different regions.

3.7 KPI4 – AASN services and AAIP/Incentives System administrative monitoring guide, requires AASN providers to accurately and appropriately administer the Incentives System including such areas as: ensuring correct eligibility advice is provided to employers and apprentices; claim forms are completed correctly and within timeframes; and data is accurately entered into the system.

3.8 KPI4 is assessed through compliance checks involving desktop reviews of AASN files and reports run from the Training and Youth Internet Management System (TYIMS) and/or ADMS. The sampling methodology was developed by Deloitte Access Economics in 2019 for the 2019–2024 AASN contract period. It was derived from previous methodologies developed by the Australian Bureau of Statistics used to monitor providers’ performance under the AAIP. The KPI4 assessment elements and sampling size are set out in Table 3.2.

Table 3.2: KPI4 assessment elements, sample size and weighting

Element	Description	Sample Size ^a	Weighting (%)
Unique Student Identifier (USI)	USI recorded within three months for all new training contracts signed	All files	10
Address	The address is entered in Australian Address Presentation Standards	All files	10
Eligibility advice letter	Accurate eligibility assessment	66 files	20
Processing time	Training contracts, eligibility advice letters and claims are completed within 10 working days	66 files	20
Fee for Service claim	Requirements of claim are met	66 files	20
AAIP/Incentives System claim accuracy	Accurate assessment of claim eligibility and processing	66 files	20

Note a: Strong-performing providers had reduced sampling from round four onwards to reduce delays experienced in the assessment process.

Source: DEWR KPI4 monitoring guide.

3.9 Changes to the methodology were made from round five of the compliance monitoring period as the USI and address elements were no longer measured due to verification of these elements being integrated into ADMS. In addition, AASN providers who were found to have positive performance results in previous rounds had reduced sampling to 33 files to reduce delays experienced by DEWR staff in undertaking the KPI assessment process.

3.10 The Incentives System has been assessed alongside the AAIP as part of KPI4 from round five onwards, with previous rounds one to four assessing compliance with the AAIP only. The KPI4 results for rounds five to seven are set out in Table 3.3. The minimum benchmark for meeting KPI4 is 90 per cent compliance.

Table 3.3: Compliance monitoring of KPI4 February 2022 to July 2023

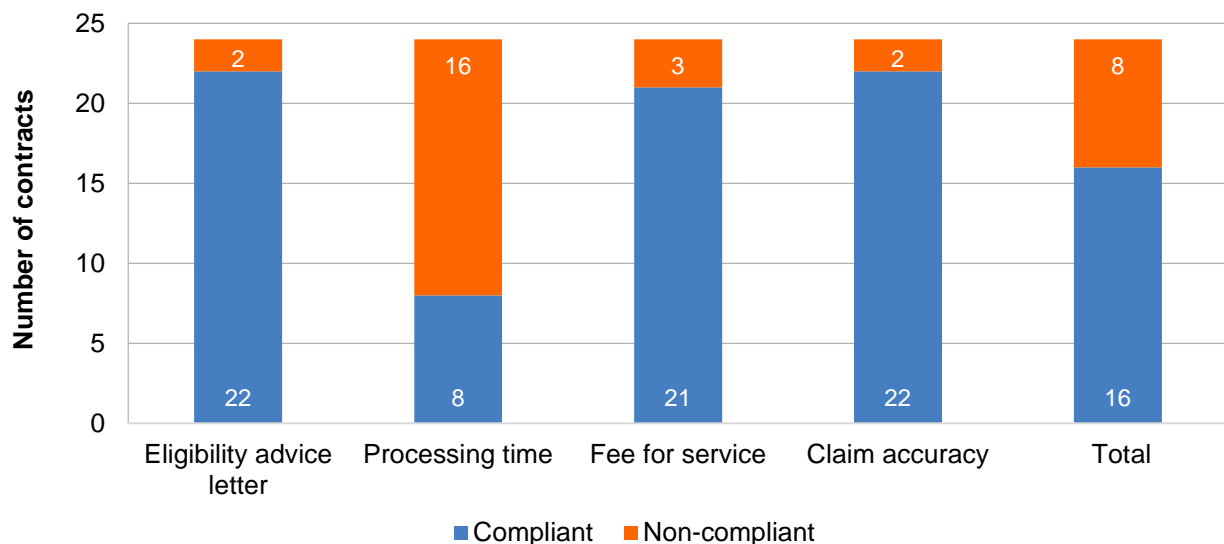
Performance monitoring period	Average score for the round (%)	Number of compliant contracts ^a	% of compliant contracts ^a
Round 5 – 1 February 2022 to 31 July 2022	90.93	15	62.5
Round 6 – 1 August 2022 to 31 January 2023	91.59	16	66.7
Round 7 – 1 February 2023 to 31 July 2023	94.98	19	79.2

Note a: Compliance is achieved if the average score of all four elements in the monitoring period is 90 per cent or higher. The elements are assessed at the contract level. Each Australian Apprenticeship Support Network (AASN) provider (of which there are seven in total) can hold individual contracts across different regions and there are 24 contracts in total under the current AASN service arrangements.

Source: AASN provider performance summary.

3.11 The ANAO analysed rounds six and seven noting that the Incentives System came into effect from 1 July 2022 and the results of round five applied primarily to the former AAIP.

