

Program Evaluation in the Australian Public Service

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Canberra ACT
28 September 1997

Dear Madam President
Dear Mr Speaker

In accordance with the authority contained in the *Audit Act 1901*, the Australian National Audit Office has undertaken a performance audit of program evaluation and I present this report and the accompanying brochure to the Parliament. The report is titled *Program Evaluation in the Australian Public Service*.

Yours sincerely

A handwritten signature in black ink, appearing to read 'P. J. Barrett'.

P. J. Barrett
Auditor-General

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

The Auditor-General is head of the Australian National Audit Office. The ANAO assists the Auditor-General to carry out his duties under the Audit Act to undertake performance audits and financial statement audits of Commonwealth public sector bodies and to provide independent reports and advice for the Parliament, the Government and the community. The aim is to improve Commonwealth public sector administration and accountability.

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Abbreviations

ANAO	Australian National Audit Office
APS	Australian Public Service
ATSIC	Aboriginal and Torres Strait Islander Commission
BIE	Bureau of Industry Economics
CEO	Chief Executive Officer
DAEC	Departmental Audit and Evaluation Committee
DHFS	Department of Health and Family Services
DIMA	Department of Immigration and Multicultural Affairs
DIST	Department of Industry, Science and Tourism
DMC	Departmental Management Committee
DoF	Department of Finance
EAC	Evaluation and Audit Committee
NPP	New Policy Proposals
OEA	Office of Evaluation and Audit
PAC	Performance Assessment Committee
PBS	Portfolio Budget Statements
PEP	Portfolio Evaluation Plan
PIR	Performance Information Review
PMB	Program Management and Budgeting
SO	Savings Options
ToRs	Terms Of Reference

Summary and Recommendations

Summary

Program evaluation

1. Program evaluation is clearly one of the critical tools available to assess program performance. Program evaluation (commonly referred to simply as 'evaluation') is the systematic assessment of the appropriateness, effectiveness and/or efficiency of a program, or part of a program. As such, it is of considerable value both to agency managers, external decision-makers and other stakeholders.
2. The concept of evaluation was highlighted in 1987-88 as being integral to the successful implementation of the Program Management and Budgeting (PMB) reforms. These reforms were introduced with the specific aim of making the Australian Public Service (APS) more responsive to client needs and more efficient, effective and accountable.
3. Program evaluation has also had a 'marked impact on the Budget'.¹ A Department of Finance (DoF) survey showed that evaluation findings had provided better information to inform Cabinet deliberations, thus indicating one of the key benefits of timely and effective evaluation.
4. Since the late 1980s, there has been a number of mandatory requirements in place in relation to evaluation planning and the publication and use of evaluation results. However, DoF and other APS agencies have felt that these requirements can often lead to a predominantly process oriented approach. Accordingly, a new approach is currently being developed by DoF, in consultation with other APS

¹ Department of Finance, 1994, *The use of Evaluations in the 1994-95 Budget*, Finance Discussion Paper, p.7.

agencies. The new approach, which revolves around a number of identified principles, is designed to ensure that evaluation becomes an integral part of a broader performance management framework across the APS.

5. As well, program evaluation is a key component of Corporate Governance². Along with performance indicators and other measures, evaluation assists in providing credible accountability information to assure the Chief Executive Officer (CEO) on internal control and management of the organisation, the planning and review of its operation and progress, and ensures consultation and constructive feedback on its program activities.

Audit objective and criteria

6. The objective of the audit was to examine the effectiveness of the management and control of program evaluation in the APS.

7. The ANAO made an assessment against criteria which were designed to test whether agencies were undertaking evaluations in a way which would enhance their overall effectiveness. The detailed criteria are outlined at the beginning of each chapter. The main issues examined were:

- approaches to evaluation planning;
- the conduct of individual evaluations;
- the quality of evaluation reports; and
- the impact of evaluations.

Audit methodology

8. The methodology for this audit had three components:

² For more information about Corporate Governance, refer to the ANAO's 1997 publication: *Principles for Core Public Sector Corporate Governance*.

- an in-depth review of evaluation in the following four agencies:
 - Department of Health and Family Services (DHFS);
 - Department of Immigration and Multicultural Affairs (DIMA);
 - Department of Industry, Science and Tourism (DIST); and
 - the Office of Evaluation and Audit (OEA);³
- a review of the quality of a sample of completed evaluation reports drawn from all portfolio coordinating agencies⁴. The reports were assessed against various aspects of quality related to areas such as terms of reference, methodology, relationship of conclusions to data and evaluation recommendations; and
- a survey of evaluation activity in all APS portfolio coordinating agencies.

9. A number of consultants with evaluation skills and experience was employed to assist in the conduct of the audit. The ANAO also established an Audit Reference Group, which included membership from DoF, to provide specialist advice on such matters as a possible audit approach, criteria, questionnaire design and the likely future direction of evaluation.

Audit conclusion

10. In examining the effectiveness of the management and control of evaluation in the APS, the ANAO found that a number of aspects of the management and control framework were operating adequately. However, there were particular areas where there was significant scope for further

³ The OEA is the evaluating and auditing arm of the Aboriginal and Torres Strait Islander Commission (ATSIC).

⁴ Portfolio coordinating agencies are classified as those agencies required under DoF guidelines to produce Portfolio Evaluation Plans (PEP), which includes all portfolio departments plus the Department of Veterans' Affairs, Department of Administrative Services and ATSIC but excludes the parliamentary departments.

improvement. The results in relation to each of the audit criteria are set out below:

- the ANAO found that the development of an overall evaluation plan in agencies was generally satisfactory, with most agencies involving the responsible Ministers and the agency executive. Further improvements could be made by:
 - establishing a formal framework aimed at ensuring that evaluation planning considered major issues of strategic importance;
 - providing clear links in corporate/business plans to the evaluation strategy to ensure that evaluation activities are relevant to, and directly inform, decision-making; and
 - ensuring that the findings of evaluations are used to review performance information, particularly to test the validity of performance indicators and refine their usefulness;
- the ANAO found that agencies generally had mechanisms in place aimed at assisting a quality outcome in the conduct of individual evaluations. These mechanisms included bringing together the required level and mix of evaluation skills; providing an adequate range of guidance material; and establishing executive evaluation committees and/or steering committees, with responsibility for monitoring the progress of individual evaluations. However, the audit also identified areas where further improvement could lead to better performance, as follows:
 - effective monitoring mechanisms need to be implemented to minimise the risk of slippage in evaluation timeframes and help ensure that the results of evaluations are available to feed into decision-making at key points;
 - the roles and responsibilities of key participants in the evaluation process need to be clearly defined; and

- the areas of concern identified in the review of the quality of evaluation reports in relation to evaluation processes and/or report writing need to be addressed. Agencies need to determine whether the concerns raised about the quality of reports stem from a gap in analytical abilities, or a lack of knowledge of appropriate methodologies, or simply, an inability to provide the appropriate information in the final report;
 - the ANAO found that agencies had some strategies and processes in place to help ensure that evaluations had an impact, for example, in endorsing and monitoring the implementation of evaluation recommendations. However, the ANAO also found that many agencies could not fully gauge the effectiveness of evaluations because the mechanisms needed to establish the full cost and impact of evaluation activities had not been implemented. As well, the impact of evaluations could be improved by publicly releasing the results of evaluations wherever possible, particularly to encourage useful feedback from the various stakeholders and facilitate improvements.
- 11.** Given the resources involved in planning and conducting evaluations, it is essential for agencies to ensure that evaluation activity achieves the desired impact. This is particularly important considering the key role that evaluation should play in the policy development and performance assessment framework.

Recommendations and better practice principles

- 12.** The ANAO has made a number of specific recommendations aimed at further improving the planning, conduct and impact of evaluations undertaken in those agencies examined as part of its in-depth review.

13. At the end of each chapter of this report there is a section on better practice principles which have relevance for all agencies. Their aim is to enhance the management and control of evaluations across the APS. The principles have been drawn from issues raised during the course of this audit and, therefore, are not necessarily exhaustive in terms of what individual organisations might need to do. However, they are expected to be useful for any management consideration of their approach to evaluation as a tool for performance improvements.

14. The model for managing evaluation in a particular agency will be affected by the agency's general management philosophy and the environment in which it operates. Agencies should examine the report, particularly the issues covered and suggestions for good practice, to determine what mix of approaches best suit their own agency's situation and program management.

Agencies' responses

15. The four agencies examined as part of the in-depth study agreed with all the recommendations made in this report.

16. ATSIC/OEA consider that the audit makes a useful contribution to the management of evaluation and that the better practice principles, identified in the audit, are very relevant. DHFS agreed with the thrust of the audit findings and has started action to address the recommendations. DIMA noted that the audit provides a rich source of ideas for improvement and that the development of the better practice principles is particularly welcomed and timely. DIST indicated that it had been awaiting the outcomes of this audit to use as input into the development of a more strategic approach to evaluation management and that this report provides useful information and advice on how agencies can ensure that evaluation is an integral part of performance management.

Key Findings

Approaches to evaluation planning

17. In examining the development of an overall evaluation plan, the ANAO sought to establish:

- the extent of executive involvement in the evaluation planning process;
- the strategies that agencies have developed to guide evaluation planning; and
- the extent to which evaluation planning was linked with other planning and program management activities, including performance monitoring and assessment.

Executive involvement

18. The responsible Ministers and the agencies' executive were involved in evaluation planning in the four agencies examined in-depth by the ANAO. In relation to the APS as a whole, the survey indicated that all agencies had mechanisms for involving the executive in evaluation planning. Both the in-depth review and the survey indicated that agency executive involvement was generally achieved through participation in executive evaluation committees responsible for evaluation matters.

Strategic direction

19. The in-depth review showed that only the DHFS had established a strategic framework for planning evaluations. This framework had been approved by the agency's executive. The ANAO found that, while there were underlying factors which influenced the development of evaluation plans in DIMA, DIST and the OEA, those agencies had not established a formal

framework aimed at ensuring that evaluation planning considered issues of strategic importance. There would be benefit in these agencies considering the DHFS approach to help ensure that evaluation planning identifies those matters likely to have the greatest impact.

20. The survey results indicated that only a minority of evaluations was aimed at examining the appropriateness of new or established programs and/or the development of policy advice. As well, the survey clearly shows that a significant amount of evaluation activity was being directed at matters below program level.

Linking plans

21. Two of the four agencies in the in-depth review (DHFS and DIMA) had established links between their corporate plans and evaluation planning. DIST and the OEA were updating their corporate/business plans. The survey showed that 25 per cent of agencies do not refer to evaluation specifically in their corporate/business plans.

22. The ANAO considers that links between evaluation and the corporate/business plans could be further improved by agencies adopting a combination of the DHFS and DIMA approaches. In DHFS, the corporate plan provided a clear link to the evaluation strategy to be pursued. In DIMA, while it was not evident that the corporate plan was a primary influence on the development of the evaluation plan, evaluation activities did inform decision-making and indirectly influence the development of subsequent corporate plans.

23. In relation to links between evaluation and performance monitoring and assessment, the in-depth review found that all agencies had begun to adapt their evaluation functions to better integrate evaluation into the performance management framework. As well, the majority of agencies surveyed stated that on-going performance measurement and reporting systems

influenced the planning and conduct of evaluations. The ANAO would again stress the importance of performance information and its review as part of the agency's corporate governance framework.

