The Administration of the Australian National Training Authority

Performance Audit

Tabled 8 August 1996

Glossary

AESOP	Administrative, Executive Secretariat and Operational Policies
ANAO	Australian National Audit Office
ANTA	Australian National Training Authority
BCG	Boston Consulting Group
CEO	Chief Executive Officer
COAG	Council of Australian Governments
DEETYA	Department of Employment, Educational, Training and Youth Affairs
DoF	Department of Finance
FMIS	Financial Management Information System
GAMIS	Grant Administration Management Information System
GTCs	Group Training Companies
HRMIS	Human Resource Mangement Information System
IT	Information Technology

ITABs	Industry Training Advisory Bodies
KPM	key performance measures
MAB/MIAC	Management Advisory Board and its Management Improvement Advisory Committee
MINCO	Ministerial Council
TAFE	Technical and Further Education
The ANTA Agreement	Agreement between Commonwealth, State and Territory Heads of Government on a National Vocational Education and Training System
VET	Vocational education and training

1. Introduction

This chapter provides the background to the audit. It includes a description of ANTA and the reviews which have been undertaken. The audit objective and methodology are also discussed.

The Australian National Training Authority

1.1 The Australian National Training Authority (ANTA) is a statutory authority established by the *Australian National Training Authority Act 1992*. ANTA is based on an agreement between the Heads of Government for the Commonwealth and the States and Territories (Agreement on a National Vocational Education and Training System - the ANTA Agreement). The ANTA Agreement requires each State/Territory to have appropriate supporting legislation arrangements which:

- acknowledge the national role played by the ANTA; and

- designate a State/Territory as the State Training Agency for the purposes of the arrangement.

1.2 ANTA formally commenced operations at the beginning of 1994 following the introduction of this supporting legislation.

1.3 ANTA was established to provide a stronger national focus for the vocational education and training (VET) system. In accordance with the ANTA Agreement, ANTA:

- liaises closely with governments, Industry Training Advisory Bodies (ITABs), private and public providers and other stakeholders to ensure that the vocational education system is becoming more responsive to their clients and their individual needs; and

- coordinates the expenditure of Commonwealth and State/ Territory funds for vocational education and training in Technical and Further Education (TAFE) Colleges and Institutes, other training providers, training programs and skill centres.

1.4 Figure 1 illustrates the external relationships which bear on the operations of ANTA.

**Figure 1: ANTA's external relationships**
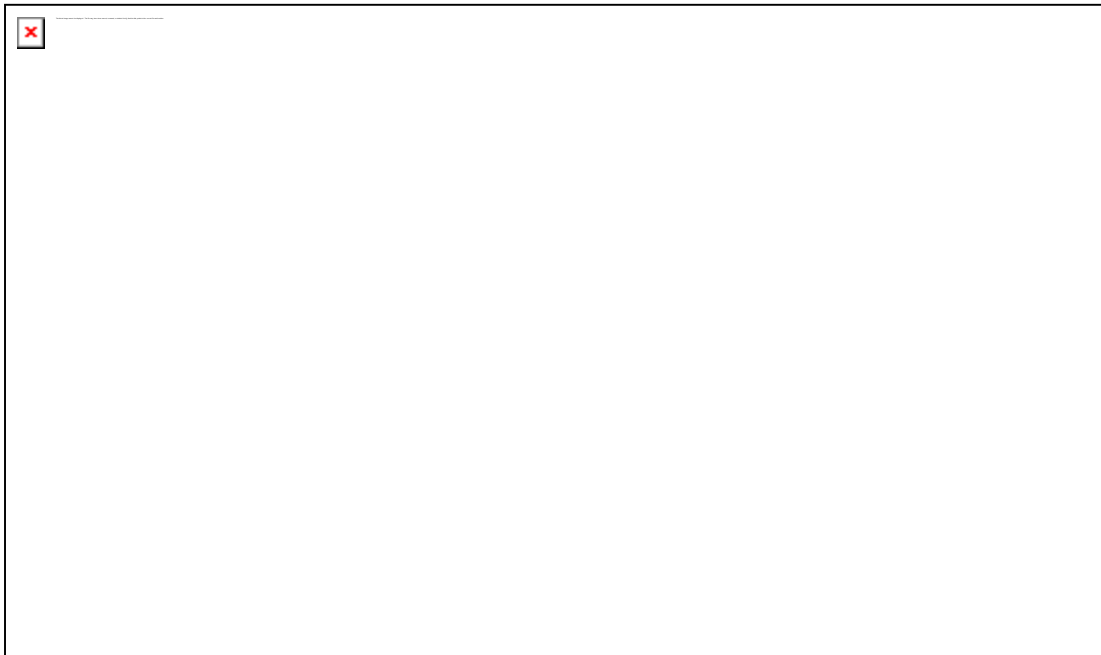
Source: ANTA

1.5 ANTA is headed by a five-member Board drawn from industry which advises, and is responsible to, a Ministerial Council (MINCO). MINCO comprises the Commonwealth, State and Territory Ministers responsible for vocational education and training and is chaired by the Commonwealth Minister for Employment, Education, Training and Youth Affairs.

1.6 In addition to the ANTA Board and MINCO, the ANTA Chief Executive Officers' (CEOs') Committee meets on an *ad hoc* basis. These meetings are chaired by the ANTA CEO and are attended by CEOs from the State/Territory Training Agencies and the Secretary of the Department of Employment, Education, Training and Youth Affairs (DEETYA).

1.7 The role of the CEOs' Committee is to examine and advise on the implications of proposals under consideration by ANTA, particularly as they impact on States and Territories. This advice is available to the ANTA Board when deciding on proposals to put to MINCO. The CEOs' advice does not intervene between the advice of the ANTA Board to MINCO but 'sits behind' the ANTA Board in the hierarchy. The CEOs' Committee also provides a practical mechanism for the implementation of some MINCO decisions.