3.12 Figure 3.1 shows the round six compliance results for the four elements measured under KPI4.

Figure 3.1: Round six compliance results for KPI4

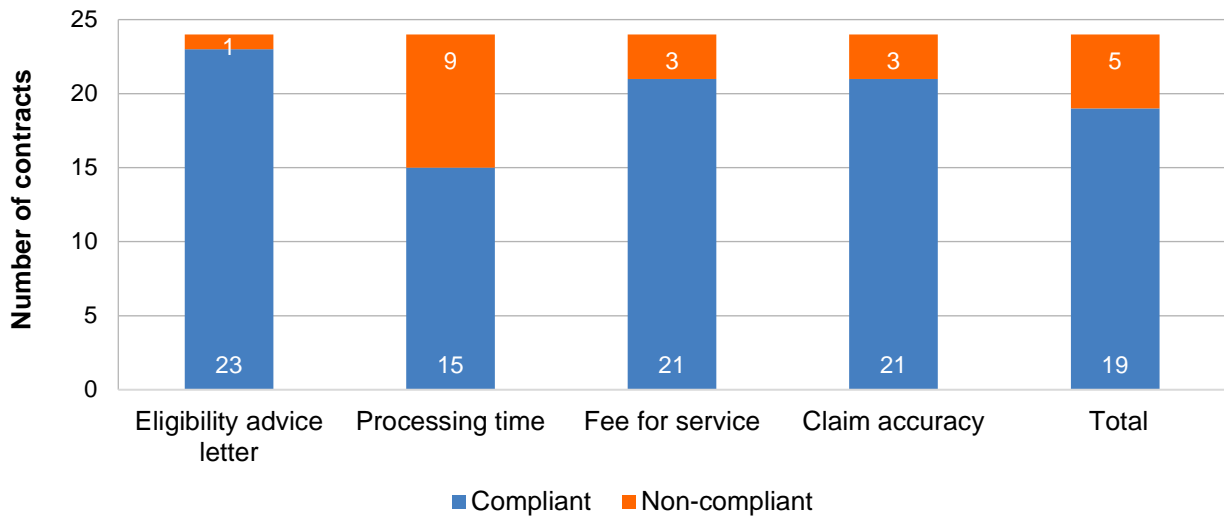
Source: ANAO analysis of the AASN provider performance summary for round six.

3.13 The three elements relating to accurate eligibility assessment, claim requirements met (fee for service) and claim accuracy were largely compliant with overall averages of 95.53, 95.95 and 97.19 per cent respectively. However, the timeliness element had significantly lower compliance with only eight of the 24 contracts meeting the 10-day processing time and an overall average of 75.77 per cent. Five of the eight contracts that did not meet the total compliance rate of 90 per cent met the target for all elements except processing time.

3.14 Processing times began to experience delays in round three (1 February 2021 to 31 July 2021). In 2020, stimulus payments for apprenticeships were introduced which had significant uptake levels and resulted in a higher workload for AASNs. Claiming of these payments began on 1 January 2021.

3.15 Figure 3.2 shows the round seven results of contracts for the KPI4 measure.

Figure 3.2: Round seven compliance results for KPI4



Source: ANAO analysis of the AASN provider performance summary for round seven.

3.16 In round seven, the number of contracts that met the three elements relating to eligibility assessment, claim requirements (fee-for-service) and claim accuracy were comparable to round six. The number of contracts that met the 10-day processing time increased with an overall average compliance rate across the 24 contracts of 88.15 per cent. Two of the five contracts that did not meet the total compliance rate of 90 per cent met the requirement for all elements except processing time.

3.17 New Energy Apprentice Support Payment spot checks (KPI2) was introduced in round seven as the New Energy Support payment began on 1 January 2023. DEWR advised the ANAO in December 2023 that it intends to commence reviewing KPI2 from January 2024 as the AASNs would have had their six and 12 month progress contracts with Incentives System participants.

3.18 When reporting the results of round seven to its executive, DEWR advised that it had strengthened performance management and monitoring with the expectation of improved compliance performance. To date DEWR has implemented measures such as:

- reviewing and streamlining the AASN performance management framework; and
- implementing more regular performance meetings and check ins with providers.

3.19 Results of compliance monitoring are used to provide feedback to AASN providers at the end of each round. DEWR issues letters to providers advising the actions necessary to correct identified issues, with those providers whose results fall below benchmarks assisted by DEWR State Contract Managers to improve future performance. If poor performance continues, the AASN providers are required to provide training interventions for their staff within 30 business days. If AASNs continue to fail KPIs over two monitoring periods, future fee-for-service payments may be withheld.

3.20 Where a provider has ongoing KPI compliance issues, a performance improvement plan may be instigated to provide greater oversight of the AASN provider’s compliance. One provider was placed on a performance improvement plan in June 2023. The performance improvement plan

outlined strategies to improve the provider's performance, including increasing the number of field staff, mentoring and training programs for staff, increased internal compliance monitoring, and improving internal documentation processes. DEWR advised that it 'observed improved performance during this period, including an improvement in KPI scores and qualitative feedback from State Contract Managers regarding significant improvements in responsiveness and engagement with the Department.'

3.21 Debt recovery is performed when overpayments are identified through the compliance monitoring. If a debt is raised against an AASN provider, it is reclaimed against their fee-for-service payments under the AASN contract.