24. The survey indicated that the areas where agencies identified the greatest number of instances of minimal or no impact from evaluations completed in 1995 and 1996 were:

- the development of ongoing performance measures; and
- the refinement of existing performance measures.

25. The ANAO considers links between evaluation and performance information can be strengthened by ensuring that the findings of evaluations are used to review performance information, particularly performance indicators to test their validity and refine their usefulness.

26. Both the in-depth review and the survey found that the majority of agencies had established links between evaluation and other external review activities. As well, strong links had been established with internal audit.

Conduct of individual evaluations

27. The ANAO examined the following key practices which contribute to a quality outcome from the conduct of evaluations:

- availability of evaluation skills;
- provision of effective guidance to relevant staff;
- monitoring the conduct of evaluations; and
- reviewing the quality of evaluations.

Evaluation skills

28. The in-depth review showed that agencies had mechanisms in place aimed at bringing together the required level and mix of evaluation skills. As well, the need for general project and contract management skills was highlighted.

29. However, the quality review of evaluation reports across the APS raised concerns about specific skills; in particular, analytical abilities and knowledge of appropriate methodologies. Similarly, the survey indicated that agencies consider these two abilities to be in most need of enhancement, development or acquisition.

30. The survey also highlighted some concerns in relation to the availability of training in advanced evaluation techniques. The ANAO acknowledges that, while DoF provides some basic evaluation training, there are also relevant courses available through academic institutions which can cover more technical aspects of evaluations.

Guidance

31. The in-depth review and the survey found that an adequate range of evaluation guidance material was available. This included the provision of written guidance material and/or evaluation personnel who could be available to provide advice on evaluation matters.

32. Two agencies in the in-depth review had developed internal evaluation guides tailored to suit their particular situations. These guides were in addition to the guidance material produced by DoF. The ANAO considers that, where an internally prepared evaluation guide is provided, it is important to ensure that:

- the guide is made available to all parties involved in evaluations;

- the guide is reviewed on a regular basis to ascertain its relevance and updated as necessary; and
- the guide is endorsed at the appropriate level in the agency.

Monitoring individual evaluations

33. All three components of the audit showed that most agencies have executive evaluation committees and/or steering committees which have responsibility for monitoring the progress of individual evaluations. However, the in-depth review showed that the role of the executive evaluation committee and/or steering committees in monitoring the progress of individual evaluations was not always effective in ensuring that evaluations met their agreed time-frames.

34. The ANAO considers that it is important for agencies to establish effective monitoring mechanisms. This will minimise the risk of slippage and help ensure that the results of evaluations are available to feed into decision-making at key points.

35. As well, it may be useful for agencies to clearly set out the roles and responsibilities of key participants in the evaluation process. The DHFS has produced a document outlining the 'Principles for the conduct of evaluation' (see Appendix 4) which the ANAO considers to be an example of good practice in this area.

Reviewing the quality of evaluations

36. The in-depth review and the survey indicated that processes for reviewing the quality of evaluations involve, in most agencies, a combination of executive evaluation committees, individual steering committees, evaluation units and/or program management. However, the audit raised a number of concerns in relation to the quality of evaluation reports. These are discussed in Chapter 4 below.

37. The ANAO considers it is important that agencies adopt effective assurance and review mechanisms to

deliver a quality, reliable and timely product, the results of which should be fed into decision-making at all relevant levels of the agency.

Quality of evaluation reports

38. A review of a sample of completed evaluation reports from each portfolio agency was undertaken to make an assessment of the quality of the reports. The quality review demonstrated that evaluation reports range in standard from poor, through being just acceptable to those which included all essential features.

39. The quality review found that there were many examples of good practices in evaluation reports. In particular, the majority of evaluations examined did not have weaknesses such that the value of the evaluation report would be adversely affected and most fully addressed their Terms of References (ToRs).

40. The most prevalent weaknesses in reports related to:

- the failure to clearly identify terms of reference or to address them;
- the lack of a clear description of the methodology used;
- the inappropriateness and/or poor quality of data collection and analysis;
- conclusions being reported without supporting data or which contradicted the data; and
- recommendations being included without identification of priorities or likely benefits.

41. Weaknesses such as these clearly reduce the usefulness of the evaluation report and its findings for decision-making. The ANAO recognises that these weaknesses may reflect problems in the evaluation

process rather than just a problem of report writing. It is therefore important that agencies identify where the weaknesses lie and take appropriate action to improve the evaluation processes and/or reporting as necessary.

Impact of evaluations

42. The ANAO sought to establish whether agencies had strategies and processes in place to help ensure that evaluations have an impact. The strategies and processes examined by the ANAO include:

- communicating evaluation findings and recommendations to stakeholders;
- monitoring the implementation of recommendations; and
- assessing the costs and benefits of evaluations.

Communicating evaluation findings and recommendations

43. The in-depth review showed that the distribution of evaluation reports to stakeholders is often determined on a case-by-case basis. As well, evaluations are not always reported in public reports, such as annual reports and Portfolio Budget Statements (PBS), as required by the relevant guidelines. When they are, only limited information on the conduct and outcomes of evaluations is provided.

44. The survey indicated that 25 per cent of evaluations conducted in 1995 and 1996 were not released to the public. The ANAO notes that one agency did not publicly release any evaluations completed in 1996 or provide relevant information in its annual report and the PBS.

45. To ensure the transparency and accountability of evaluations, it is important that the results of evaluations are publicly released. Where evaluations

contain sensitive information which should not be widely released, consideration should be given to the distribution of a summarised version which does not discuss the detail of sensitive issues. This has been part of evaluation reporting guidance for many years.

Monitoring the implementation of recommendations

46. The in-depth review showed that all agencies had processes in place for endorsing evaluation recommendations and monitoring the progress in implementing agreed recommendations. Where responsibility for endorsing and implementing evaluation recommendations was devolved to program managers, the agency executive maintained overall responsibility for monitoring the implementation of evaluation recommendations. The approach taken by DHFS, where accountability for implementing evaluation recommendations is included in performance agreements, provided a useful mechanism. The ANAO encourages other agencies to consider such an approach as a means of strengthening accountability.

47. In relation to the APS as a whole, the survey indicated that most agencies had sufficient processes in place to monitor the implementation of evaluation recommendations. As well, many agencies required program managers to translate agreed recommendations into action plans. The ANAO considers that there is benefit in agencies developing implementation action plans and providing regular reports on progress to the executive. This would allow an assessment to be made on the timeliness of implementation action as well as providing information on any difficulties being encountered. It would also be a useful element of assurance to stakeholders.

Costs and benefits of evaluations

48. The in-depth study and the survey showed that only a small number of agencies were able to identify the full cost of evaluations, including corporate

overheads. The ANAO notes that the full (accrued) costs of undertaking evaluations will be required to be identified and attributed to the cost of the relevant agency output(s) under the new accrual based resource management framework.

49. In relation to the impact of individual evaluations examined in the in-depth review, three of the four evaluations in DHFS and DIST had an impact on policy development and improvements in operational efficiency respectively. However, it was difficult to assess the actual impact of the evaluations examined in DIMA because some of the recommendations had been overtaken by significant changes in policy. The program which was subject to the OEA evaluation was terminated shortly after the evaluation report was published but it is not clear whether the program was terminated as a result of the evaluation.

50. The survey also showed that less than 50 per cent of agencies had mechanisms in place to record and report on the impact of individual evaluations.

51. In view of the substantial investment of resources in evaluations across the APS, it is important for agencies to have some understanding of the results being achieved. Therefore, it would be useful to gauge whether evaluations provide a meaningful input to policy deliberations and whether they are effective in achieving administrative improvements. Agencies could consider the use of post evaluation assessments of impact or other mechanisms, such as establishing an appropriate data collection system, as a means of identifying those features that contribute to successful outcomes.

52. DoF's analysis of the impact of evaluations (which was based on a wider definition of evaluation and specifically examined impact in the budget context) concluded that evaluations had a marked impact in the budget context between 1990-91 and 1994-95.⁵

⁵ DoF has not undertaken a specific analysis of the impact of evaluations since 1994-95. Since 1995-96 DoF has been undertaking a Performance Information Review (PIR), in conjunction with

Recommendations

Set out below are the ANAO's recommendations aimed specifically at improving the planning, conduct and impact of evaluations in DHFS, DIMA, DIST and the OEA. The Report paragraph reference and the agencies' abbreviated responses are also included. More detailed responses and any ANAO comments are shown in the body of the report.

Approaches to evaluation planning

Recommendation
No.1
Para. 2.34

The ANAO recommends that DIMA, DIST and the OEA adopt a formal framework to provide appropriate direction on the strategies to be adopted in evaluation planning. This should be approved by the executive and communicated to all relevant staff.

ATSIC's Response: Agreed

DIMA's Response: Agreed

DIST's Response: Agreed

Recommendation
No.2
Para. 2.74

The ANAO recommends that:

- DIST, in developing its corporate/business plans, establish direct links with evaluation plans to help ensure that evaluation priorities are consistent with and support those outlined in the corporate/business plans; and
- the OEA/ATSIC enhance the focus on evaluation by specifically referring to the importance of evaluation in ATSIC's corporate/operational Plans.

departments, to establish the clarity of existing objectives and the quality of performance information, and to identify necessary improvements and good practice.

ATSIC's Response: Agreed
DIST's Response: Agreed

Recommendation
No.3
Para. 2.77

The ANAO recommends that DIMA adopts a two-way approach to evaluation planning, that is; provide clear links in the corporate plan to the evaluation strategy to ensure that evaluation activities inform decision-making as well as directly influencing the development of subsequent corporate plans.

DIMA's Response: Agreed

Conduct of individual evaluations

Recommendation
No.4
Para. 3.36

The ANAO recommends that DIST regularly reviews and updates its evaluation guide to ensure its relevance and currency; thereby assisting with the improvement of the quality and usefulness of evaluation findings.

DIST's Response: Agreed

Recommendation
No.5
Para. 3.38

The ANAO recommends that the OEA's evaluation handbook be endorsed at the appropriate agency level and is made available to all parties involved in evaluations in ATSIC.

ATSIC's Response: Agreed

Recommendation
No.6
Para. 3.63

The ANAO recommends that DIMA takes the necessary steps to ensure that evaluations are completed within the specified time-frame. This could be through:

- the executive evaluation committee acting on the information provided in the Evaluation Activity Update - Status Report; and/or
- improved project management techniques.

DIMA's Response: Agreed

Recommendation
No.7
Para. 3.65

The ANAO recommends that DIMA, DIST and the OEA clearly identify the roles and responsibilities of key participants in the evaluation process; such as executive evaluation committees, steering committees and/or evaluation managers.

ATSIC's Response: Agreed

DIMA's Response: Agreed

DIST's Response: Agreed

Impact of evaluations

Recommendation
No.8
Para. 5.53

The ANAO recommends that DHFS, DIMA and DIST introduce appropriate mechanisms to record the full cost of undertaking their evaluations, including corporate overheads.

DHFS's Response: Agreed

DIMA's Response: Agreed

DIST's Response: Agreed

Recommendation
No.9
Para. 5.85

The ANAO recommends that DHFS, DIMA, DIST and the OEA establish mechanisms to measure the benefits of their evaluations. This may include the use of post-evaluation assessments of impact to identify those features which contribute to successful outcomes.