1.8 Figure 2 illustrates the accountability relationships which govern the operations of ANTA.

Figure 2: ANTA's internal relationships
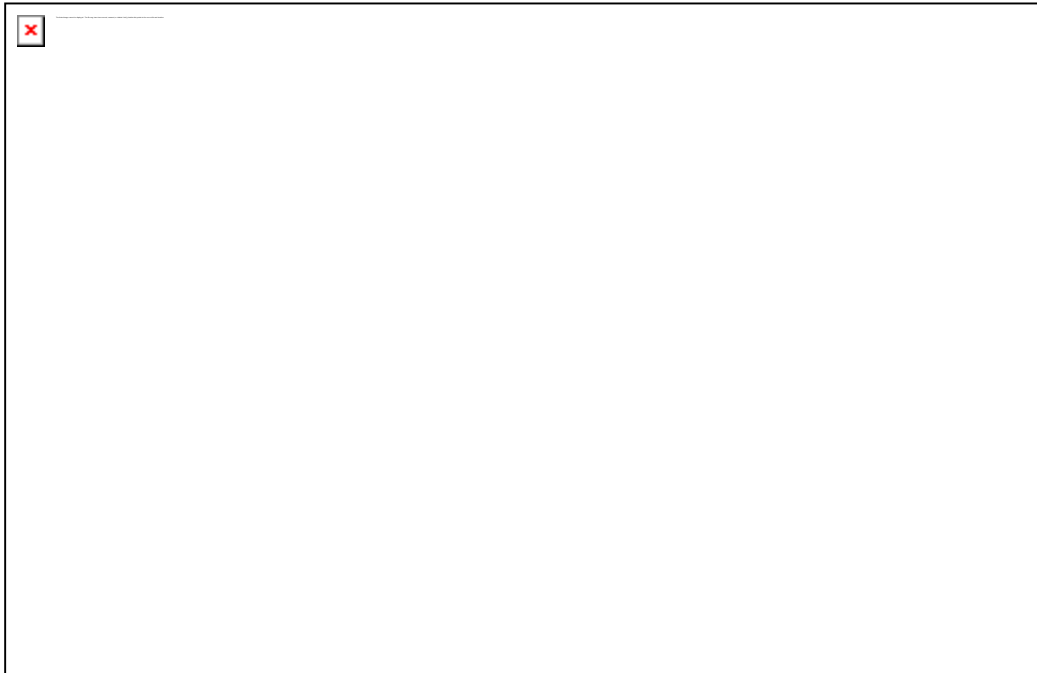
Source: ANTA

Reviews of ANTA

1.9 A number of high level reviews of ANTA have been undertaken since it commenced operations. These include:

- a review of the implementation of national training reforms (titled *Successful Reform* but known as the Fitzgerald Report) conducted in 1994;

- an inquiry into the role and effectiveness of Group Training in Australia, *A Best Kept Secret,* conducted by the House of Representatives Standing Committee on Employment, Education and Training and tabled in March 1995;

- an inquiry into ANTA conducted by the Senate Employment, Education and Training References Committee and tabled in November 1995;

- a review of the ANTA Agreement tabled in February 1996; and

- a review of the implementation of performance measurement in vocational education and training conducted by the Boston Consulting Group. The review was commissioned by ANTA and completed in December 1995. The report of the review has not yet been released publicly.

1.10 The primary focus of these reviews has been on ANTA's role in the VET sector rather than an examination of administrative efficiency and effectiveness of the organisation itself. However, given ANTA's involvement in the administration of vocational education and training and the importance of being able to assess the effectiveness of the VET sector, the ANAO also briefly examined the work undertaken by ANTA to provide appropriate external performance measurement.

1.11 The previous reviews and the work undertaken by ANTA are discussed in more detail in Chapter 3.

Audit objective and approach

Objective

1.12 The objective of the audit was to examine the effectiveness of the management and control framework established by ANTA to assist its administration and achievement of its objectives.

Approach

1.13 The ANAO conducted field work at ANTA's Brisbane office in June 1996. Publicly available information and documents relating to ANTA's internal administration were examined. A review of relevant files was also conducted and discussions held with key management staff.

Scope

1.14 The ANAO's investigation was limited to an analysis of ANTA's internal administrative framework. The audit work focused on thosecomponents of the framework considered by the ANAO to be the most important for the purposes of the audit, that is:

- planning;

- monitoring; and

- financial and control frameworks.

1.15 Each of these components includes a number of related areas. Some of these have been given lower priority in this audit as they have been reviewed extensively by ANTA's internal audit function. Those areas that have been given particular emphasis by the ANAO include the need for:

- adequate planning processes;

- appropriate project monitoring and reporting procedures including the development of performance information; and

- clear administrative practices such as guidelines and procedures.

1.16 The ANAO found that there were no significant problems in relation to the key components of ANTA's internal administrative framework. Accordingly, a decision was made not to proceed to further with the audit.

1.17 On completion of its analysis, the ANAO's findings were set out in an issues paper which was discussed with the ANTA Executive. ANTA's comments have been taken into account in the preparation of this report.

1.18 The audit was conducted in conformance with ANAO Auditing Standards at a cost of $42,000.

Audit conclusion and key findings

Opinion

1.19 The ANAO concluded that ANTA had implemented most of the key controls necessary to establish a sound management and control framework.

Key findings

1.20 Through an examination of the main components of ANTA's internal administrative framework, the ANAO found that:

- ANTA's planning processes were of a high standard:

    - clear links have been established between the Corporate, Strategic and Operational Plans and key performance indicators have been identified for each; and

    - performance agreements and individual staff development plans are included in ANTA's planning structure and are linked back to the Corporate Plan. Staff were found to have a very good understanding of their roles and responsibilities.

- ANTA's internal monitoring arrangements were of a good standard:

    - a range of performance indicators has been developed which allow measurement of economy, efficiency and effectiveness. The main internal and external client groups have also been identified;

    - management information systems have been developed which support the effective monitoring of ANTA's activities.

- ANTA has either implemented, or commenced implementation of, most of the necessary systems to provide sound and appropriate financial and control frameworks:

    - administrative practices are of a high standard;

    - a budget management system has been established to assist in the coordination and development of budget estimates;

    - comprehensive reports are produced for the purposes of financial monitoring;

    - ANTA has commenced work on a Risk Assessment and Fraud Control Plan; and

    - an internal audit function has been established which is overseen by an Audit Committee.

1.21 The ANAO also found that ANTA reviews its internal administrative policies and practices regularly to ensure that they reflect the current operating environment. The ANAO considers this to be a sound management practice.

1.22 The ANAO notes the efforts made by ANTA to provide appropriate performance measurement in the VET sector. ANTA has taken action in line with recommendations relating to performance information from the previous reviews.

ANTA's response

1.23 ANTA is pleased to note the findings of the ANAO's audit of its administrative systems.

1.24 Since its inception the Authority as expended a great deal of effort in implementing and enhancing a range of administrative systems to support its multi-faceted role in the national vocational education and training system. These systems have been the subject of considerable internal scrutiny, particularly from our internal auditor. The ANAO's report provides valuable added assurance that these systems are operating effectively.