Eligibility overrides monitoring

3.22 An additional compliance check conducted by DEWR on the Incentives System is the monitoring of manual overriding of eligibility by AASNs in ADMS. AASNs can manually override system-generated eligibility for a payment if they determine that the employer or apprentice is eligible for the payment. When a manual override occurs the AASN provider is required to provide a comment in a free-text box detailing the reason for the override. DEWR conducts a review of the comments to determine if a legitimate reason was provided and the decision was correct.

3.23 In March 2023, DEWR noted that insufficient details were being provided in the free-text box by AASN service providers when overriding the system generated eligibility. Reports generated from eligibility override checks are discussed with AASNs at monthly meetings with feedback provided by DEWR when more information is required in the free-text box. As a result, further detail is now being provided by AASNs on the reasons for overrides being made. DEWR advised that as at September 2023, there have been no instances of incorrect eligibility overrides identified through the reviews.

3.24 DEWR finalised a standard operating procedure for the eligibility override checks in January 2024.

Is program expenditure, trends (uptake) and performance regularly monitored and reported?

DEWR collects a range of data on the Incentives System and apprenticeships through ADMS. This data functionality is an emerging capability which was not previously available in the previous Australian Apprenticeships Incentives Program. While there is regular reporting undertaken by DEWR on the Incentives System take-up numbers and expenditure, there are no internal performance measures in the reports to provide an indication of program effectiveness. There is an external performance measure on the Incentives System but the target to maintain apprenticeship commencements to pre-COVID levels does not demonstrate whether the program is meeting its intended objective.

Data collection

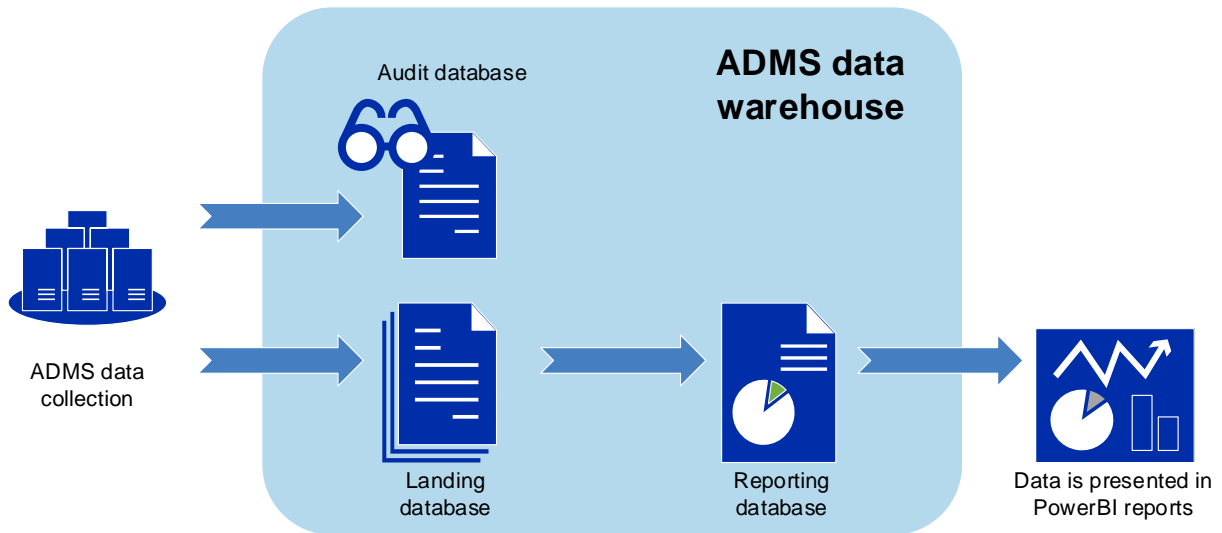
3.25 ADMS has the capability to collect a range of data relating to the Incentives System, which was not previously available through TYIMS. Examples of the types of information that can be reported as at December 2023 include:

- employer, apprentice and apprenticeship details;

- apprenticeship activity, e.g. commencements and completions;
- eligibility for payments;
- claiming activity; and
- payments.

3.26 Data from ADMS is stored in the ADMS data warehouse, organised into database tables and presented through the data analytics tool, PowerBI. Figure 3.3 shows the data movement process.

Figure 3.3: Data flow from ADMS to reports



Note: Audit database — data from the ADMS production system is loaded into the audit database each night within the ADMS data warehouse for database auditing purposes, and data is in the same structure as the production system.

Landing database — data from the ADMS production system is loaded into the landing database, and data is shuffled into different types of tables based on defined rules.

Reporting database — this is the integration and reporting layer for ADMS reporting; data is reshaped for reporting for different business domain areas.

Source: ANAO analysis.

3.27 A review of the end-to-end reporting process for the Incentives System found that DEWR has a well-designed process in place to manage the movement of data from ADMS to the data warehouse. This includes the data flows from ADMS to the audit database in the data warehouse, through to being loaded into the landing and reporting databases, and to the final presentation of results as reports in PowerBI. In addition, relevant business rules are applied at different levels of the data movement. DEWR was unable to provide evidence that the agreed business rules and specific reporting requirements were documented and applied when transforming and integrating data for the reports.

Opportunity for improvement

3.28 DEWR should ensure the development of reports in the ADMS data warehouse documents the agreed business requirements that underpin the intended report content.