DHFS's Response: Agreed

ATSIC's Response: Agreed

DIMA's Response: Agreed

DIST's Response: Agreed

Better Practice Principles

The ANAO has identified better practice principles which have relevance for all agencies. Their aim is to enhance the management and control of evaluation across the APS. These principles have been drawn from issues raised during the course of this audit and, therefore, are not necessarily exhaustive. However, they are expected to be useful for any management consideration of their approach to evaluation.

Approaches to evaluation planning

- ◇ Involve the responsible Minister and the agency executive in evaluation planning to help ensure that evaluations are addressing the most relevant and highest priority issues. Executive involvement in evaluation planning can be through membership of an executive committee with responsibility for evaluation matters.
- ◇ Ensure executive evaluation committees devote sufficient time to the consideration of evaluation matters, particularly strategic evaluation planning and implementation.
- ◇ Develop a strategic framework to guide evaluation planning which is directed by the executive and communicated to those responsible for evaluation planning. The strategic framework developed by the DHFS, and outlined in Figure 2, is an example of good practice.
- ◇ Focus evaluations on significant issues that are strategic in nature.

- ◇ Integrate evaluation into the overall performance management framework. This will ensure more effective evaluations which:
 - focus on priorities flowing from the corporate/business plan;
 - complement on-going performance assessment; and
 - are coordinated with other review activities to avoid unnecessary duplication or overlap.

Conduct of individual evaluations

- ◇ Clearly define and set out the range of responsibilities and duties expected of key participants in the evaluation effort. An example of good practice has been identified in DHFS's principles document (see Appendix 4).
- ◇ Obtain and/or enhance (that is, recruit, train, and/or contract in) a range of evaluation skills, in particular analytical abilities and knowledge of appropriate methodologies.
- ◇ Place greater emphasis on project and contract management skills for evaluators, particularly evaluation managers.
- ◇ Provide guidance and advice to evaluators. This may be through ensuring relevant staff are familiar with DoF's *Doing Evaluations: A Practical Guide* or developing a tailored evaluation guide, which builds on DoF's Guide, where:
 - the guide is made available to all parties involved in evaluations;
 - the guide is reviewed on a regular basis to ascertain its relevance and updated as necessary; and
 - the guide is endorsed at the appropriate level.
- ◇ Monitor and review the progress of individual evaluations to ensure that evaluations address

their objectives/terms of reference, meet their agreed timeframe and the results feed effectively into decision-making.

- ◇ Adopt an effective quality assurance and review mechanism to ensure that evaluations conducted and evaluation reports produced are of high quality.

Quality of evaluation reports

- ◇ Include clearly identifiable terms of reference in the report to outline the purpose, scope and focus of the evaluation. The report should respond clearly to the terms of reference.
- ◇ Provide a clear explanation of the methodology and ensure that it is appropriate to the specific evaluation.
- ◇ Ensure the data collection and analysis are appropriate to the specific evaluation and of high quality and relevance.
- ◇ Base conclusions on the data collected and ensure that they are explicitly drawn on that basis; rather than presenting the data and leaving readers to draw their own conclusions.
- ◇ Include recommendations where necessary and ensure that they are clearly identifiable, flow logically from the findings, are practical in implementation and identify priorities and/or likely benefits.
- ◇ Ensure that evaluation reports are complete, that is, they contain all the information necessary for the user to understand the evaluation and are presented so as to encourage their use.

Impact of evaluations

- ◇ Communicate evaluation findings and recommendations publicly by:

- providing evaluation reports to relevant stakeholders, including the provision of information on significant evaluations to the responsible Minister;
 - providing summary reports for sensitive evaluations, where appropriate; and
 - including adequate information in annual reports and Portfolio Budget Statements in accordance with the relevant guidelines.
- ◇ Endorse recommendations at senior management level to identify those areas where it is agreed that action will be taken.
 - ◇ Develop implementation action plans in relation to the recommendations and clearly identify those responsible for implementation and the timeframe involved.
 - ◇ Include the implementation of evaluation recommendations in performance agreements as part of a manager's overall program management responsibilities to maximise the impact of the evaluation.
 - ◇ Provide regular reports to allow senior management to assess the timeliness of the action taken in implementing evaluation recommendations and be informed of any difficulties being encountered.
 - ◇ Record the relevant costs incurred in the conduct of individual evaluations.
 - ◇ Develop mechanisms to assess the impact of individual evaluations. Agencies could consider the use of post-evaluation assessments of impact or other mechanisms, such as establishing an appropriate data collection system - as a means of identifying those features that contribute most to successful outcomes.
 - ◇ Review, on a regular basis, the effectiveness and impact of the evaluation function and disseminate widely those practices and processes that have been found to be beneficial.

Audit Findings and Conclusions

1. Introduction

This chapter defines evaluation, outlines the audit objective and approach and provides background information on evaluation

Program evaluation

1.1 Program Evaluation (commonly referred to simply as 'evaluation') can be defined as the systematic and objective assessment of a government program, or parts of a program, to assist the Government and other decision-makers to:

- assess the continued relevance and priority of program objectives in the light of current circumstances, including government policy changes (that is, *appropriateness* of the program);
- test whether the program outcomes achieve stated objectives (that is, its *effectiveness*); and
- ascertain whether there are better ways of achieving these objectives (that is, its *efficiency*).

1.2 The objectives of program evaluation are to:

- provide a better information base to assist managers in improving program performance;

- assist government decision making and setting priorities, particularly in the Budget process; and
- contribute to improved accountability to the Parliament and the public.

1.3 Evaluation is of considerable value to agency managers, external decision-makers and other stakeholders. It is also a critical tool in assessing performance and in this way contributes to sound management practice. Further discussion of the Australian Public Service (APS) evaluation strategy, and emerging issues in performance management are discussed later in this chapter (paragraphs 1.20 to 1.34).

The audit

Audit objective

1.4 The objective of the audit was to examine the effectiveness of the management and control of program evaluation in the APS.

1.5 In particular, the audit examined the way in which agencies maximise the likelihood of undertaking effective evaluations. An effective evaluation stimulates change, plays a significant part in budget decisions, affects the future of programs and is one of the main vehicles for policy change. In this way evaluations influence resource allocation and in turn, the delivery of services to the Australian community.

Audit criteria

1.6 The ANAO made an assessment against criteria which were designed to test whether agencies were undertaking evaluations in a way which would enhance their overall effectiveness. Relevant criteria specific to the area being discussed are outlined at the beginning of each chapter.

Methodology

1.7 The methodology for this audit had three components:

- an in-depth review of evaluation in four agencies in order to examine the framework within which evaluation is managed;
- a review of the quality of a sample of recently completed evaluation reports drawn from

all portfolio coordinating agencies⁶; and

- a survey of evaluation activity in all APS portfolio coordinating agencies.

The in-depth review

1.8 The in-depth review comprised a detailed analysis of the evaluation frameworks and practices in four agencies. The agencies were:

- the Department of Health and Family Services (DHFS);
- the Department of Immigration and Multicultural Affairs (DIMA);
- the Department of Industry, Science and Tourism (DIST); and
- the Office of Evaluation and Audit (OEA).⁷

1.9 These agencies were chosen as they provide an understanding of a range of different program management responsibilities and therefore can give an indication of the effect, if any, this has on evaluation practices.

⁶ Portfolio coordinating agencies are classified as those agencies required under Department of Finance's (DoF) guidelines to produce Portfolio Evaluation Plans (ie, all portfolio departments plus Department of Veterans' Affairs, Department of Administrative Services and the Aboriginal and Torres Strait Islander Commission (ATSIC) but excluding the parliamentary departments).

⁷ The OEA is the evaluating and auditing arm of ATSIC.

1.10 In this element of the audit, the ANAO conducted interviews with key people involved in, or with specific responsibilities for, evaluation and analysed related documentation. As well, in each agency two evaluations⁸ were examined to test how individual evaluations were actually being undertaken.

The quality review

1.11 The review was undertaken on a sample of recently completed evaluation reports drawn from each of the nineteen portfolio coordinating agencies.

1.12 The review examined various aspects of quality as they related to the following:

- terms of reference;
- methodology;
- relationship of conclusions to data;
- recommendations;
- completeness of reports; and
- presentation of the reports.

1.13 More details on the methodology for this review are included in Chapter 4.

The survey

1.14 The survey sought information from all portfolio coordinating agencies on the policies and practices in relation to the management and control of evaluation across the APS. All 20 agencies⁹ responded to the survey. Copies of the survey questionnaire are available on request.

1.15 Relevant findings arising from the survey are discussed throughout this report. However, as the survey did not attempt to address all the issues covered in this audit, there are some areas in the report where survey results are not included.

Assistance to the audit

1.16 A number of consultants with evaluation skills and experience was employed to assist the audit and provide specialist advice in relation to the three components of the audit. These consultants and the contributions they made are detailed at Appendix 2.

Audit reference group

1.17 The ANAO also established an Audit Reference Group to provide input to the audit, particularly in relation to current approaches and future

⁸ One evaluation was examined from the OEA.

⁹ The Treasury portfolio was represented by both the Australian Taxation Office and the Department of the Treasury.

directions of evaluation. The Audit Reference Group's members are listed at Appendix 2.

1.18 The Audit Reference Group met regularly throughout the audit and provided advice on such matters as a possible audit approach, criteria, questionnaire design and the future direction of evaluation.

1.19 The ANAO also consulted the Department of Finance (DoF) before and during the course of the audit. This was to ensure that the work of both agencies was likely to be complementary; and was designed to achieve the best possible result in terms of improvements to evaluation practices across the APS.

The APS evaluation strategy

1.20 During the 1980s reforms were progressively introduced into the APS with the specific aim of making it more responsive to client needs and more efficient, effective and accountable. As part of the Program Management and Budgeting (PMB) reforms in 1987-88, the concepts of evaluation and performance information¹⁰ were highlighted as

¹⁰ At that time, the use of performance indicators was being broadened to encompass performance information, which is discussed in paragraphs 1.28 to 1.29.

being integral to sound management.

1.21 Since the initial introduction of PMB, there have been a number of changes and enhancements to evaluation practices. In particular, enhancements were made in relation to ensuring that the prime responsibility for evaluation was to rest within portfolios and thereby improve the use of evaluations in program management and decision-making, including in the budget context.

1.22 DoF has a responsibility for the overall coordination and promotion of the APS evaluation strategy, including the provision of advice to agencies and to the Government on evaluation priorities.

Mandatory requirements

1.23 Since the late 1980s agencies have been subject to a number of mandatory requirements. These requirements included¹¹:

- the development of Portfolio Evaluation Plans (PEPs) by each agency and their provision to DoF in November each year;
- major evaluations of each program (or major parts of

¹¹ These requirements are discussed in *Doing Evaluations: A Practical Guide*, Department of Finance, Canberra 1994.

programs) once every three to five years;

- major new policy proposals were to include an evaluation strategy; and
- the results of major evaluations should normally be publicly released.

1.24 These requirements were established by the previous Government and remained in place at the time of the audit fieldwork.

1.25 As well as the above requirements, the outcomes of evaluation activity should be reported, along with other performance information, in the annual report.¹² Planned evaluation activity should be summarised in the Portfolio Budget Statements (PBSs).¹³

The new approach

1.26 DoF and other APS agencies have felt that the mandatory requirements can often lead to a predominantly process-oriented approach to evaluation. Accordingly, a new approach is currently being developed by DoF, in consultation with other APS agencies. The new approach is designed to enable 'Secretaries and heads of agencies to take

charge of performance management in their organisation'.¹⁴

1.27 The new approach revolves around a number of identified principles which DoF sees as desirable goals for agencies to aim for and to use to incrementally improve their performance management as and where necessary. The proposed principles are included in Appendix 3. In this way evaluation becomes an integral part of a performance management framework across the APS (discussed in paragraph 1.29 below).