1.25 ANTA recognises, however, that these systems need to be continually reviewed and revised to ensure their continuing effectiveness. As the ANAO report notes, the Authority's organisational structure is being reviewed in anticipation of Government decisions on ANTA's future roles and responsibilities following the report of the Review of the ANTA Agreement. ANTA's administrative systems will be adapted where necessary to support these changes.

Outline of the remainder of the report

1.26 Chapter 2 discusses the ANAO's findings in relation to the key management principles used during the audit. Chapter 3 discusses in more detail the findings of the reviews of ANTA and the work undertaken by ANTA to provide appropriate performance measurement for the VET sector.

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2. ANTA's Internal Administration

This chapter outlines the systems developed by ANTA to assist its internal administration and the achievement of its objectives. These are assessed against key criteria established for the three main components of ANTA's administrative framework, that is, planning, monitoring and financial and control frameworks.

Introduction

2.1 The ANAO established key criteria to assess the efficiency and effectiveness of ANTA's internal administrative framework. These criteria are grouped into three main areas corresponding with the main components of the framework which form the basis of this chapter. The three areas examined were:

- planning;
- monitoring; and
- financial and control frameworks.

2.2 The key criteria relating to each of these areas are outlined at the beginning of each section and are followed by an analysis of the ANAO's findings in relation to ANTA's internal systems.

2.3 It should be noted that, as with some other Commonwealth agencies, ANTA is reviewing its organisational structure in light of the Government's directions and current budget constraints.

Planning

Key Criteria

2.4 The ANAO examined ANTA's planning processes to determine whether they had developed:

- an overall plan including a mission statement integrated with short and long term objectives and strategies. This plan should also identify implementation priorities and performance indicators;

- a strategic plan outlining the general directions to be followed to achieve the organisation's objectives while ensuring that resources are used in the most effective and efficient manner; and

- operational plans identifying key responsibilities and activities, resource allocations and timeframes for the completion of specific tasks.

2.5 The level of detail in these plans should be varied to suit management requirements and assist staff to perform their duties in line with achieving the agency's goals. For example, the CEO requires a broad strategic plan relating to the whole organisation whereas project staff need detailed business plans outlining specific project activities.

2.6 The plans should be reviewed and updated regularly. Performance agreements and personal development plans should be linked to the organisation's plans so that staff understand their responsibilities. The organisation should also have a Personnel Development Program to ensure that staff can acquire the necessary skills to undertake their work.

2.7 Performance information should also be identified and used at each level within the organisation to facilitate the collection and reporting of information about program performance.

ANTA's planning processes

2.8 ANTA has implemented effective planning processes. These include the development of:

- a Strategic Plan, known as the National Strategy for Vocational Education and Training ("Towards a Skilled Australia"), which sets strategic directions for the vocational education and training system. The National Strategy provides a focus for ANTA's activities and goals. It is currently being revised to reflect the current Government's directions;

- a Corporate Plan known as ANTA's Corporate Directions. This document underpins the National Strategy and reflects ANTA's mission, priorities and work management system. It is updated annually. The ANAO found it to be comprehensive. The Corporate Directions for 1996 is currently in draft form. The ANAO noted that the CEO's performance agreement is closely linked to the issues covered in the Corporate Plan; and

- specific plans for particular organisational activities for example:

    - Information Technology Strategic Plan finalised in 1994 and due to be revised. ANTA had also developed an IT Operational Plan for 1995-96.

> This is linked to the Strategic Plan and is updated annually (both these plans are discussed in more detail in paragraph 2.45);

- Staff Development Strategy (currently being redrafted as the Corporate and Personal Development Framework and discussed in more detail in paragraph 2.13); and

- Public Relations, Marketing and Communications Plan.

2.9 ANTA has also established a work management system which sets out how the individual strategies outlined in the National Strategy are to be achieved. In addition to the National Strategy, the system has two other major components:

- team management plans which outline the projects to be undertaken within each project team, resource availability, time frames and key performance indicators; and

- individual project plans which provide specific details on the projects to be undertaken. These are linked to the team management plans.

2.10 Together the three components of the work management system form the process by which ANTA's work activities are planned, monitored and reported on, and through which work activities and resources are agreed to by ANTA's Executive. The reporting mechanisms relating to individual project plans are currently being refined. This is discussed in more detail in the monitoring section below (paragraphs 2.24 to 2.25). The enhancements are due to be implemented in late July 1996. Once the new electronic database system is in place, information on Team Management and Project Plans will be distributed electronically and updated on-line.

2.11 As outlined in Figure 3, all the plans are linked and are well understood by staff. This provides a sound framework for achieving ANTA's objectives.

2.12 Staff performance agreements and personal development plans also flow from the planning process outlined above. ANTA has developed standard performance agreements for staff at various levels within the organisation. These are linked to the Team Management and Project Plans. Personal development plans for all staff have also been developed. These are linked to the standardised performance agreements and core competencies identified for each level.

2.13 ANTA is currently revising its staff development strategy in light of the changing operating environment. The new Corporate and Personal Development Framework has a greater corporate focus. The new framework, which will provide a structure for staff development activities within ANTA, has two primary components: corporate development strategy and personal development strategy.

2.14 The ANAO found that ANTA teams and staff have a very good understanding of their roles and responsibilities at all levels. These are clearly set out in the Team Management Plans, Project Plans and individual performance agreements. ANTA's broad program and organisational objectives and priorities are also reflected in the organisational structure. There is effective coordination between related projects and the span of responsibilities within each project team is organised to facilitate effective management by the Project Directors.