Internal performance reporting

3.29 DEWR prepares monthly status reports on the Incentives System which are presented as part of the papers for the Skills and Training Executive Committee.³¹ The Committee meets monthly to consider: implementation of initiatives across the skills group; management of risks and issues; making strategic and operational decisions; and supporting effective management of resources.

3.30 The status reports provide an update of the Incentives System including:

- overview of the program's objectives;
- overall status assessment via green/amber/red rating, with a comparison against the previous month's status and accompanying commentary including financial performance and uptake of claims;
- budget/resourcing summary by quarters;
- list of achievements for the current reporting period and planned achievements for the next reporting period;
- milestones with traffic light status and brief summary of issues; and
- key risks and mitigation strategies, with traffic light rating.

3.31 The report notes that because the Incentives System is demand driven, there are no identified key performance indicators for the program.

3.32 Another report that DEWR produces for internal use is the Australian Apprenticeships Incentive System program performance report. It provides information displayed in a dashboard style and covers: the level of expenditure from program commencement (1 July 2022) to date including breakdown by payment type; numbers of employers and apprentices assisted; numbers of claims; and quarterly expenditure for grants reporting (see paragraph 3.46). Similar to the status reports discussed in 3.30 above, there are no performance targets included in the program performance reports. The reports are available to select staff in Apprenticeship Operations Branch, Apprenticeships Policy Branch, and DEWR's finance area (for monitoring potential variances between ADMS and SAP).

3.33 DEWR provides fortnightly reports to the minister through their office on the New Energy Apprenticeships Program.³² These reports provide information on:

- the number of New Energy Apprentices, including net increases, commencement numbers, and retention rates;
- an overview of employer profiles, apprenticeship locations, occupation categories, demographics; and
- compliance monitoring outcomes.

31 The Skills and Training Executive Committee consists of the Deputy Secretary Skills and Training Group (Chair) and the First Assistant Secretaries from the apprenticeships, VET, skills reform and skills system divisions, as well as a senior representative from the National Careers Institute. Its role is to discuss current and emerging priorities for the Skills and Training Group including reform and business-as-usual activities.

32 DEWR advised that 'The fortnightly reports were initially generated by the Department's program team to monitor uptake of the New Energy Apprenticeships Program and subsequently shared with the Minister's Office.'

3.34 No feedback is provided by or sought from the minister or their office once the reports are submitted via email. These reports do not contain performance measures or targets but rather transactional data on take-up numbers, budget and expenditure.

3.35 With no internal performance measures or targets in place³³ for the three internal reports discussed above, it will be challenging for DEWR to determine whether the Incentives System is meeting its program objective (discussed further at paragraph 3.41).

External performance reporting

Corporate reporting

3.36 The department has had a corporate performance measure relating to the AAIP since 2020–21 and this measure continued (without change) under the Incentives System (see Table 3.4).

Table 3.4: AAIP and Incentives System performance measure

Program	Key activity	Performance measure	Performance targets and descriptions
Building skills and capability	Respond to national future skills needs through access to vocational education and training (VET) graduates with the required skills	Maintain the number of apprenticeship commencements	Maintain numbers at pre COVID-19 levels (2019–20 commencements)

Note: Prior to 2020 the performance measure was ‘Growth in the number of apprenticeship commencements’.

Source: DEWR Corporate Plans 2021–22 to 2023–24.

3.37 As part of the performance statements audit of the Department of Education, Skills and Employment, the ANAO assessed the performance measure against section 16EA of the Public Governance and Performance and Accountability Rule. Section 16EA of the Rule and the Department of Finance Resource Management Guide (RMG) 131 Developing good performance information requires entities to have meaningful performance information which relies upon a clear understanding of the entity’s purpose and expressing it in a way that is related and measurable.³⁴

33 There is a timeliness performance measure in place for the AASN’s management of Incentives Systems claims — ‘All claims must be processed by AASN providers within 10 working days’ — and this measure is monitored as part of the AASN contract.

34 Related refers to the requirement of subsection 16EA(a) of the PGPA Rule 2014, as amended. In applying the ‘related’ criterion, the ANAO assessed whether the entity’s performance measures:

- related directly to one or more of the entity’s purposes or key activities;
- provided a clear link between purposes, key activities and performance measures; and
- were expressed in a consistent way.

In applying the ‘measurable’ criterion, the ANAO assessed whether the entity’s performance measures were:

- reliable and verifiable — supported by clearly identified data sources and methodologies;
- free from bias — provides an unbiased basis for the measurement and assessment of the entity’s performance; and
- assessable over time — able to provide a basis for an assessment of performance over time.

3.38 As the performance measure and methodology used to determine performance results for the Incentives System (and the former AAIP) has remained unchanged since the 2021–22 performance statement audit, the ANAO’s findings are applicable for the 2022–23 reporting period.

3.39 The ANAO found the measure to be compliant with the requirements of section 16EA and RMG 131.

- Related — the measure is related to the key activity ‘Respond to national future skills needs through access to VET graduates with the required skills’.
- Reliable and verifiable — calculation of results for the measure uses an approved methodology documented in its corporate plan, and a clearly identified data source through the use of National Centre for Vocational Education and Training (NCVER).
- Assessable over time — the measure and methodology has remained unchanged over the past three years and therefore the results can be assessed and compared over that period.
- Free from bias — NCVER is an independent, not-for-profit subject-matter expert, and the data used to calculate the results of the performance measure is publicly available on the NCVER website.