1.28 As well, program evaluation is a key component of Corporate Governance. Along with performance indicators and other measures, evaluation assists in providing credible accountability information to assure the Chief Executive Officer (CEO) on internal control and management of the organisation, the planning and review of its operation and progress, and ensure consultation and constructive feedback on its program activities.

¹² *Annual Report Requirements*, March 1995, Department of the Prime Minister and Cabinet

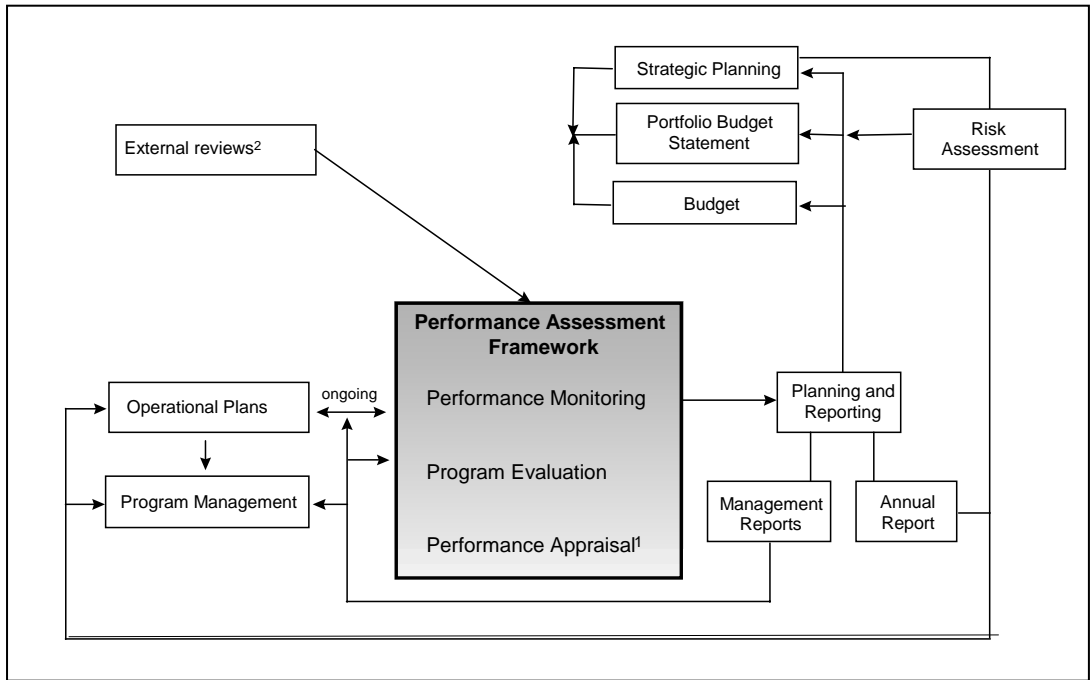
¹³ *Portfolio Budget Statements Guidelines 1997-98*

¹⁴ From information supplied by DoF: *A Good Practice Approach to Performance Management*

*Performance management
framework*

1.29 Evaluation should be seen as a complementary management tool to performance information.

**Figure 1:
Performance Management Framework**



¹ Performance appraisal is also part of the performance assessment framework but is focussed on staff rather than programs.

² Includes ANAO performance audits and Parliamentary reviews

1.30 Performance information can be described simply as evidence about program performance which is collected and used systematically. Performance information was the subject of a separate audit conducted by the ANAO in 1995-96.¹⁵ As well, the ANAO and DoF jointly developed a better

practice guide.¹⁶ This guide aims to facilitate a common understanding of the concept of performance information, what it encompasses and the key role it plays in the management and accountability framework.

1.31 Performance information is used in on-going monitoring of a program to enable judgments

¹⁵ *Performance Information, Department of Employment, Education, Training and Youth Affairs*, Audit Report No.25, 1995-96

¹⁶ *Performance Information Principles, Better Practice Guide*, November 1996

about its effectiveness and efficiency, while periodic evaluations provide another, more in-depth, perspective on program performance that may focus on appropriateness, effectiveness and/or efficiency. Evaluations also have the capacity to establish causal links and assist with continuous improvement.

1.32 Figure 1 provides a view on evaluation in the context of the overall performance management framework.¹⁷

Evaluation and performance audit

1.33 Performance audits conducted by the ANAO are also part of the performance management framework along with other reviews and assessment. ANAO audits differ from evaluations in that they do not comment on the appropriateness of government policy and are tabled in Parliament.

1.34 However, performance audits also provide information on the effectiveness of program administration and therefore should be taken into account when planning and undertaking

evaluations. Similarly, evaluation plans and results are taken into account when undertaking performance audits.

This report

1.35 In this audit, the ANAO was mindful of the changes to evaluation requirements during the 1990s. We assessed the way agencies have undertaken program evaluation against the standing requirements. As well, we examined how agencies were integrating their evaluation function into their performance management framework.

1.36 Chapter 2 discusses the approaches to evaluation planning. Chapter 3 provides an examination of the processes used in the conduct of individual evaluations. The findings of the quality review of evaluation reports are outlined in Chapter 4. Chapter 5 covers the impact of evaluations and highlights some future directions for evaluation within the APS.

1.37 The ANAO has made a number of specific recommendations aimed at further improving the planning, conduct and impact of evaluations undertaken in those agencies examined as part of the in-depth review (that is, DHFS, DIMA, DIST and the OEA).

1.38 At the end of each chapter of this report, the ANAO

¹⁷ The performance management framework incorporates strategic and budget planning cycles, as well as operational planning and management cycles.

has also included a section on better practice principles which have relevance for all agencies. Their aim is to enhance the management and control of evaluations across the APS. The principles have been drawn from issues raised during the course of this audit and, therefore, are not necessarily exhaustive. However, they are expected to be useful for any management consideration of their approach to evaluation.

1.39 The model for managing evaluation in a particular agency will be affected by the agency's general management philosophy and the environment in which it operates. Agencies should examine the report, particularly the issues covered and suggestions for good practice, to determine what mix of approaches best suit their own agency's situation and program management.

1.40 This audit was conducted in accordance with ANAO auditing standards at a cost of \$441,544.

2. Approaches to Evaluation Planning

This chapter discusses the processes that agencies have implemented to ensure that evaluations focus on the most relevant and highest priority issues. It also examines the action taken to integrate evaluation into the performance management framework. The ANAO found that the responsible Ministers and the agencies' executive had been involved in evaluation planning. However, agencies should give consideration to developing a strategic framework to guide their planning. As well, links between evaluation and the overall performance management framework could be further improved. The ANAO has made three recommendations aimed at further improving evaluation planning.

1.1

Introduction

2.1 Effective evaluation planning should assist in ensuring that the right evaluations are conducted with the right skills at the right time to inform decision-making, provide accountability and assist in performance management. It is important that the approach taken by agencies to evaluation planning maximises the benefits derived from the evaluation effort. Without appropriate planning, there is a risk that evaluation resources will not be used in the most efficient and effective manner.

2.2 There have been a number of mandatory requirements in place in relation to evaluation planning since the early 1990s. These were

discussed in Chapter 1. The ANAO took these requirements into account when developing key criteria against which to examine the conduct of agencies' evaluation planning.

Criteria

2.3 In examining evaluation planning, that is the development of an overall evaluation plan, the ANAO sought to establish:

- the extent of executive involvement in the planning process;
- the strategies that agencies have developed to guide evaluation planning; and
- the extent to which evaluation planning was linked with other planning and program

management activities, including performance monitoring and assessment.

Executive involvement

2.4 Involvement of the responsible Ministers and the agency executive¹⁸ in evaluation planning should help ensure that evaluations address government concerns and priorities as well as significant agency issues. With appropriate Ministerial and executive direction, evaluations are more likely to enhance decision-making, performance assessment and their overall impact.

2.5 The ANAO sought to determine the extent of high-level involvement in evaluation planning.

Ministerial involvement

2.6 Ministers assist agencies to focus on the priority issues to be identified in the evaluation plan, especially those relating to accountability and government decision-making. Ministerial involvement can also assist in linking evaluation planning with the strategic directions being pursued across a portfolio.

In-depth review

2.7 The ANAO found in the four agencies examined in the in-depth review that draft copies of the evaluation plan or material containing the plan were forwarded to the responsible Ministers for consideration prior to finalisation. Input into evaluation planning was also obtained through on-going consultation with the responsible Ministers.

Executive involvement

2.8 Input from the agency executive in evaluation planning is important as they can highlight government/agency priorities and issues to be addressed in evaluations. It is also part of sound corporate governance. As well, executive involvement will indicate the importance attached to the evaluation function and help promote a greater commitment to action being taken once the evaluation is completed.

2.9 In all the agencies examined in the in-depth review the ANAO found that the executive was involved in evaluation planning. The four agencies are discussed separately below followed by the results of the survey of all APS agencies.

¹⁸ An agency executive may include the Secretary, Deputy Secretary and/or First Assistance Secretary or equivalent.

Department of Health and Family Services

2.10 In the DHFS, the executive is involved in evaluation planning through the provision of centralised guidance. This aims to ensure a coordinated approach is taken to planning. The responsibility for putting forward proposals for inclusion in the overall evaluation strategy rests with program managers.

2.11 Executive involvement is facilitated through two major committees with responsibility for developing the evaluation plan, as follows:

- the Departmental Management Committee (DMC) which is responsible for approving the department's overall evaluation strategy; and
- the Performance Assessment Committee (PAC), a sub-committee of the DMC, which is responsible for approving the overall listing of evaluations.

2.12 Both these committees are chaired by the Secretary - indicating the importance attached to evaluation matters by the department.

Department of Immigration and Multicultural Affairs

2.13 In DIMA, responsibility for matters included in the evaluation

plan rests with program managers. The Minister is provided with a copy of the draft evaluation plan for perusal and comment. Advice on previous evaluation coverage and suggestions from DoF is provided by the central evaluation unit. This unit also consolidates the proposed evaluations into a draft evaluation plan which is submitted to the Departmental Audit and Evaluation Committee (DAEC) for consideration. Once the plan is cleared by the Committee it is referred to the Secretary and Minister for information and comment. The final plan is cleared by the Secretary.

Department of Industry, Science and Tourism

2.14 The process is more devolved in DIST, with executive involvement occurring later in the planning process. Initial development of evaluation proposals rests with program managers in consultation with the relevant Deputy Secretary and having regard to suggestions from DoF. The proposals are consolidated into the evaluation plan which is approved by the Secretary.

2.15 In late 1996, a new audit committee was established with executive involvement. It also has a role in overseeing evaluation activity in the Department. At the time of the

ANAO fieldwork, the specific responsibilities of the Committee were yet to be decided and it was not known whether it would be responsible for clearing the evaluation plan.

*Office of Evaluation and Audit*¹⁹

2.16 Evaluation planning in the OEA is governed by statutory requirements. The development of the overall evaluation plan is coordinated by the OEA and contains both OEA evaluations and reviews initiated within ATSIC. In contrast to the other agencies and in accordance with the *Aboriginal and Torres Strait Islander Commission Act 1989*, the primary evaluation function rests with the OEA rather than with program managers. While the latter can initiate reviews within ATSIC, the process is less formal and outside the scope of this audit.