Figure 3: Planning structure for ANTA's core business
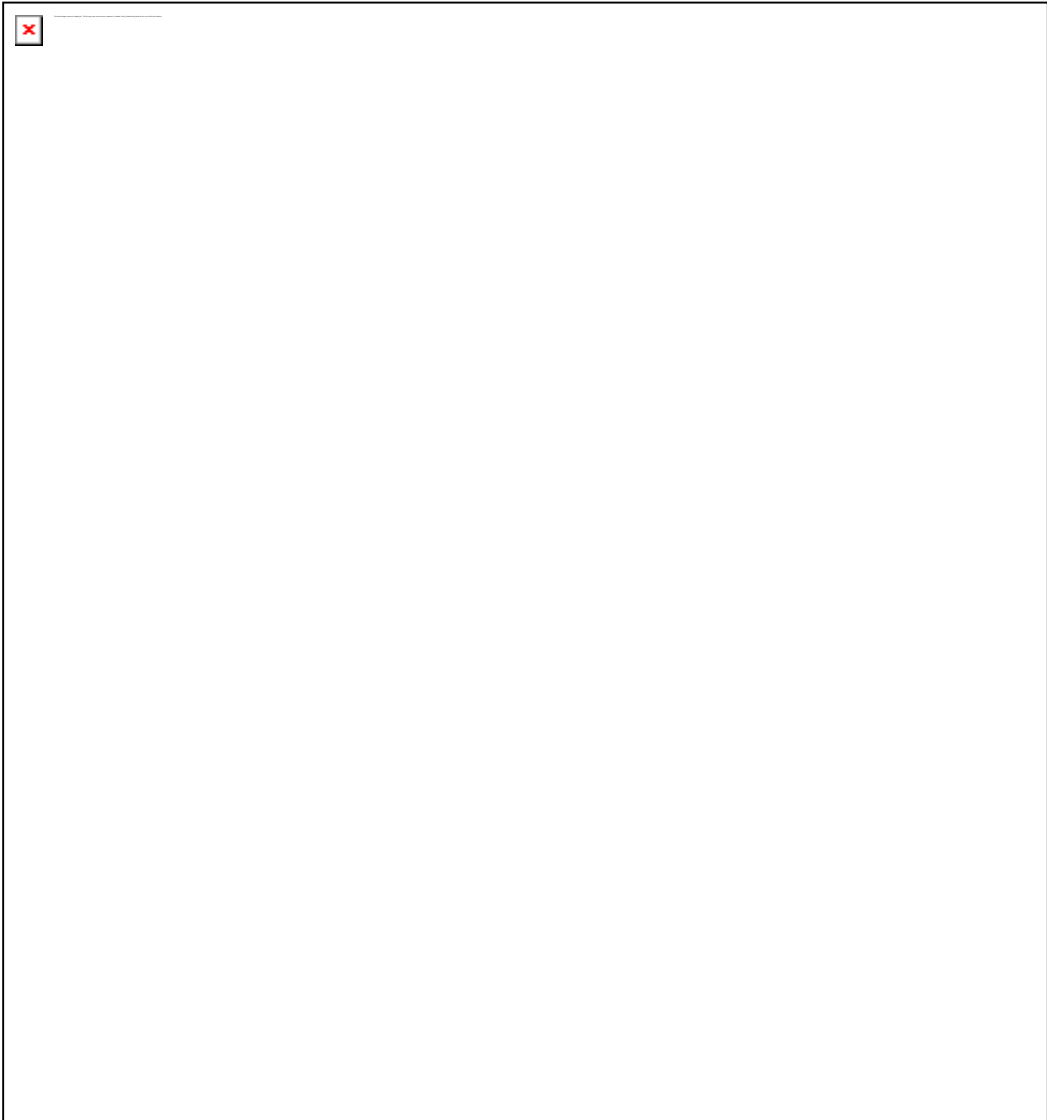
Summary - Planning

2.15 The ANAO found that ANTA's planning processes were of a high standard and covered all aspects of ANTA's core business. The Corporate, Strategic and Operational Plans are linked ensuring that ANTA's corporate goals and objectives are clearly understood at each level. Key performance indicators have also been identified within each plan.

2.16 Performance agreements and individual staff development plans are included in ANTA's planning structure and staff were found to have a very good understanding of their roles and responsibilities. ANTA's existing staff development strategy is currently being revised to take a greater corporate focus in light of the changing operating environment. Revisions for this purpose represent good practice.

Monitoring

Key Criteria

2.17 The ANAO examined the monitoring arrangements within ANTA to ensure that

monitoring against planned activities was being undertaken on a regular basis, that appropriate feedback was being provided and that mechanisms existed to ensure that action was being taken to improve performance where necessary.

2.18 Performance information is an important element of monitoring. Appropriate performance information is central to the effective assessment and measurement of program outcomes and performance. Performance indicators should be balanced [1], clear links should exist between objectives, strategies and indicators and the quality of service to clients should be assessed. Management information systems are also a key component in monitoring. Key systems should be developed to assist management and staff to efficiently and effectively fulfil their operational responsibilities.

2.19 As well as monitoring internal efficiency and effectiveness, ANTA has a significant role in monitoring the vocational education training system. This is mentioned briefly in paragraph 2.32 below and is discussed in more detail in Chapter 3.

ANTA's project monitoring

2.20 ANTA has established a system of project monitoring and reporting. This includes reporting to the Chief Executive Officer biannually on progress against Team Management Plans and monthly on individual project plans. These reports are discussed separately below. The ANAO also found that regular team meetings were organised by Project Directors to assess progress on projects. Project Directors indicated that they meet with their General Managers on a monthly basis (or more regularly as required).

Biannual reporting

2.21 Each project team is required to make a two hour presentation to ANTA's CEO and General Managers every six months. This presentation covers the progress of activities outlined in the Team Management Plans, achievements against the key performance indicators and milestones and any problems experienced by the team. It provides an opportunity for Directors to review priorities, receive feedback from the Executive and discuss further directions.

2.22 The presentations are structured so that representatives from each project team provide details on their respective areas of responsibility to the Executive. The ANAO found that this serves to reinforce their roles and responsibilities and create a sense of ownership thereby contributing to the better achievement of ANTA's goals.

2.23 Discussions with Project Directors and a review of the presentation notes indicated that monitoring and feedback provided as a result of this process were of a good standard.

Monthly reporting

2.24 Reports on the progress of individual projects against identified targets are provided to ANTA's Executive on a monthly basis. The ANAO found that formal progress reports had been provided until recently. The monthly reporting procedures are currently being revised and automated with the aim of further improving the process. In the interim, information on the progress against planned activities is provided to the Executive on a more informal basis.

2.25 ANTA's Quality Improvement Team is in the process of revising the monthly reporting procedures. The new proforma for the CEO's Monthly Management Reports

provides an appropriate monitoring tool for establishing progress against individual projects and ANTA's on-going activities. It is intended that the monthly reports will be prepared using an electronic database system. This will enable the CEO to provide feedback to Directors electronically as required. The new system will be implemented once the current organisational review is complete.

2.26 In addition to progress reports to the CEO, financial management reports are also produced on a monthly basis. These reports are discussed in more detail below in the section dealing with Financial Arrangements (paragraphs 2.64 to 2.65).

2.27 Figure 4 gives an overview of ANTA's system of project monitoring and reporting.

Performance Information

2.28 As mentioned in paragraph 2.18 above, performance information is an important requirement for effective project monitoring. Appropriate performance information, particularly in relation to project effectiveness, should enable judgements to be made on the extent to which project activities are achieving the desired results. It should also allow Directors to provide advice on the appropriateness, success and any shortcomings of projects.