3.40 In 2022–23 the target was reported as achieved, with a 1.6 per cent increase in the number of apprenticeship commencements in the first six months of the financial year compared to the first six months of 2019–20 (pre-COVID). When DEWR reports an increase in numbers compared to 2019–20, then technically it is not meeting the intention of the target because it has exceeded the target rather than maintained numbers.

3.41 The performance measure and target no longer provide a clear view of program impact under the new Incentives System. As the program objective is to contribute to the development of a highly skilled and relevant Australian workforce that supports economic sustainability and competitiveness, a target of increasing numbers of commencements rather than maintaining them will more effectively measure the achievement of the program objective. In addition, if the level of apprenticeships completions is included in the performance measure, that could provide a clearer view of program impact.

3.42 The Regulation Impact Statement (RIS) developed for the Incentives System identified potential impacts for apprenticeship commencements and completions:

- an expected increase in commencements by around 11,500 per year for each of the first two years then 5,500 per year ongoing, compared to pre-COVID levels; and
- an expected increase in the proportion of apprentices who complete their priority apprenticeship by 7.4 per cent.

3.43 The identification of these potential impacts/benefits, and the increased availability of data through ADMS, indicates that DEWR has the capability to more effectively measure program impact.

Recommendation no. 1

3.44 The Department of Employment and Workplace Relations develops complementary internal and external performance measures and targets for the Incentives System that provide a clear view of program effectiveness and the extent to which the program objective is being achieved.

Department of Employment and Workplace Relations response: *Agreed.*

3.45 *The department agrees to the ANAO recommendation to develop complementary performance measures and targets for the Incentive System that provide a clear view of program effectiveness and the extent to which the program objective is being achieved.*

GrantConnect

3.46 Payments made through the Incentives System are reported by DEWR on GrantConnect, as the program meets the definition of a grant under the Commonwealth Grant Rules and Guidelines 2017 (CGRGs). As at November 2023, 174,679 grants totalling \$180,103,049 had been reported for 2022–23 and July to September 2023–24. The reported numbers on GrantConnect align with DEWR’s internal expenditure reporting.

3.47 To meet the requirements of the CGRGs, DEWR is required to report on GrantConnect no later than 21 days after the grant takes effect (or in the case of the Incentives System, when a payment is made to an employer or apprentice). DEWR reports quarterly and on the total payments made across all payment types available under the Incentives System. DEWR commenced reporting in August 2023 and reported again in November 2023. No further reports have been published on GrantConnect as at February 2024.

Is a suitable evaluation being developed to assess program impact?

DEWR committed to undertaking a checkpoint review around the end of 2023 and as at March 2024 this had not been completed. The government approved a broader strategic review of the Incentives System to be completed in mid-2024. These two reviews aim to inform policy changes for phase two of the Incentives System beginning on 1 July 2024.

3.48 The evaluation of grant opportunities is set out in the CGRGs which state that:

Officials should undertake an evaluation of a grant opportunity before initiating further grant opportunities or extending existing grant agreements, in order to determine whether existing grants administration processes, practices and requirements remain applicable.

3.49 From the establishment of the Incentives System, DEWR committed to undertake a checkpoint review around late 2023 before phase two of the Incentives System commences from 1 July 2024, as set out in Table 3.5.

Table 3.5: References to undertaking a checkpoint review of the Incentives System

Date	Source	Statement of review activity
March 2022	Australian Apprenticeship Incentives System Reform Regulation Impact Statement	This package's second phase, from 1 July 2024 and following a checkpoint to confirm economic conditions have stabilised, responds to hanging economic conditions. It targets incentives towards priority occupations and key industries, which will reduce expenditure and focus on qualifications where there is the greatest need to ensure an appropriate level of investment is targeted to the future workforce.
May 2022	Brief to the Minister of Employment on the Incentive System guidelines	In phase two of the Incentive System, scheduled to commence 1 July 2024 (and subject to a checkpoint to review the economic conditions and appropriateness), the level of support for employers and apprentices in priority occupations is reduced and the support for non-priority occupation ceases.
November 2022	Brief to the Minister for Skills and Training providing an update on the program guidelines	The Incentives System is subject to a 'checkpoint review' later in 2023. This is intended to assess whether the Incentive System, including the Priority List, is operating as intended and whether it is appropriate to move to Phase 2 of the system on 1 July 2024.
August 2023	Australian Apprenticeship Incentive System Program Guidelines	Progress towards meeting the objectives for the Incentives System, as outlined in this paragraph will be assessed in a checkpoint review in 2023–24.

Source: ANAO analysis of DEWR documentation.

3.50 In October 2023, government agreed that DEWR complete a two-month checkpoint review of the Incentives System and a broader eight-month strategic review of the Australian apprenticeships.

3.51 DEWR advised the ANAO in November 2023 that the check point review was underway, and due to be completed around January 2024. This check point review will involve analysis of data from ADMS and a survey of apprentices to understand the impact of the payments provided under the Incentives System. The checkpoint review will also inform the design of phase two of the Incentives System. DEWR further advised the ANAO on 8 March 2024 that the findings from the checkpoint review are currently being considered by the government.