2.17 The Director of the OEA has overall responsibility for drafting OEA's work program. Because of the statutory role and the need to maintain its independence from ATSIC, the Director of the OEA has a significant level of autonomy in developing the work program. The work program details all planned OEA evaluations and audits and is noted by the

¹⁹ As mentioned in Chapter 1, the OEA is the evaluating and auditing arm of ATSIC.

Evaluation and Audit Committee and separately by the Minister and the Chair of the ATSIC Board. The process of updating the work program includes informal consultation with program managers in ATSIC.

Survey results

2.18 The survey indicated that, overall, agencies' executives made a contribution to the development of evaluation plans. Sometimes this was through executive committees with responsibility for evaluation matters (hereafter referred to as executive evaluation committees). The survey revealed that:

- sixteen²⁰ of the 20 agencies surveyed had an executive evaluation committee; and
- six of the committees had the Secretary as a member and all contained representation by Deputy Secretaries and/or First Assistance Secretaries.

2.19 Almost all of these committees had other responsibilities and the survey showed that more than half of the committees devoted less than 25 per cent of their time to evaluation matters. While the ANAO recognises that this may reflect efficient operating practices, agencies need to ensure that appropriate time is

²⁰ Nineteen agencies responded to this survey question.

provided to evaluation matters, especially strategic evaluation planning and implementation.

Conclusion

2.20 The ANAO found in the in-depth review that the responsible Ministers and the agencies' executive had been involved in evaluation planning. In all cases, Ministers had received draft plans and were involved in on-going consultation. Agency executive involvement was generally achieved through their participation in executive evaluation committees overseeing the evaluation function.

2.21 The survey also indicated that executive evaluation committees were the principal means of involving the executive in the evaluation process.

Strategic direction

2.22 As discussed above, there is a need for executive involvement in evaluation planning to ensure that evaluations focus on priority issues. This includes providing appropriate direction on the strategies to be adopted in developing evaluation plans. A strategic direction will help ensure that a coordinated approach to planning is adopted across an agency. This is

particularly important in a devolved environment where the responsibility for evaluation planning rests with program managers.

2.23 The ANAO reviewed the extent to which agencies had developed a strategic framework that outlined the principles to be observed in developing evaluation plans. As part of the in-depth review, the ANAO sought to establish where responsibilities for developing a strategic framework were placed and how well the strategies were communicated to areas responsible for developing the plan.

In-depth review

2.24 The ANAO found in the in-depth review that DHFS has established a strategic framework to guide evaluation planning. The framework is directed by the executive and reflects the way in which the Department does its business. As mentioned above (paragraph 2.11), responsibility for approving the overall evaluation strategy rests with the Departmental Management Committee which decided that:

evaluations will be undertaken only when they are needed to help make decisions, relating to funding and contractual arrangements. They will not be undertaken simply on a mechanistic cycle which

covers all programs on a five year rolling basis.²¹

2.25 Further details of the strategic framework are outlined in Figure 2.

2.26 In DIST, DIMA and the OEA, the ANAO found that the underlying factor influencing the development of evaluation plans was the mandatory requirement to evaluate programs on a three to five-year rolling cycle.

1.1

²¹ DMC Paper, *Future Directions for Portfolio Evaluation*, November 1996

Figure 2:

Evaluation in the Department of Health and Family Services

In DHFS, evaluations are driven by the way in which the department does its business with the States and private sector. This includes the application of outcome funding agreements and the use of competitive supply and contractual arrangements.

As well, due to the rapid nature of change in recent years, the department indicated that there was little value in providing a three-year plan making public commitments that might not be possible to meet. Instead, the department considered it appropriate to plan evaluations on an annual basis and include them in the Portfolio Budget Statements.

DHFS has adopted a targeted approach to evaluation planning. This approach has been approved by the Departmental Management Committee (DMC). Evaluations are undertaken at key decision points relating to the future conduct of programs. Listed below are some examples of key decision points which may trigger an evaluation and the intended use of the evaluation results:

- when a Commonwealth/State funding agreement is nearing an end - to aid in designing the next agreement;
- under new business arrangements/outsourcing - to inform market-testing/contestability decisions on a new contract;
- in relation to 'sunset' funding for new policy initiatives, pilots/trials and other programs with sunset clauses - to inform future funding decisions;
- in relation to key program strategies - to inform decisions on the appropriateness of continuing to use these strategies and circumstances in which they may best be used;
- under corporate planning arrangements - to inform decisions on future arrangements to ensure they support the achievement of policy objectives; and
- under any of the above - to inform decisions on future action through more comprehensive analysis of potential problems flagged by performance monitoring or other means.

There are some programs where there are no externally imposed or in-built decision points that would help determine an appropriate timing for the evaluation. In such cases, decision points are built in to allow evaluations to be undertaken when they could best address underlying corporate and government concerns.

By adopting this approach, evaluation results will help inform key decisions relating to the future conduct of the program.

2.27 Within DIST and DIMA, other factors influencing the selection of evaluations were:

- that an evaluation was required as part of a new policy proposal;
- government decisions to review existing policies; and/or
- sunset clauses in program specifications.

2.28 The ANAO also found that suggestions from DoF, representations from external stakeholders and opportunities for improved program effectiveness were factors contributing to the inclusion of evaluations in the evaluation plan in DIST and DIMA. In some respects, these are similar to the key decision points approach used by the DHFS. However, the ANAO found that there is less central strategic direction provided by the executive evaluation committees in relation to evaluation planning in these two agencies.

2.29 In OEA, the planning strategy is dictated by statutory requirements and there is less scope to modify the strategies. The OEA has a statutory responsibility for ensuring that all programs are evaluated every three to five years. Within this framework, the OEA has stratified programs in developing its evaluation work program. The

work program divides planned evaluations into two categories based on program expenditure. Programs with expenditure in excess of \$15 million are evaluated every three years and those with lower expenditure, every four years.

Survey results

2.30 An analysis of the results of the survey²² indicated that the need to cover programs within a three to five year cycle and identified or suspected problems or opportunities for improved program efficiency and effectiveness were shown to have had the greatest impact on the selection of evaluations planned for 1997 and 1998.

2.31 The survey also showed that, for those evaluations completed in 1995 and 1996 and planned to be completed in 1997:

- about half the evaluations²³ examined one or more programs. However, a significant proportion of evaluations were focused at sub-program level;
- about half the evaluations²⁴ examined the delivery of products or services to external clients. A further 30

²² Seventeen agencies responded to this survey question.

²³ Nineteen agencies responded to this survey question.

²⁴ Eighteen agencies responded to this survey question.

per cent of evaluations were associated with matters internal to the agency;

- appropriateness of new or established programs accounted for only about one-third of the evaluations²⁵; and
- only 15 per cent of the evaluations²⁶ were directed at the development of policy advice for the Government.

Conclusion

2.32 The ANAO found that DHFS was considerably more advanced than the other agencies in the in-depth review in that it had established a strategic framework for planning evaluations. This framework had been approved by the executive. While the ANAO found that there were underlying factors which influenced the development of evaluation plans in DIMA, DIST and the OEA, there would be benefit in these agencies considering the DHFS approach. A strategic framework would help to ensure that evaluation planning identifies those matters likely to have the greatest impact.

2.33 The survey results show that a significant amount of evaluation activity is being directed at matters below program level. As well, only a

minority of evaluations was aimed at examining the appropriateness of new or established programs and/or the development of policy advice. It is possible that the mandatory requirement to evaluate all programs on a three to five-year cycle may not provide sufficient scope to allow agencies to focus on strategic priorities and issues of importance to government.

Recommendation No. 1

2.34 The ANAO recommends that DIMA, DIST and the OEA adopt a formal framework to provide appropriate direction on the strategies to be adopted in evaluation planning. This should be approved by the executive and communicated to all relevant staff.

ATSIC response

2.35 Agreed. ATSIC notes that the *Aboriginal and Torres Strait Islander Commission Act 1989* (the Act) states that the Director of the OEA is to regularly evaluate the operations of the Commission and that it is desirable this is done every three years. In these circumstances the Director and the Executive of ATSIC are considerably constrained. However, the Director of the OEA will be consulting with ATSIC Executive each year prior to updating the evaluation work program in order to identify strategic issues which

²⁵ Sixteen agencies responded to this survey question.

²⁶ Eighteen agencies responded to this survey question.

may be incorporated in the work program within the constraints of the Act.

DIMA response

2.36 Agreed. DIMA established the Departmental and Audit Committee (DAEC) as a formal mechanism for dealing with review activity in the portfolio. This Committee consists of the Deputy Secretary and all program managers - effectively all of the Departmental Executive except the Secretary. This body gives strategic direction to all evaluation activity and other reviews within the portfolio. The portfolio is undergoing a period of significant change, flowing from the 1996 election and this has led to a much broader role for the DAEC in review activity. This is a recognition of the usefulness of a high level, strategic approach to performance at all levels in the portfolio during a period of rapid change. This is not to imply that the current system cannot be improved. To this end, the Evaluation Unit has already been merged with the Department's Corporate Strategy Section and as part of this move the role of evaluation in the portfolio is being reassessed. The ANAO report will provide useful guidance for this reassessment.

DIST response

2.37 Agreed.

Linking plans

2.38 Given the move towards better integrating evaluation into the overall performance management framework, evaluation planning could be enhanced if it was linked with other planning and program management activities.

2.39 The ANAO examined the extent to which evaluation planning is linked to agencies' corporate/business plans and the relationship between evaluation and performance monitoring and assessment. The systems which agencies have in place to coordinate evaluation and other review activity are also discussed.

Links with corporate/business plans

2.40 As part of an integrated approach to evaluation planning, it is important that evaluation priorities are consistent with and support those outlined in the corporate/business plan. This will assist in ensuring that the evaluations being undertaken help achieve the objectives and key targets laid down in the corporate/business plan.

2.41 Sound planning also requires the development of the corporate/business plan to be based on appropriate risk assessment. Similarly, if evaluation planning is to support

the corporate/business plans, it will also be based on an appropriate risk assessment. This is all part of a robust Corporate Governance framework which can provide a high level of confidence to all stakeholders, both internal and external.

In-depth review

2.42 The ANAO found that links could be established between evaluation planning and corporate/business plans in two of the four agencies examined as part of the in-depth review.

2.43 Discussions with program managers in DHFS indicated that, when establishing the evaluation plan, priorities in the corporate plan were taken into account. DHFS places considerable importance on its corporate plan. It was developed through extensive consultation with responsible Ministers and outlines the context for departmental operations, recognising revised government priorities. The 1996-97 corporate plan included evaluation as part of its performance assessment activities. Evaluation is referred to in the following terms: 'establish a strong evaluation culture in the Department.'

2.44 In DIMA, specific reference to evaluation in the 1994-96 corporate plan is included under Key Result Area 7

'Achieving organisational excellence'. Further, to reinforce the link between planning and evaluation in the department's corporate management cycle, links have been established between individual evaluations included in the evaluation plan and the appropriate key result area in the corporate plan.