Figure 4: ANTA's system of project monitoring and reporting

Source: ANTA

2.29 ANTA has developed both 'internal' and 'external' performance indicators which allow measurement of the economy, efficiency and effectiveness of ANTA's operations. Client service information is also being considered. The work undertaken in these areas is discussed below.

Internal Measures

2.30 Internal measures, namely the key performance indicators contained in the Team Management and Project Plans, cover:

- inputs (ie. resource allocation including staff);

- processes (ie. how things will be done, time frames);

- outputs (ie. what needs to be achieved - for example, completion of reports, development of promotional strategies and organisation of conferences); and

- outcomes (ie. the impact or consequences of the project beyond its direct outputs - for example, increased involvement and awareness of ANTA's activities by client groups, positive working relationship with Commonwealth, States and Territories).

2.31 Table 1 provides an example of the types of indicators identified for a particular component of the Enterprise Training project currently being undertaken by the Training Initiatives team.

Table 1: A selection of the performance indicators developed for the Enterprise Marketing Project

Project Title:	Enterprise Marketing
Purpose:	To develop, in collaboration with industry and training provider stakeholders, models for enterprise focused training and to implement strategies and products to support enterprise access to nationally recognised training.
Performance Indicators	
Input	Allocation of staff resources to the project.
Process	Collaborative development of models of national recognition of enterprise training through direct negotiation with industry and training provider stakeholders. April to November 1996.
Outputs	Implementation Plan developed with appropriate consultation occurring with other teams and with Executive. Alternative models of recognition of enterprise based training developed for consideration by Ministers in mid 1997. A product and delivery network developed based on outcomes of alternative models of recognition of enterprise based training. Six Industry Training Advisory Boards (ITABs) funded to develop models of enterprise assistance and the remaining ITABs using these models.
Client Service	Relevant information communicated in appropriate forms to enterprises and organisations with the VET system. An enterprise client service offered by ANTA which is organised, appropriate and known to all ANTA staff.
Outcomes	Increase in the adoption of recognised training by enterprises. Increase in responsiveness by State and Territory Authorities to the needs of enterprises. Increase in the profile of ANTA as a facilitator and 'broker' for enterprises in their access to and participation in, nationally recognised training. A new approach to Recognition of Enterprise-based Vocational Education and Training.

External Measures

2.32 External performance information is a complex issue. To achieve its objectives in relation to the VET system, ANTA is heavily reliant on cooperation by the States/Territories to access the necessary information. This is discussed in detail in Chapter 3.

Quality of Client Service

2.33 ANTA has identified internal as well as external client groups. Internal clients include the various committees which underpin the operations of ANTA, for example, the Ministerial Council (MINCO), the ANTA Board, the National Staff Development Committee and the Standards and Curriculum Council. The external client groups include the Industry Training Advisory Boards (ITABs) and the State and Territory Training and Recognition Authorities. Contact information relating to all these major client groups is included in the ANTA telephone directory.

2.34 The ANAO found that project teams which deal with external clients have a reasonable understanding of who their clients are and are focused on servicing their needs. Regular contact is maintained with the States/Territories, industry and service providers such as TAFEs. Feedback is also sought on the success and appropriateness of ANTA's activities. Those project teams whose clients are internal have also demonstrated this understanding.

2.35 Two examples of initiatives undertaken in relation to the quality of client service are set out below.

Example 1

The ITAB Liaison team has developed guidelines to assist the National ITABs in developing Industry Vocational Education and Training Plans. The guidelines outline the preferred content of these Plans which are used as the basis for discussions between ANTA and the ITABs about vocational education and training priorities of industries and the development of appropriate strategic responses to these priorities. A Guide to Training Priorities for National ITABs is also available. Internal procedures have been developed to assist ANTA staff in evaluating the project proposals submitted by the National ITABs.

To further enhance client service, the ITAB Liaison team is structured to ensure that individual ITABs need deal with only one ANTA officer to obtain all relevant information.

Example 2

The Strategic Policy and Public Affairs team commissioned a research report on the effectiveness of promotional activities associated with the 1995 Australian Training Awards. The aim of the project was to analyse the effectiveness (or otherwise) of the publicity surrounding the Awards together with the provision of strategic direction for the planning of future promotion in relation to both the Awards and vocational education and training as a whole.

2.36 ANTA has advised that it intends to further improve the quality of its client service through the Quality Improvement Initiatives Project. The project aims to:

- improve the quality of the outcomes delivered to ANTA's clients by increasing the focus on client needs and continuously improving the products and services provided; and

- improve the effectiveness of communication within ANTA, between its teams, and with its clients.

2.37 In addition, ANTA has advised that a Client Service Charter will be developed.

Management Information System

2.38 ANTA has a range of management information systems in place to assist staff in fulfilling their operational responsibilities. The FMIS is the principal financial management system.

2.39 Three subsidiary management information systems have been developed for internal use. These are the:

- Grant Administration Management Information System (GAMIS);

- Reservelink Electronic Funds Transfer facility; and

- Human Resource Management Information System (HRMIS).

2.40 ANTA is intending to develop an interface between the FMIS and the subsidiary systems in order to further improve the accuracy and accessibility of information.

2.41 FMIS has been identified by ANTA as a system crucial to its operations. Therefore, priority has been given to the development of a Disaster Prevention and Recovery Plan for the FMIS. The aim of the plan is to:

- prevent the accidental lost of data;

- increase ANTA's ability to recover quickly from any disaster; and

- increase security of the financial information and data presently housed in the finance area.

2.42 GAMIS presently covers National Programs but is in the process of being extended to cover National Projects, ie. to include all ANTA's grants programs. It was developed during 1994-95 to enable Project officers to monitor and manage programs or projects within a single system. GAMIS provides reporting capabilities on financial expenditure and commitments, as well as flexible reporting for other reference data and for project management purposes. On advice from internal audit regarding possible enhancements to system, a User Group was formed in December 1995 to collectively resolve and support the enhancements. A detailed user guide has also recently been distributed to all relevant staff.

2.43 Together the FMIS and GAMIS facilitate systematic monitoring of program and

project payments and commitments. A range of management reports relating to the major areas of ANTA's operations are produced and staff interviewed by the ANAO found the systems to be useful and adequate for their operational requirements. The Resource Management area intends to further improve flexibility in reporting.