3.52 DEWR also advised that the strategic review will be a continuum of the check point review and will assess the Incentives System along with the broader apprenticeships environment. As set out in the Mid-Year Economic and Fiscal Outlook (MYEFO) 2023–24, the review will:

- include an early focus on financial supports for apprentices
- consider opportunities to update program settings to better support apprentices
- be informed by targeted research and broad consultation designed to deepen the Government's understanding of the apprenticeships system.

3.53 The strategic review is to be led by an ‘experienced and eminent expert’ and completed around July/August 2024. The eminent expert will be selected by the Prime Minister. In MYEFO 2023–24, the government provided \$5.4 million over two years for DEWR to undertake the strategic review.

3.54 Draft terms of reference for the strategic review were prepared by DEWR in November 2023. This document briefly set out the scope of the review and mentioned the appointment of the eminent reviewer/expert. DEWR advised the ANAO on 24 January 2024 that the Department of Prime Minister and Cabinet had not made any decisions regarding the review. On 19 February 2024, the Minister for Skills and Training announced that the Honourable Justice Iain Ross AO and Ms Lisa Paul AO had been selected to lead the strategic review. DEWR advised on 8 March 2024 that it has commenced planning for consultations.



Rona Mellor PSM
Acting Auditor-General

Canberra ACT
27 March 2024

Appendices

Appendix 1 Entity response



Australian Government
Department of Employment
and Workplace Relations

Our Ref: EC24-000961

Secretary
Natalie James

Ms Rona Mellor
Auditor General for Australia
Australian National Audit Office
OfficeoftheAuditorGeneralPerformanceAudit@anao.gov.au

Dear Rona

Re: Performance Audit of the Design and Implementation of the Australian Apprenticeships Incentive System

The Department of Employment and Workplace Relations thanks the Australian National Audit Office (ANAO) for the Performance Audit of the Design and Implementation of the Australian Apprenticeships Incentive System (the audit).

The department welcomes the audit's recommendations and the overall positive findings. In particular the department welcomes the ANAO's recognition that the design and implementation of the Australian Apprenticeships Incentive System was 'effective' in supporting the program's objective and was informed by relevant reviews and evaluations.

I also appreciate the acknowledgement in the audit of the role of the Apprenticeships Data Management System (ADMS) in supporting implementation through appropriate controls that ensure the correct processing of applications and payments while maximizing the automation of key processes and minimising manual interventions.

Finally, I note the audit's acknowledgement of the increased data capabilities introduced through ADMS, particularly the ability to collect a greater range of data on the Incentives System itself, as well as the broader apprenticeship sector.

The department agrees to the ANAO recommendation to develop complementary performance measures and targets for the Incentive System that provide a clear view of program effectiveness and the extent to which the program objective is being achieved.

Should you have any questions regarding the department's response, please contact Thomas Varendorff, Assistant Secretary, Apprenticeship Operations Branch on 02 6240 3710 or thomas.varendorff@dewr.gov.au.

Yours sincerely

Natalie James
19/03/2024

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Appendix 2 Improvements observed by the ANAO

1. The existence of independent external audit, and the accompanying potential for scrutiny improves performance. Improvements in administrative and management practices usually occur: in anticipation of ANAO audit activity; during an audit engagement; as interim findings are made; and/or after the audit has been completed and formal findings are communicated.

2. The Joint Committee of Public Accounts and Audit (JCPAA) has encouraged the ANAO to consider ways in which the ANAO could capture and describe some of these impacts. The ANAO's corporate plan states that the ANAO's annual performance statements will provide a narrative that will consider, amongst other matters, analysis of key improvements made by entities during a performance audit process based on information included in tabled performance audit reports.

3. Performance audits involve close engagement between the ANAO and the audited entity as well as other stakeholders involved in the program or activity being audited. Throughout the audit engagement, the ANAO outlines to the entity the preliminary audit findings, conclusions and potential audit recommendations. This ensures that final recommendations are appropriately targeted and encourages entities to take early remedial action on any identified matters during the course of an audit. Remedial actions entities may take during the audit include:

- strengthening governance arrangements;
- introducing or revising policies, strategies, guidelines or administrative processes; and
- initiating reviews or investigations.

4. In this context, the below actions were observed by the ANAO during the course of the audit. It is not clear whether these actions and/or the timing of these actions were planned in response to proposed or actual audit activity. The ANAO has not sought to obtain assurance over the source of these actions or whether they have been appropriately implemented.

- Department of Employment and Workplace Relations (DEWR) developed and finalised the standard operating procedure for the Incentives Systems eligibility checks compliance activity (see paragraph 3.24).
- Two rounds of reporting on GrantConnect reporting were performed to partially comply with the Commonwealth Grants Rules and Guidelines 2017 (see paragraphs 3.46 to 3.47).

Appendix 3 Incentives Systems fact sheets and guidance

1. The tables below provide examples of how the factsheets for the Priority Wage Subsidy, the Hiring Incentive, the Apprentice Training Support Payment, and Apprenticeship Data Management System (ADMS) guidance and how they align with the Incentives System program guidelines.