2.45 However, it was not evident that the corporate plan was a primary influence on the development of the evaluation plan. Instead, DIMA has used evaluation activities to inform decision-making and to assist in the development of appropriate strategies for future management of service delivery. In turn, this has had an indirect influence on the development of subsequent corporate plans. Although the ANAO acknowledges that evaluation outcomes influence future corporate strategies, the corporate plan, as the agency's highest level plan, should provide a clear link to the evaluation strategy to be pursued.

2.46 The DIST and the OEA were in the process of updating their corporate/business plans. Therefore, the ANAO was unable to ascertain whether links had been established with evaluation planning; although DIST advised that they intended to adopt this approach in the future.

Survey results

2.47 Fourteen²⁷ of the 20 agencies surveyed indicated that evaluation is specifically referred to in their corporate/business plans. However, from the in-depth review the ANAO found that, in some cases, this link may be no more than a passing reference. Five agencies stated in the survey that they had not established links of this kind.

2.48 The extent to which evaluation plans were driven by the priorities and directions of the corporate/business plan could not be established further through the survey.

Links with performance monitoring and assessment

2.49 Evaluation and on-going performance monitoring (through the use of performance information) are complementary tools for program management and accountability. It is important to establish performance information first so that subsequent evaluations can be used to refine the existing performance measures, particularly performance indicators to test their validity and refine their usefulness.

2.50 As well, the information gained through performance measurement activities can

assist in preparing evaluation plans by identifying areas where evaluation activity would be beneficial. The development of such a two-way linkage between performance information and evaluation planning will improve the use made of evaluations to enhance performance information.

In-depth review

2.51 In DHFS, the ANAO found that considerable importance is attached to linking evaluation with performance information. The coordinating responsibility relating to evaluation and performance information falls within the same branch in the Portfolio Strategies Group. In addition, in late 1996, the PAC was established and its terms of reference are to:

foster the quality and better integration of DHFS performance monitoring and evaluation efforts and to ensure that all are driven by, and tailored to support, the ways in which we do business.²⁸

2.52 The DHFS has also placed greater emphasis on improved performance information and ongoing performance monitoring.

²⁷ Nineteen agencies responded to this survey question.

²⁸ DHFS's Performance Assessment Committee: Terms of Reference

2.53 In DIMA, the ANAO found that, in the past, there was only a limited relationship between the evaluation activities and performance measurement. While the responsibilities for performance information and evaluation are currently located in different program areas, there is a move to bring them together. The ANAO also found little evidence that evaluations have been regarded as a significant tool in the development and enhancement of performance information. However, DIMA advised that, in many cases, ongoing performance measurement was used to identify issues that require evaluation.

2.54 A recent DIST initiative has been the development of Program Design Schedules. The purpose of the Design Schedules is to ensure that programs are established with the correct accountability controls, including appropriate performance information, from the outset. The impact on evaluation will be through enhanced performance information - if program objectives are clearly defined and performance measures are available, then this information can help inform evaluations of program effectiveness and appropriateness.

2.55 The OEA has recently initiated a system of performance reviews to examine the systems

operating within ATSIC for the collection and analysis of performance information. The OEA expects the performance reviews to result in better availability and quality of performance information, which will lead to improvement in the quality of OEA evaluations. These performance reviews can be undertaken in a shorter timeframe and, in that way, better assist decision-making in a changing environment.

Survey results

2.56 Fourteen²⁹ of the 20 agencies surveyed stated that on-going performance measurement and reporting systems influenced the planning and conduct of evaluations. However, it should be noted that four agencies indicated that there is no direct linkage.

2.57 In comments provided in the survey, it was evident that two agencies in particular have recently recognised the need to develop closer links between performance assessment and evaluation. It is also being recognised that corporate planning and performance monitoring should influence the selection of evaluations.

2.58 However, agencies' responses to a survey question

²⁹ Eighteen agencies responded to this survey question.

on the impact of evaluations raised some questions about the extent to which evaluations completed in 1995 and 1996 had an impact on performance information. The survey indicated that the areas where agencies identified the greatest number of instances of minimal or no impact were:

- development of ongoing performance measures; and
- refinement of existing performance measures.

2.59 A more detailed explanation of these results is provided in paragraphs 5.70 to 5.72.

Coordinating evaluation and other review activities

2.60 In most agencies, there is a range of review activities taking place at any one time. This includes internal audits and reviews initiated by the Government, the Parliament and other external bodies such as the ANAO. Therefore, effective coordination is important to ensure that there is no unnecessary duplication or overlap of evaluation and other review activities.

In-depth review

2.61 The ANAO found in the in-depth review that all agencies had processes in place to

coordinate evaluation and other review activities.

2.62 An examination of the 1997 PEPs (and equivalent planning documents) prepared by the four agencies indicated that reviews undertaken by external bodies, including the ANAO, were included. The ANAO did not, however, undertake an exhaustive test to ensure that details of all relevant external reviews were listed in the plans. As a general rule, agencies indicated that external reviews would result in the deferment or cancellation of any evaluations that may have been planned in the same area until the results of the review are known.

2.63 There were also close links between internal audit and evaluation. These have been established through:

- an executive committee and/or central coordinating unit which has responsibility for both evaluation and internal audit matters;
- representation of senior personnel responsible for internal audit on the executive evaluation committee and vice versa; and
- planned internal audits and evaluations included in the same document.

2.64 In DHFS, coordination is achieved through the branch head responsible for evaluation being a member of the evaluation and internal audit committees. In DIMA, the DAEC ensures that evaluation and internal audit are closely coordinated and may defer a proposed evaluation pending the outcome of an internal audit examination. In DIST, the central evaluation unit aims to give greater emphasis to evaluation matters while maintaining an involvement in internal audit. The integration of audit and evaluation is currently being pursued.

2.65 Within the OEA, evaluations and audits are coordinated by the OEA executive through the work program. The OEA aims to ensure that an internal audit is conducted of a program which is to be evaluated before the evaluation. This helps provide background information for the evaluation and focus the evaluation on outcome and effectiveness issues rather than compliance and administrative efficiencies which are covered by the audit.

Survey results

2.66 Ninety five per cent of agencies reported in the survey that evaluation takes into account proposed internal and external

audit activity. Fifteen³⁰ of the 20 agencies surveyed have a designated central evaluation unit or person which/who has responsibility for coordinating evaluation activity within the agency. Forty per cent of these evaluation units/staff³¹ are concerned exclusively with evaluation matters. The remainder have other responsibilities including internal and external audit related matters and routine performance information.

2.67 As well, 60 per cent of those agencies that had an executive evaluation committee³² included internal audit as part of the committee's responsibilities.

Conclusion

2.68 The ANAO found that two of the four agencies in the in-depth review (DHFS and DIMA) had established links between their corporate plans and evaluation planning. DIST and the OEA were in the process of updating their corporate/business plans. However, it should be noted that 25 per cent of the agencies surveyed do not refer to evaluation specifically in their corporate/business plans.

³⁰ Nineteen agencies responded to this survey question.

³¹ Three of the fifteen agencies that had an evaluation unit/person did not respond to this survey question.

³² Two of the sixteen agencies that had an executive evaluation committee did not respond to this survey question.

2.69 The ANAO considers that links between evaluation and the corporate/business plans could be further improved by agencies adopting a combination of the DHFS and DIMA approaches. In DHFS, the corporate plan provided a clear link to the evaluation strategy to be pursued. In DIMA, it was not evident that the corporate plan was a primary influence on the development of the evaluation plan but evaluation activities did inform decision-making as well as indirectly influencing the development of subsequent corporate plans.

2.70 The in-depth review also found that all agencies had begun to adapt their evaluation functions to better integrate evaluation with performance monitoring and assessment. In DHFS, responsibility for performance monitoring lies with the PAC and there is considerable importance attached to linking evaluation with performance information. DIST and the OEA have recently initiated systems for reviewing the establishment of performance information. This is expected to have a positive impact on future evaluations. In DIMA, while there was only a limited relationship between evaluation activities and performance measurement in the past, there is a move to bring the responsibilities for performance

information and evaluation together.

2.71 The majority of agencies surveyed stated that on-going performance measurement and reporting systems influenced the planning and conduct of evaluations. However, the areas where agencies identified the highest number of instances of minimal or no impact (in comparison to other possible impacts) from evaluations completed in 1995 and 1996 were

- development of ongoing performance measures; and
- refinement of existing performance measures.

2.72 The ANAO considers that it is important for agencies to develop performance information which can be used to identify issues that require evaluation. Evaluations can also be used to enhance existing performance information.

2.73 Both the in-depth review and the survey found that the majority of agencies had established links between evaluation and other external review activities. As well, strong links had been established with internal audit.

Recommendation No. 2

2.74 The ANAO recommends that:

- DIST, in developing its corporate/business plans, establish direct links with evaluation plans to help ensure that evaluation priorities are consistent with and support those outlined in the corporate/business plans; and
- the OEA/ATSIC enhance the focus on evaluation by specifically referring to the importance of evaluation in ATSIC's corporate/operational Plans.

ATSIC response

2.75 Agreed. The Director of the OEA will address the issue of the focus on the importance of evaluation in the next revision of ATSIC's corporate/operational plans.

DIST response

2.76 Agreed.

Recommendation No. 3

2.77 The ANAO recommends that DIMA adopts a two-way approach to evaluation planning, that is; provide clear links in the corporate plan to the evaluation strategy to ensure that evaluation activities inform decision-making as well as directly influencing the development of subsequent corporate plans.

DIMA response

2.78 Agreed. As foreshadowed in the report, DIMA had separately identified the need for this and merged the evaluation function with the area responsible for corporate planning.

Better practice principles

From the work undertaken in this audit, the ANAO has identified the following practices which would enhance agencies' evaluation planning:

- ◇ involve the responsible Minister and the agency executive in evaluation planning to help ensure that evaluations are addressing the most relevant and highest priority issues. Executive involvement in evaluation planning can be through membership of an executive committee with responsibility for evaluation matters;
- ◇ ensure executive evaluation committees devote sufficient time to the consideration of evaluation matters, particularly strategic evaluation planning and implementation;
- ◇ develop a strategic framework to guide evaluation planning which is directed by the executive and communicated to those responsible for evaluation planning. The strategic framework developed by the DHFS, and outlined in Figure 2, is an example of good practice;
- ◇ focus evaluations on significant issues that are strategic in nature;
- ◇ integrate evaluation into the overall performance management framework. This will ensure more effective evaluations which:

- focus on priorities flowing from the corporate/business plan;
- complement on-going performance assessment; and
- are coordinated with other review activities to avoid unnecessary duplication or overlap.

3. Conduct of Individual Evaluations

This chapter discusses the approaches and processes used by agencies in conducting individual evaluations to ensure a quality evaluation and a quality outcome. The ANAO found that there is an adequate range of available evaluation guidance material. The ANAO also found that agencies are using steering committees, executive evaluation committees and evaluation managers to monitor the progress of evaluations and review the quality of evaluations. However, these mechanisms are not always fully effective in ensuring that evaluations meet their agreed timeframe and in assuring the quality of individual evaluation reports. The ANAO has made four recommendations aimed at improving the conduct of individual evaluations.

Introduction

3.1 The approach to planning, conducting and monitoring individual evaluations will affect the quality of the evaluation and subsequently, the evaluation's usefulness to management and external users.

3.2 The conduct of an evaluation needs to be tailored to suit the type of program being evaluated; the operating environment within which the program is delivered; the timeframe of the program and the evaluation; and other contingent factors.