2.44 Management information systems have also been developed for library services and records management.

2.45 As mentioned in paragraph 2.8 above, ANTA has developed an Information Technology (IT) Strategic Plan to assist in the achievement of ANTA's business objectives. An IT Operational Plan has also been developed which outlines the major projects for 1995-96. One of these projects is the implementation of a electronic database system throughout the organisation which ANTA advised will assist in improving the current project monitoring and reporting mechanisms. Although there have been delays, implementation is due for completion at the end of July 1996. Testing of the system by one of the project teams will commence shortly.

Summary - Monitoring

2.46 The ANAO found that ANTA's internal monitoring arrangements were of a good standard. A system of project monitoring and reporting has been developed to ensure that progress against planned activities is regularly assessed and reported to the Executive.

2.47 A range of performance indicators has been developed which allow ANTA to measure the economy, efficiency and effectiveness of its operations. ANTA has also identified its main internal and external client groups. Client service measures are in currently place, and ANTA intends to further improve to quality of its client service.

2.48 Management information systems have been also been developed. These systems not only assist staff in their duties but facilitate the effective monitoring of ANTA's operations through the production of a range of management reports.

Financial and control frameworks

2.49 The ANAO examined the mechanisms which ANTA has in place to ensure that appropriate financial and control frameworks had been developed. The mechanisms examined included:

- administrative practices;
- financial arrangements;
- risk management plans; and
- an internal audit function.

2.50 The key criteria and the ANAO's findings in relation to each of these systems are discussed separately below.

Administrative Practices

Key Criteria

2.51 The ANAO examined ANTA's internal administrative practices to ensure that:

- there are a set of directions, common to all staff, covering issues such as engagement of consultants, official travel, acceptance of gifts, use of telephones, Commonwealth vehicles and credit cards; and

- guidelines have been developed for all key systems and processes which clearly outline the related policies and procedures to assist staff in their duties.

2.52 These documents should provide clear direction and be accessible by all staff. They should be well written so that they are easy to follow and be regularly reviewed to ensure their accuracy, relevance and currency.

ANTA's Guidelines and Procedures

2.53 ANTA has developed clear and comprehensive policies and procedures relating to its key systems and processes. These are outlined in the *Administrative, Executive Secretariat and Operational Policies* (AESOP) manual which is distributed to all staff. The manual is divided into five parts as follows:

- Administrative and Operational Policies;

- Executive Coordination;

- Financial Policies and Operations;

- Human Resources Policies and Procedures; and

- Operation of the Work Management System.

2.54 The manual contains detailed information on ANTA's administrative processes and provides staff with sufficient guidance without being overly prescriptive. AESOP is reviewed periodically and improvements/additions made as necessary. For example, the protocol for arranging meetings with clients has recently been revised to ensure that a professional image is portrayed. ANTA's Occupational Health and Safety Policy and Agreement is also to be included in the manual.

2.55 ANTA advised that it is examining the possibility of making the AESOP manual available electronically to ensure that staff have ready access to the latest version.

2.56 Guidelines relating to specific aspects of ANTA's operations and project activities have also been developed. For example, a user guide for GAMIS has recently been distributed (paragraph 2.42) and detailed procedures are being developed to assist staff in evaluating project proposals submitted by the National ITABs (Example 2, p.15).

Financial Arrangements

Key Criteria

2.57 The ANAO examined ANTA's financial arrangements to ensure that:

- financial administrative activities are well coordinated and consistent throughout the organisation;

- systems are in place which easily allow:

- monitoring of expenditure against budget estimates at the necessary level of detail; and

- management to take appropriate decisions relating to the efficient allocation of resources;

- regular financial reports are produced which are consistent throughout the organisation, consider the needs of users and provide reliable, relevant and timely information for the purposes of project administration and control; and

- guidelines relating to the internal financial arrangements exist and appropriate training is provided to operational staff.

2.58 The financial accountability functions were not examined in this audit as they have been extensively reviewed by ANTA's internal auditors. A review of the internal audit reports indicated that ANTA's management has taken action on the recommendations made (discussed in more detail in paragraphs 2.75 and 2.76).

2.59 It should also be noted that the ANAO did not examine issues relating to forecasting financial requirements. This area has been covered by ANTA's internal auditors and the Department of Finance (DoF).

ANTA's financial arrangements

2.60 The Finance section of the Resource Management team is primarily responsible for ANTA's financial arrangements. The budget management process and financial monitoring and reporting are described in more detail below. The AESOP manual clearly outlines the guidelines and procedures in relation to financial and accountability arrangements.

Budget Management

2.61 ANTA has developed a budget management system to assist in the coordination and development of budget estimates and the monitoring and control of these budgets.

2.62 In response to recent internal reviews [2], ANTA is currently revising its budget management system. The Finance section is developing revised procedures to improve the basis on which budget estimates are compiled and to ensure greater accountability of budget outcomes. These enhancements include the:

- development of a proforma 'Budget Pack' to assist Directors in developing realistic project and directorate budgets;

- organisation of budget conferences; and

- provision of further training to senior staff to support the implementation of the changes.

2.63 However, these projects are currently on hold pending the review of the organisational structure.

Financial monitoring and reporting

2.64 The Finance section produces comprehensive financial management reports on a

monthly basis. The *Resource Management Report* provides details on the status of ANTA's internal operating accounts, expenditure, staffing and other financial reports (see Figure 4) and is prepared for a variety of audiences:

- the CEO receives reports relating to the organisation as a whole;

- General Managers receive reports for the teams for which they are responsible; and

- Project Directors receive detailed expenditure reports for all current projects.

2.65 These reports allow appropriate monitoring of expenditure and staff interviewed by the ANAO indicated an overall satisfaction with the quality of the reports. They were considered to be timely and proved to be a useful reconciliation tool. Accrual financial reports are prepared to assist management on this basis. The Finance section provides assistance and training to staff to ensure that reconciliations can be easily undertaken.

2.66 The Finance section is also responsible for maintaining the financial management information systems outlined in paragraph 2.39 above and providing appropriate systems reports to meet client needs.

2.67 In February 1996, the Resources Management team commenced a benchmarking exercise in consultation with DoF to examine the level of administrative expenditure. Although this exercise is currently on hold pending completion of the organisational review, the undertaking of benchmarking represents good practice.

Risk Management Plans

Key Criteria

2.68 The ANAO examined ANTA's internal operations to determine whether potential risks to the organisation's activities had been identified and were being managed appropriately. The *Guidelines for Managing Risk in the Australian Public Service (Exposure Draft),* issued by the Management Advisory Board and its Management Improvement Advisory Committee (MAB/MIAC) in July 1995, suggests adopting a structured step-by-step process for risk management. This involves an integrated, structured and formalised approach to the identification, analysis, assessment, treatment and monitoring of risk. The management of risk should occur at all levels of an agency and throughout the development and implementation of a policy, program or project.