Table A.1: Priority wage subsidy fact sheet

Section	Link to guidelines
Overview (e.g. What is the Priority Wage Subsidy?)	Part D section 1.1 Overview Priority List attachment to the guidelines
Eligibility requirements (e.g. Who is eligible to receive the Priority Wage Subsidy?)	Part B section 1 Primary eligibility requirements Part B section 3 Additional eligibility considerations Part D section 1.2 Eligibility requirements
Suspensions and cancellations (e.g. What happens if an Australian Apprenticeship is suspended?)	Part D section 1.5 Apprenticeship administration for the purposes of the Priority Wage Subsidy
Payments (e.g. How will payments be calculated if there is a change in attendance type?)	Part B section 2 Standard Requirements for claiming payments Part C section 2 Changes in an employer of Australian Apprentice's circumstances and impact on eligibility Part D section 1.3 Payment rates Part D section 1.4 Claiming Payments

Source: ANAO analysis of documentation developed by DEWR against the guidelines.

Table A.2: Hiring incentive fact sheet

Section	Link to guidelines
Overview (e.g. What is the Hiring Incentive?)	Part D section 2.1 Overview
Eligibility requirements (e.g. Who is eligible for the Hiring Incentive?)	Part B section 1 Primary eligibility requirements Part B section 3 Additional eligibility considerations Part D section 2.2 Eligibility requirements
Suspensions and cancellations (e.g. What happens if an Australian Apprenticeship is suspended or cancelled?)	Part D section 2.5 Apprenticeship administration for the purposes of the Hiring Incentive
Payments (e.g. Does the Australian Apprentice need to be in training with the employer on the Effect date?)	Part B section 2 Standard Requirements for claiming payments Part C section 2 Changes in an employer of Australian Apprentice's circumstances and impact on eligibility Part D section 2.3 Payment schedule and rates Part D section 2.4 Claiming Payments

Source: ANAO analysis of documentation developed by DEWR against the guidelines.

Table A.3: Australian apprentice training support payment fact sheet

Section	Link to program guidelines
Overview (e.g. What is the Australian Apprentice Training Support Payment?)	Part F section 1.1 Overview Priority List attachment to the guidelines
Eligibility (e.g. Who is eligible for the Australian Apprentice Training Support Payment?)	Part B section 1 Primary eligibility requirements Part B section 2 Standard requirements for claiming payments Part B section 3 Additional eligibility considerations Part F section 1.2 Eligibility requirements
Suspensions and cancellations (e.g. what happens if an Australian apprenticeship is suspended or cancelled?)	Part F section 1.5 Apprenticeship administration for the purposes of the Australian Apprentice Training Support Payment
Payments (e.g. How much can an Australian Apprentice claim under the Australian Apprentice Training Support Payment?)	Part B section 2 Standard Requirements for claiming payments Part C section 2 Changes in an employer of Australian Apprentice's circumstances and impact on eligibility Part F section 1.3 Payment schedule and rates Part F section 1.4 Claiming Payments Part G section 1. How payments are made

Source: ANAO analysis of documentation developed by DEWR against the guidelines.

Table A.4: Apprenticeship Data Management System (ADMS) guidance

Category	External guidance	Internal guidance	Link to guidelines
Priority Wage Subsidy	<ul style="list-style-type: none"> Using Payroll Prints as Wage Evidence Using Payslips as Wage Evidence Using Payment Summaries as Wage Evidence 	<ul style="list-style-type: none"> How to manually trigger the creation of PWS claims 	Part D Section 1. Priority Wage Subsidy
Hiring Incentive	<ul style="list-style-type: none"> Using Payroll Prints as Wage Evidence Using Payslips as Wage Evidence Using Payment Summaries as Wage Evidence 	<ul style="list-style-type: none"> How to assess Hiring Incentive claim applications 	Part D Section 2. Hiring Incentive
Australian Apprenticeship Training Support Payment	<ul style="list-style-type: none"> Overview of Apprentice Claim Applications in ADMS Providing Wage Evidence for your claim 	<ul style="list-style-type: none"> How to assess apprentice claim applications 	Part F Section 1. Australian Apprentice Training Support Payment

Category	External guidance	Internal guidance	Link to guidelines
Living away from home allowance	<ul style="list-style-type: none"> Field Guide – Living Away from Home Allowance (LAFHA) Eligibility Applications How to complete a LAFHA claim application How to complete a LAFHA eligibility application 	<ul style="list-style-type: none"> How to update LAFHA eligibility periods How to create a LAFHA eligibility application How to assess a LAFHA eligibility application 	Part F Section 3. LAFHA
General Incentive System information	<ul style="list-style-type: none"> Checking the status of a claim application Overview of Eligibility applications in ADMS Submitting a claim application checklist Overview of Claim Application fields in ADMS How to confirm your identity in ADMS How to register for an ADMS account Setting up your ADMS account 	<ul style="list-style-type: none"> Overview of the eligibility module in ADMS How to override incentive eligibility in ADMS How to complete an incentives eligibility assessment Understanding claim application assessments Manual Claim Form Process and Checklist Manual Claim Form FAQ 	Throughout the guidelines

Source: ANAO analysis.