3.3 While there are no mandatory requirements for the conduct of individual evaluations, advice has been provided over a number of years on better ways

to undertake evaluations. In particular, DoF has had an important role in providing advice and highlighting best practice approaches in the conduct of evaluations.

Criteria

3.4 The ANAO considered the approaches used by agencies to ensure a quality outcome from the conduct of evaluations and identified the following practices as key contributors to a sound evaluation product:

- availability of evaluation skills;
- provision of effective guidance to relevant staff;
- monitoring the conduct of evaluations; and
- reviewing the quality of evaluations.

Evaluation skills

3.5 The conduct of an evaluation requires a mix of evaluation skills including: analytical skills; strategic and conceptual capacity; knowledge of appropriate methodologies; data collection and data analysis skills; report writing skills and presentation skills. In addition, project and contract management skills will also be important to ensure that the evaluation is managed to maximise quality and timeliness.

3.6 The inclusion of an appropriate range of skills in an evaluation team will assist in achieving a quality evaluation report and a quality outcome. The lack of appropriate skills could lead to evaluations that do not address the relevant issues or collect appropriate data. Such evaluations may not be useful for decision-making.

In-depth review

3.7 The ANAO found that the four agencies in the in-depth review had evaluation teams whose members had a range of evaluation skills. Agencies obtain and enhance evaluation skills through recruiting appropriately qualified staff; establishing special evaluation units; providing evaluation

training and guidance and by using consultants.

3.8 Three of the four agencies examined (DHFS, DIMA and DIST) have devolved the conduct of evaluations to program areas so that evaluations are conducted, managed and to some extent, coordinated by the program area through the responsible program manager. The OEA, on the other hand, has a centralised evaluation function that promotes independence of the evaluator and emphasises accountability for all ATSIC programs.

3.9 In DHFS, some individual divisions maintain units that have responsibilities for evaluation, performance information and certain research tasks. These areas retain considerable knowledge and skills relating to evaluation matters. In addition, the evaluation unit within DHFS plays a role in providing advice on a range of evaluation matters.

3.10 In planning its evaluation strategy for the next period, DHFS attempts to identify the skills that may be needed and obtain those skills prior to the commencement of the evaluation. This process assists in ensuring that the relevant evaluation skills are available when needed.

3.11 Many evaluations conducted in DHFS cover broad

areas of responsibilities (including joint Commonwealth and State funded programs) and hence frequently involve a selection of consultants and evaluators with various roles and skills. Accordingly, DHFS identifies project and contract management skills as important and relevant. To enhance these skills, DHFS has included project management and managing consultants as part of the menu of training available within the department.

3.12 As mentioned above, DIMA has largely devolved the conduct of evaluations to program areas and the selection of personnel to undertake evaluations is the responsibility of program managers. Evaluations in DIMA are not undertaken by specialist evaluation units, but are usually undertaken by in-house subject matter specialists, independent peer review, consultants or a mix of these elements. Therefore, while DIMA considers the possession of evaluation skills and expertise is desirable, the possession of program knowledge is considered to be more significant.

3.13 Within DIST, evaluation steering committees and program managers are responsible for ensuring that those conducting evaluations have the necessary evaluation skills and expertise. The executive also gives some

consideration to who will undertake specific evaluations when they review the PEP.

3.14 DIST has devolved the conduct of smaller evaluations to program areas. In addition, DIST has a number of sections which have staff with evaluation skills who are available to assist with evaluations in the agency and the portfolio, usually as members of steering committees. Many of the larger DIST evaluations are undertaken by external consultants.

3.15 In the OEA there are currently two units comprising personnel who are exclusively concerned with evaluating programs in ATSIC. The focus in the OEA is on recruiting and building up a team of skilled and experienced evaluators.

Training

3.16 In reviewing the range of evaluation training provided, the ANAO found that the four agencies in the in-depth review do not generally provide training on specific evaluation matters. Some staff attend DoF's training course and the Canberra Evaluation Forum's meetings (which provide a useful mechanism for creating a network of evaluators).

Survey results

3.17 Responses to the survey indicate that agencies consider that the three most important abilities in an evaluator are:

- ability to analyse programs in a way which reveals important issues;
- ability to choose an appropriate evaluation design and methodology; and
- ability to analyse data to draw conclusions.

3.18 Responses to the survey suggest that agencies³³ consider that the first two abilities listed above, together with abilities for data collection methods (for example surveys, interviews) are in most need of enhancement, development or acquisition.

3.19 These skills deficiencies are also evident from the quality review of the evaluation reports, conducted as part of this audit, which identified significant problems in some reports in the areas of analytical skills and knowledge of appropriate methodologies. This is further discussed in Chapter 4.

Training

3.20 Responses to the survey suggest that evaluation skills can

³³ Eighteen agencies responded to this survey question.

be gained through relevant tertiary study, on-the-job training and through experience with evaluation and research work. These skills can be enhanced and updated through appropriately targeted training. However, the survey indicates that DoF's training is viewed by many agencies as an introductory course and agencies consider that there are currently not many suitable training opportunities available for professional evaluators.

Conclusion

3.21 The ANAO found, in the in-depth review, that agencies had mechanisms in place aimed at bringing together the required level and mix of evaluation skills. However, as described in detail later in Chapter 4, the quality review of evaluation reports across the APS raised concerns about specific skills, in particular analytical abilities and knowledge of appropriate methodologies.

3.22 Given the current developments in the APS, the in-depth review also highlighted the need for general project and contract management skills where evaluations, or parts thereof, are contracted out.

3.23 The survey indicated that agencies consider that analytical abilities and knowledge of appropriate methodologies are in most need of enhancement,

development or acquisition. In the survey, over 20 per cent of agencies raised concerns on the availability of training in advanced evaluation techniques. The ANAO acknowledges that there are some relevant, evaluation specific, courses available through academic institutions.

Guidance

3.24 The provision of guidance material and advice will assist in fostering and enhancing evaluation skills. By providing guidance to evaluators, agencies can encourage evaluation quality and thereby improve the usefulness of evaluation findings. This is particularly important in devolved environments.

In-depth review

3.25 The ANAO found that guidance is given to evaluators generally through the provision of advice and evaluation guides. These guides can be generic guides³⁴ or, where appropriate, an internally prepared evaluation guide.

3.26 DHFS has issued a document entitled 'Principles for the Conduct of Evaluation' (see Appendix 4). This document sets out the framework for evaluations

and covers overall responsibilities, resourcing, quality assurance, transparency, day-to-day management responsibilities of the evaluation project manager and the development of frameworks. This principles document provides guidance on how evaluation processes are to work, although it does not prescribe a particular way of carrying out an evaluation.

3.27 DHFS has not issued a specific departmental 'how to' manual, but provides other guidance in the forms of journal material, proceedings from conferences on evaluation and the documentation produced by DoF. As well, the evaluation strategies unit encourages those undertaking evaluations to discuss what their particular evaluation is going to entail so that the unit can steer them towards the most appropriate material. On occasions the evaluation strategies unit will recommend that a program area approach someone who has undertaken another evaluation which dealt with a similar subject matter.

3.28 The OEA and DIST have produced evaluation handbooks. The OEA's evaluation handbook is a step-by-step guide which covers the various stages of the evaluation from planning to the follow-up of recommendations. This document was updated in

³⁴ For example, DoF's - '*Doing Evaluations: A Practical Guide*' 1994 publication.

February 1996, but it has not been endorsed and is not being used widely within the OEA/ATSIC. The OEA has indicated that they are taking the appropriate steps to approve and distribute the handbook.

3.29 In response to the ANAO's previous audit of program evaluation in 1992-93, DIST had developed an evaluation handbook. This handbook outlines the department's evaluation policies and practices. However, the handbook has not been updated since 1993 and is not being used by evaluators as the information in it is outdated.

3.30 DIMA, which does not currently have a guide, has recently approved a proposal for the development of an evaluation guide.

3.31 In addition, evaluators in the four agencies reviewed have access to DoF's guide and to other relevant literature. DoF is also available to advise evaluators on specific evaluation issues.

Survey results

3.32 The survey indicates that thirteen out of 20 agencies³⁵ provide evaluators with an internally prepared evaluation manual. Agencies reported that

these internal guides always cover terms of reference and in the majority of cases include information on the use and composition of steering committees, evaluation teams, methods of data collection and analysis and reporting.

3.33 The survey also shows that nineteen out of 20 of agencies have an evaluation person or unit that is available to provide appropriate advice on evaluation matters.

Conclusion

3.34 The ANAO found, in the in-depth review and the survey, that an adequate range of evaluation guidance material was available. This included the provision of written guidance material and/or evaluation personnel who could be available to provide advice on evaluation matters.

3.35 Two agencies in the in-depth review have supplemented this guide by preparing internal guidelines to suit their particular needs. These guides were in addition to DoF's 1994 publication '*Doing Evaluations: A Practical Guide*' which is available to all agencies. The ANAO considers that, where an internally prepared evaluation guide is provided, it is important to ensure that:

³⁵ Nineteen agencies responded to this survey question.

- the guide is made available to all parties involved in evaluations;
- the guide is reviewed on a regular basis to ascertain its relevance and updated as necessary; and
- the guide is endorsed at the appropriate level in the agency.

Recommendation No. 4

3.36 The ANAO recommends that DIST regularly reviews and updates its evaluation guide to ensure its relevance and currency; thereby assisting with the improvement of the quality and usefulness of evaluation findings.

DIST response

3.37 Agreed.

Recommendation No. 5

3.38 The ANAO recommends that the OEA's evaluation handbook be endorsed at the appropriate agency level and is made available to all parties involved in evaluations in ATSIC.

ATSIC response

3.39 Agreed. The Director of Evaluation and Audit will formally endorse the OEA Evaluation Handbook and make it available to relevant staff within ATSIC.

Monitoring individual evaluations

3.40 In order to obtain a quality, relevant and timely product, the progress of individual evaluations needs to be monitored. This will assist in ensuring that the evaluation is progressing as planned and that relevant stakeholders are maintaining contact with the evaluation's conduct and are apprised of significant developments.

3.41 The ANAO found that agencies were largely using executive evaluation committees, steering committees and/or evaluation managers to monitor the conduct of individual evaluations. Each of these mechanisms is discussed in more detail below.

Steering committees

In-depth review

3.42 The four agencies in the in-depth review use steering committees extensively as a means of monitoring the conduct of evaluations. This usually occurs when steering committees meet at key points during the evaluation. At these meetings, committees are provided with updates on progress with evaluations and proceed to debate emerging issues.

3.43 In DHFS all evaluations have reference groups and the composition of these groups is approved by the executive evaluation committee. The responsibilities of reference groups, as outlined in DHFS 'Principles for the conduct of evaluation' document, are to:

- provide advice on program and evaluation issues to the evaluation project manager;
- provide guidance on the evaluation design and data sources, and additional expert advice as necessary; and
- review drafts of the evaluation report.

3.44 In DIMA, working groups or advisory panels are formed to advise and comment on issues arising during the progress of the evaluation. Steering committees also provide guidance on the focus of evaluations and the structure of the evaluation report.

3.45 In DIST the executive has expressed a preference for external people to chair evaluation steering committees. The aim of this arrangement is to ensure independent steering committees are established with the appropriate expertise. Steering committees in DIST have, in many cases, a hands-on role in managing and controlling the evaluation.