ANTA's risk management

2.69 The ANAO was advised that ANTA had commenced a risk assessment and fraud control process in 1995 which identified risks to the organisation and a strategy to address these risks. The need for training on risk management and fraud awareness to be provided to all staff was also highlighted.

2.70 As well, the Strategic Internal Audit Plan for July 1995 to June 1997 includes a basic risk analysis. Areas of risks within ANTA were identified and assessments made concerning the acceptable degrees of risk (ie. the potential for loss, misappropriate and/or inefficiency).

2.71 ANTA has given priority to the development of a Disaster Prevention and Recovery

Plan for the FMIS as discussed above in paragraph 2.41. Work on the development of a Risk Assessment and Fraud Control Plan will continue once the review of ANTA's organisational structure is complete. ANTA advised that it intends to complete the Plan by the end of June 1997. In finalising the Plan and in line with government policy directives, the ANAO considers that priority should be given to completion of the Fraud Control component.

Internal Audit Function

Key Criteria

2.72 There should be an internal audit review function to regularly monitor and review the performance of ANTA's activities including financial management and administration. Mechanisms should also be in place to monitor the progress and appropriateness of action taken against any recommendations made by internal audit which had been agreed to by ANTA.

Internal Audit

2.73 ANTA has entered into a three year agreement with an external company for the provision of internal audit services. An Internal Audit Charter has been developed outlining the objectives, scope, authority, methodology and standards, management and reporting arrangements agreed between ANTA and the external company.

2.74 As mentioned, a Strategic Internal Audit Plan has been developed which provides a broad coverage of ANTA's administrative and financial processes. A risk analysis has also been undertaken (as outlined in paragraph 2.70 above). The Internal Auditor reports directly to the CEO and progress on the action taken on any recommendations is reported on a quarterly basis.

2.75 Areas relating to ANTA's financial control and accountability have been extensively reviewed by Internal Audit. These include: the budget monitoring system and its relationship with the work management system, the financial management information systems and issues relating to general financial policies and procedures.

2.76 In the majority of cases ANTA's management has accepted internal audit's recommendations and these have led to improvements in the effectiveness of the areas examined. For example, the operations of GAMIS and the support provided to users has been greatly enhanced as a result of recommendations made by internal audit.

2.77 ANTA's offices in Melbourne and Canberra offices have also been reviewed to ensure that they are operating according to ANTA's guidelines and procedures.

Audit Committee

2.78 An Audit Committee was appointed in June 1994. The Committee, which comprises the Deputy Chair of the ANTA Board and two external members, meets between two and three times a year to consider the internal audit strategic plan, internal audit reports and to review the financial statements. The Committee receives regular reports on financial management issues and management action taken in respect of any internal audit recommendations accepted by ANTA. A representative from the ANAO's Financial Audit Business Unit attends the meetings as an observer.

ANAO comment

2.79 As with any Commonwealth agency where the internal audit function is being outsourced, it is important that appropriate mechanisms are in place to ensure that the internal auditors have a good understanding and working knowledge of the agency itself and the requirements of good corporate governance in the public sector context.

Summary - Financial and Control Frameworks

2.80 The ANAO observed that ANTA has either implemented, or commenced implementation of, most of the necessary systems to provide sound and appropriate financial and control frameworks. The ANAO found that:

- ANTA's administrative practices are of a high standard. Clear and comprehensive policies and procedures relating to key systems and processes have been developed;

- a budget management system has been established to assist in the coordination and development of budget estimates. Proposed enhancements to the system are on hold pending completion of the organisational review;

- comprehensive reports are produced for the purposes of financial monitoring. Assistance and training in areas such as financial management and reconciliation are also provided to users as necessary;

- ANTA had commenced work on a Risk Assessment and Fraud Control Plan which will continue once the organisational review is complete. Priority has been given to the development of a Disaster Prevention and Recovery Plan for the FMIS; and

- an Internal Audit function had been established. A Strategic Internal Audit Plan has been developed and areas relating to ANTA's financial control and accountability have been extensively reviewed. An Audit Committee, comprising members from the ANTA Board, has also been appointed.

Overall conclusion

2.81 The ANAO concluded that ANTA had implemented most of the key controls necessary to establish a sound management and control framework.

2.82 ANTA regularly reviews its internal administrative policies and practices to ensure that they reflect the current operating environment. The ANAO considers this to be a sound management practice.

2.83 The ANAO notes that a number of projects are currently on hold pending completion of the review of ANTA's organisational structure. The ANAO considers that ANTA should ensure that, where appropriate, work on these projects resumes once the review is finalised.

3. Reviews and External Performance Measurement

This chapter briefly outlines the findings of the high-level reviews of ANTA. The work undertaken by ANTA to provide appropriate performance measurement in the VET sector is also discussed.

Introduction

3.1 A number of reviews of ANTA have been undertaken since it was established in 1994. These were listed in paragraph 1.9. The reports of these reviews were entitled:

- Successful Reform;

- A Best Kept Secret;

- Report of the inquiry into the Australian National Training Authority;

- Report of the Review of the ANTA Agreement; and

- Review of the Implementation of Performance Measurement in VET.

3.2 Each of these reviews is discussed briefly below. However, it should be noted that the ANAO did not seek to determine whether the recommendations of the reviews had been actioned or implemented. Many of the issues raised by the reviews and encompassed by the recommendations were related to policy and many did not have a direct bearing on the internal administrative effectiveness of ANTA's management and control framework. For these reasons many aspects of the reviews were beyond the scope of the audit.

3.3 However, a common finding throughout the reviews related to performance measurement for the VET system. Given the importance of being able to assess the effectiveness of the VET sector, the ANAO examined work undertaken by ANTA to improve external performance measurement.

Reviews

Successful Reform

3.4 The Allen Consulting Group conducted a review of the implementation of the national training reforms in training providers and workplaces in 1994. The review focussed on the delivery, assessment and recognition of training. The report, known as the Fitzgerald Report, made a number of recommendations, one of which related to performance measurement. The aim of this recommendation was to ensure that reforms were driven by a focus on measurable outcomes rather than just on inputs and processes.

A Best Kept Secret

3.5 The House of Representatives Standing Committee on Employment, Education and Training examined the role and effectiveness of group training companies (GTCs). The Report was tabled in March 1995. The recommendations made by the Committee related to the perceived need to more closely integrate GTCs within the vocational and training infrastructure. One of the Committee's recommendations indicated that agreement should be sought from the Commonwealth, States and Territories to collect a single set of statistical information.