Appendix 4 Apprenticeship Data Management System releases

Table A.5: History of Apprenticeship Data Management System (ADMS) releases

Release date	Functionality
December 2021	<ul style="list-style-type: none"> • Single Touch Payroll
April 2022	<ul style="list-style-type: none"> • User Interfaces for apprentices, employers, and the training contract • Logons for employers, State and Territory Training Authorities (STA), Australian Apprenticeships Support Network (AASN) and Department of Employment and Workplace Relations (DEWR) staff
June 2022	<ul style="list-style-type: none"> • Further user interface release for employers • Fixes to training contracts
August 2022	<ul style="list-style-type: none"> • Priority wage subsidy eligibility • Integration with Services Australia
September 2022	<ul style="list-style-type: none"> • Claim application for priority wage subsidy • Eligibility for hiring incentive and apprentice support payment
October 2022	<ul style="list-style-type: none"> • Logon and user interface for apprentices
December 2022	<ul style="list-style-type: none"> • Claim applications for hiring incentive and apprentice support payment • Introduction of new energy payment eligibility and training contract changes
February 2023	<ul style="list-style-type: none"> • Registration, data migration and syncing
March 2023	<ul style="list-style-type: none"> • Trade Support Loan application (soft release)
April 2023	<ul style="list-style-type: none"> • Trade Support Loan application (full release) • Bank accounts for employers, apprentices and AASNs • Management of in-training support • Apprentice training support pay summary transfer to the Australian Tax Office
June 2023	<ul style="list-style-type: none"> • Gateway for Registered Training Organisations (RTOs) • Claim applications and form for Living Away from Home Allowance (LAFHA) • Claim applications for New Energy
July 2023	<ul style="list-style-type: none"> • Claim applications for new energy payments • RTO provider functionality
November 2023	<ul style="list-style-type: none"> • Almost all AASN apprenticeship business functionality now in ADMS • ADMS can identify all gaps in apprenticeship employment • Improved claim generation accuracy • Universal contacts to allow AASNs to record contact with apprentices and DEWR to track support trends • Automated fee-for-service payments to AASNs
February 2024 (planned)	<ul style="list-style-type: none"> • Payment execution and reconciliation • Remaining claims (e.g. disability, special claims, legacy) • Integration with SAP • Trade Support Loan payments and offsetting

Source: ANAO analysis of DEWR ADMS documentation.

Appendix 5 Incentives System risks

1. The Department of Employment and Workplace Relations (DEWR) developed a risk management plan for the Australian Apprenticeships Incentive System (the Incentives System) which was updated in August 2023 (version three). The document sets out the risks, causes treatments and their effectiveness ratings, and risk owners. A summary of the risks and treatments is set out in Table A.5 below.

Table A.6: Incentives System Risk Management Plan August 2023

Risk	Rating	Treatments
New Energy Apprentice Support Payment is either oversubscribed to or funds are underspent	Medium	<ul style="list-style-type: none"> Australian Apprenticeships Support Network (AASN) training material to support the guidelines Minister to adjust eligibility Amend Priority List 'clean energy' occupations Engage stakeholders via evaluations
Inclusion of superseded qualifications on the Australian Apprenticeships Priority List	Low	<ul style="list-style-type: none"> Regular internal reviews of the Priority List Compliance check to ensure apprentices are not enrolled in approved courses Ensure AASN compliance with sign up requirements
Breaches of the <i>Commonwealth Grant Rules and Guidelines</i> or the <i>Public Governance and Accountability</i> (PGPA) Act	Low	<ul style="list-style-type: none"> Develop primary legislation for the Incentives System Timely quarterly reporting Reporting on GrantConnect Ensure expenditure approval via Section 23 of the PGPA Act is documented
Breaches of the Privacy Act 1988 or the Australian Privacy Principles	Low	<ul style="list-style-type: none"> Update privacy impact assessment for Apprenticeship Data Management System (ADMS) as required Ensure AASNs understand their responsibilities, are appropriately trained and have security clearance and limited system access based on their requirements
Compliance breaches of the Incentives System	Medium	<ul style="list-style-type: none"> Clear and consistent advice on the program guidelines and supporting material for AASNs Compliance monitoring of AASNs Services Australia Services Schedule and Operational Blueprint are kept up to date Effective communication, monitoring, reporting and escalating of shared risks with relevant stakeholders
Funds allocated to the Incentives System are significantly underspent and benefits not full realised	Low	<ul style="list-style-type: none"> ADMS supports real time reporting and provides direct communication to employers and apprentices Monthly monitoring of expenditure against forecasts Streamlined program guidelines and development of supporting material for AASN providers, employers and apprentices

Risk	Rating	Treatments
Limited powers to recover monies owed to the Commonwealth by employers, Australian Apprentices and Group Training Organisations	Medium	<ul style="list-style-type: none"> • Develop primary legislation for the Incentives System • Programs guidelines and FAQ kept up to date • Compliance and monitoring activities
Legislative — High Court challenge <i>Williams v Commonwealth</i> may affect validity of payments to employers under the Incentives System and impact the ministerial and executive support for continuation of the Incentives System	Low	<ul style="list-style-type: none"> • Legal advice from DEWR's legal team and Australian Government Solicitor • Develop primary legislation for the Incentives System • Ensure <i>Financial Framework (Supplementary Powers) Regulations 1997</i> provide sufficient coverage
Lack of defensibility of Incentives Systems decisions	Medium	<ul style="list-style-type: none"> • Develop ADMS business process maps for each payment • Provide clear and consistent policy advice and compliant record keeping • Regularly review and monitor performance
Impact of natural disasters	Medium	<ul style="list-style-type: none"> • Review program guidelines, practices and process to identify flexibilities for stakeholders • Adjust administration practices, for example by changing thresholds or providing waivers

Source: DEWR Incentives System risk management plan.