Report of the inquiry into ANTA

3.6 The Senate Employment, Education and Training References Committee examined the role of ANTA in relation to the agreements within the States and Territories, evaluated planning and examined the development of performance measures. The Report was tabled in November 1995. The Committee made a number of recommendations, two of which related to the need for the development of:

- suitable performance outcome measures; and

- a reliable system for collecting national training statistics.

Review of the ANTA Agreement

3.7 The Review of the Agreement on a National Vocational Education and Training System (the ANTA Agreement) was established by the then Prime Minister on behalf of the Heads of Government in August 1995. This was consistent with a requirement that the Agreement be subject to review before the end of 1995. The Review was completed in February 1996 and examined roles and responsibilities, funding arrangements, resource allocations, national recognition, access and equity, and cross sectoral links.

3.8 The Review noted that national data for the vocational education and training system were inadequate for performance measurement and assessment, public accountability and system management. The Report made a number of recommendations, including in relation to:

- improving the accuracy, comprehensiveness, coverage, comparability, timeliness and relevance of vocational education and training data; and

- establishing key performance measures to be agreed by ANTA CEOs for endorsement by MINCO.

Review of Implementation of Performance Measurement in VET

3.9 In 1995 ANTA requested the Boston Consulting Group (BCG) to undertake a review of performance measurement in VET to identify problems and recommend solutions in relation to the collection and reporting of data by the States and Territories against four key performance measures (KPM) for the VET sector.

3.10 From 1991 a common standard for data collection has been under development under the direction of the Australian Committee on Vocational Education and Training Statistics. After the adoption of the ANTA Agreement MINCO decided to introduce key performance measures to enhance transparency and efficiency in the VET sector. This decision was supported by the Council of Australian Governments (COAG).

3.11 In 1994 MINCO agreed on the following input and output performance measures:

- planned versus actual student contact hours;

- module completion;

- course completions; and

- cost per student contact hour.

3.12 The first year for measurement was to be 1994 with the KPMs to be published in the

1995 ANTA annual report. It became clear at the August 1995 MINCO meeting that data were not comparable across the States and Territories. In order to understand what the problems were BCG held extensive consultations with stakeholders from throughout the VET sector and analysed the data from the 1994 collection. In relation to the collection and reporting of comparable data BCG reached the following conclusions:

- 1994 data were not sufficiently comparable across the States and Territories to make their publication worthwhile;

- there was a degree of ambiguity in the definitions being used but definitions may need to change rapidly because of the dynamic nature of the VET sector;

- the States and Territories were concerned that (sub standard) data would be used to determine resource allocations; and

- there were concerns that the KPMs capture only some dimensions of performance. In particular, there were concerns that a strong focus on these dimensions might result in counter-productive behaviour (for example, boosting completion rates at the expense of quality outcomes).

3.13 BCG noted that performance information based on comparable data, in the short term, could be obtained only through making necessary adjustments to data to allow for differences in collecting and reporting between jurisdictions. In the longer term improvements could be expected through the improvements to the national management information system.

Action taken by ANTA

3.14 In response to both the concerns expressed by MINCO in August 1995 and the findings of the BCG Report, ANTA established a Working Group. The Group was headed by one of ANTA's general managers and comprised three State officials selected for their statistical expertise. The objective of the Working Group was "to capture the performance information necessary to allow a diagnostic approach to the strengths and weaknesses of the VET sector in addition to illustrating the diversity of the sector as a whole and its position within the post school sector as a whole".

3.15 At the request of the ANTA CEO's Committee, protocols were agreed for the conduct of this work and a State/Territory/DEETYA Reference Group was consulted.

3.16 The Working Group completed a report on Key Performance Measures in June 1996 but noted that "The present report is an interim step agreed to by CEOs in February 1996 for the purposes of providing Ministers with information on a range of key performance indicator for possible inclusion in the Annual National Report' The report and the adjustments made to the data in order to allow interstate comparisons were agreed by the Working Group.

3.17 It is important to note that as a result of action taken by the Working Group valid interstate comparisons of data are possible for the first time for the VET sector. As well, the approach taken by the Working Group and their report may also assist in the development of longer term arrangements for performance measurement. It should also contribute to the work being undertaken by COAG into performance measurement of government service delivery as it relates to vocational education and training.

Conclusion

3.18 The ANAO notes the extensive efforts made by ANTA in conjunction with the States and Territories to develop appropriate performance measures for the VET sector. This is a complex and sensitive task which requires the cooperation and support of all stakeholders.

3.19 ANTA has taken action in line with recommendations relating to performance information from the above reviews.
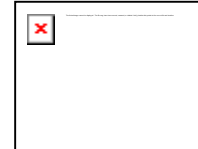
Canberra ACT

7 August 1996

P. J. Barrett

Auditor-General

1

A range of performance indicators should be used. These should be input, process, output and outcome-oriented and also address the quality of client service. It is important to have a balanced range of performance indicators which enable an assessment of the program's economy, efficiency and effectiveness.

2

Internal Audit report 2/96 and an internal review undertaken by the Finance section.

Appendix 1 - Performance Audits in the Employment, Education, Training and Youth Affairs Portfolio

Set out below are the titles of the reports of the main performance audits by the ANAO in the Employment, Education, Training and Youth Affairs Portfolio tabled in the Parliament in the past three years.

Audit Report No.14 1993-94
Growth, Change and Equity -Recurrent Funding of Higher Education

Audit Report No.34 1993-94
Department of Employment, Education and Training
Implementation of a New Program
- Landcare and Environment Action Program (LEAP)

Audit Report No.40 1993-94
Department of Employment, Education and Training -Information Technology Security

Audit Report No.5 1994-95 *Follow-up Audits*
Department of Employment, Education and Training
- New Enterprise Incentive Scheme (NEIS)
- Protective Security
- AUSTUDY

Audit Report No.23 1994-95 *Follow-up Audit*
Department of Employment, Education and Training
English as a Second Language

Audit Report No.30 1994-95
Commonwealth Government Information and Advertising

Audit Report No.3 1995-96
CES Case Management -Department of Employment, Education and Training

Audit Report No.23 1995-96
Procurement of Training Services
Department of Employment, Education, Training and Youth Affairs

Audit Report No.25 1995-96
Performance Information
Department of Employment, Education, Training and Youth Affairs

Audit Report No.30 1995-96
Implementation of Competition in Case Management
Employment Services Regulatory Authority
Department of Employment, Education, Training and Youth Affairs