3.46 In the OEA, it is a requirement that there should be a steering committee for all evaluations. Steering committees play an advisory role in planning and monitoring evaluations. The steering committee would normally include representatives from the OEA, the evaluated program's management, DoF and other relevant stakeholders as appropriate. Steering committees usually meet at key points (three to four times) during the conduct of the evaluation.

Quality review of evaluation reports

3.47 In the quality review of the evaluation reports, 20 of the 37 reports reviewed by the ANAO indicated that these evaluations had steering committees. As well, many of these reports indicated that they included external stakeholders on the steering committee.

Executive evaluation committees

In-depth review

3.48 The ANAO found that executive evaluation committees in DIMA, DIST and the OEA provided a monitoring role and received regular reports on progress with individual evaluations. The responsibilities of DHFS's executive evaluation

committees are discussed in paragraph 3.53 below.

3.49 In DIMA, at each quarterly meeting the Departmental Audit and Evaluation Committee (DAEC) is provided with an Evaluation Activity Update - Status Report. This report contains details of planned evaluations, the status of evaluations in progress, due date for completion, expected completion date and explanations for variations.

3.50 Although this information is available to the DAEC, the ANAO identified considerable slippage in the timing of a large number of evaluations. For example, of the 22 evaluations in the status report provided to the DAEC in March 1997, only four evaluations were likely to be completed within the scheduled time-frame. The remaining eighteen evaluations involved a slippage in the proposed timetable, ranging from two to 28 months with an average slippage in excess of twelve months. DIMA advised that the changing operating environment may have had an impact on the timing of some of these evaluations and that in many cases changes to individual evaluations' timetables have been agreed. The ANAO considers that where appropriate, timetables should be revised to reflect the latest agreed schedules and goals.

3.51 DIST has recently established an audit committee which has a role in overseeing evaluation activity. Quarterly updates are provided by the evaluation unit to the audit committee, which has a responsibility for deciding whether progress made on each evaluation is appropriate. These updates include a list of evaluations underway in the agency with details on when they are scheduled to commence, to be completed and their current status. However, as these mechanisms have recently been introduced, the ANAO was unable to assess the effectiveness of the monitoring processes at the time of the audit fieldwork.

3.52 The OEA's work program, which details all planned OEA evaluations (and audits), ensures that programs are evaluated on a timely basis. In addition, ATSIC's Evaluation and Audit Committee (EAC) had responsibilities for audit and evaluation matters and received regular status reports on overall progress with OEA evaluations. ATSIC is currently in the process of changing the structure and roles of the EAC and is considering setting up a dedicated audit committee and possibly a separate evaluation committee. In addition, the OEA is required to report to the Minister and the Chairperson of

the ATSI Board on its evaluation (and other) activities.

3.53 In DHFS the responsibilities of the executive evaluation committee (and sub-committee) are concerned predominantly with evaluation planning, as discussed in Chapter 2. The responsibility for monitoring the day-to-day conduct of individual evaluations is primarily the role of the program manager.

3.54 In order to prevent slippage, DHFS has built timeliness into the process by making the evaluations an essential part of government decision-making. The focus on evaluations being undertaken to inform certain decisions or meet specific program deadlines provides considerable incentive for the evaluation manager and others to deliver the evaluation product on time.

Survey results

3.55 The survey shows that sixteen of the 20 agencies surveyed³⁶ have an executive evaluation committee in place. Twelve of these sixteen committees have responsibilities for monitoring the progress of evaluations. The survey results in relation to evaluation

committees were discussed in more detail in Chapter 2.

Evaluation manager

In-depth review

3.56 Responsibility for the day-to-day management and monitoring of individual evaluations lies with the evaluation manager (or equivalent) in all four agencies in the in-depth review.

3.57 In DHFS, the evaluation project manager is responsible to the program manager. The responsibilities of the program manager (as well as other key people/committees) are clearly set out in 'Principles for the conduct of evaluation' document (see Appendix 4). These responsibilities include ensuring that the evaluation remains on track and on time at all stages. In addition, information is sought from divisions on the progress of individual evaluations. This information is gathered at least twice each year when the department is updating material on evaluations to provide to DoF.

3.58 In the OEA, the evaluation manager maintains an ongoing role in monitoring the progress of the evaluation against the evaluation plan. In addition, OEA's management (that is, Director and Deputy Director) monitors progress of individual evaluations in the OEA's

³⁶ Nineteen agencies responded to this survey question.

fortnightly meetings, which involve all evaluation managers.

3.59 In DIMA and DIST, responsibility for monitoring individual evaluations is often shared between steering committees and evaluation managers. In fact, some of DIST's evaluations are managed by the evaluation steering committee and do not have a separate evaluation manager.

Conclusion

3.60 All three components of the audit showed that most agencies have executive evaluation committees, steering committees and/or evaluation managers with responsibility for monitoring the progress of individual evaluations.

3.61 However, the in-depth review showed that the role of the executive evaluation committee and steering committees in monitoring progress with individual evaluations was not always effective in ensuring that evaluations met their agreed timeframe. The ANAO considers that it is important for agencies to establish effective monitoring mechanisms. This will minimise the risk of slippage and help ensure that the results of evaluations are available to feed into decision-making at key points.

3.62 While on-going monitoring is part of the general responsibilities of an APS manager, it is useful to clearly set out the roles and responsibilities of executive evaluation committees, steering committees and/or evaluation managers. An example of good practice has been identified in DHFS's principles document (see Appendix 4) which clearly defines the responsibilities of key participants in the evaluation process.

Recommendation No. 6

3.63 The ANAO recommends that DIMA takes the necessary steps to ensure that evaluations are completed within the specified timeframe. This could be through:

- the executive evaluation committee acting on the information provided in the Evaluation Activity Update - Status Report; and/or
- improved project management techniques.

DIMA response

3.64 Agreed. DIMA will ensure that realistic timeframes are set and appropriately monitored - in part, this will be addressed in the new Evaluation Manual when published. The Evaluation Unit will also be in a better position to monitor adherence to timetables

following its move to the Corporate Strategy Section. However, it must be noted that delays are not necessarily avoidable, or even undesirable. Following the 1996 election, and the impact of changes arising from 'Meeting our Commitments' and other measures announced by the Coalition Government, some slippage were inevitable if DIMA was to maximise the benefits of evaluations in a changing environment. Strict adherence to timetables in such an environment would have significantly reduced the effectiveness of the evaluation program.

Recommendation No. 7

3.65 The ANAO recommends that DIMA, DIST and the OEA clearly identify the roles and responsibilities of key participants in the evaluation process; such as executive evaluation committees, steering committees and/or evaluation managers.

ATSIC response

3.66 Agreed. The roles and responsibilities of the participants in the evaluation process are well known within the OEA and made clear to the members of evaluation steering committees at meeting of those committees. The role of the Evaluation and Audit Committee (EAC) has been formally documented in the terms of reference for that committee,

which was agreed by the Chief Executive Officer on the establishment of ATSIC. However, there is a need to formally document the role and responsibilities of evaluation steering committees and their relationship to OEA evaluation managers and this will be done.

DIMA response

3.67 Agreed. The roles and responsibilities of the various players in evaluation will be clearly outlined in the DIMA Evaluation Manual when published.

DIST response

3.68 Agreed.

Reviewing the quality of evaluations

3.69 To assure a quality outcome from evaluations, agencies need to have mechanisms in place for reviewing the quality of individual evaluations as they are being conducted and to review the evaluation report.

3.70 The ANAO found that agencies, in general, have mechanisms in their quality assurance and review processes which are similar to those used in monitoring the progress of individual evaluations.

In-depth review

3.71 In DHFS, the principal responsibility for the quality of the evaluation product lies with the program manager. Evaluation quality is also encouraged through:

- selection of a good quality officer to manage the evaluation;
- involvement of external and internal stakeholder groups in commenting on the framework and terms of reference;
- having technical advisory panels (with experts in the particular fields) to assist in assessing work carried out by consultants;
- having guidance available to the evaluation manager in regard to the management and operation of consultants (technical panels, steering groups); and
- providing sufficient resources to allow the evaluation to be completed successfully.

3.72 In DIMA it is a requirement for all evaluations that the draft and final reports be submitted to the Departmental Audit and Evaluation Committee (DAEC) for approval. In addition, working groups or advisory panels are formed to advise and comment on issues arising during the conduct of the evaluation. Steering committees also provide

guidance on the focus of evaluations and the structure of the evaluation report.

3.73 In DIST the main forum for reviewing the quality of evaluations is individual steering committees, while in the OEA, evaluations are reviewed mainly by OEA management and to a lesser extent by individual steering committees.

Survey results

3.74 The survey results confirm the findings from the in-depth review. Processes for ensuring quality and rigour involve, in most cases, a combination of individual steering committees, executive evaluation committees, evaluation units, program management and in some departments, a system of peer review.

Quality review of evaluation reports

3.75 The quality review, which examined 37 evaluation reports, found minor problems and weaknesses in a number of the reports. In particular, weaknesses have been identified in relation to the correspondence between terms of reference and the report, the appropriateness and quality of methodologies, relationship between conclusions and data and the quality of recommendations. This raises issues both in relation to the

quality of individual evaluations and/or quality and accuracy of evaluation reports. The quality review of reports is discussed in more detail in Chapter 4.

Conclusion

3.76 The in-depth review and the survey showed that most agencies had processes for reviewing the quality of evaluations. This usually involved a combination of executive evaluation committees, individual steering committees, evaluation units, program management, and in some

agencies, a system of peer review.

3.77 However, a number of concerns were raised in the quality review of evaluation reports (discussed in more detail in Chapter 4). It is therefore important that agencies adopt effective assurance and review mechanisms to ensure that evaluation reports are of high quality. This will increase the likelihood of the evaluation providing a useful base for decision-making at all relevant levels of the agency.

Better practice principles

From the work undertaken in this audit, the ANAO has identified the following practices which would enhance the conduct of individual evaluations:

- ◇ clearly define and set out the range of responsibilities and duties expected of key participants in the evaluation effort. An example of good practice has been identified in DHFS's principles document (see Appendix 4);
- ◇ obtain and/or enhance (that is, recruit, train, and/or contract in) a range of evaluation skills, in particular analytical skills and knowledge of appropriate methodologies;
- ◇ place greater emphasis on project and contract management skills for evaluators, particularly evaluation managers;
- ◇ provide guidance and advice to evaluators. This may be through ensuring relevant staff are familiar with DoF's *Doing Evaluations: A Practical Guide* or developing a tailored evaluation guide, which builds on DoF's Guide, where:
 - the guide is made available to all parties involved in evaluations;

- the guide is reviewed on a regular basis to ascertain its relevance and updated as necessary; and
- the guide is endorsed at the appropriate level in the agency;

- ◇ monitor and review the progress of individual evaluations to ensure that evaluations address their objectives/terms of reference, meet their agreed time-frame and the results feed effectively into decision-making; and
- ◇ adopt an effective quality assurance and review mechanism to ensure that evaluations conducted and evaluation reports produced are of high quality.

4. Reporting

This chapter provides the findings of the quality review of a sample of evaluation reports completed in 1995-97. The review found that the reports examined ranged in standard from poor, through being just acceptable to those which included all essential features. The ANAO recognises that the identified weaknesses may reflect problems in the evaluation process and/or just a problem of report writing. It is therefore important that agencies identify where the weaknesses lie and take appropriate action to improve the evaluation processes and/or reporting as necessary.

1.1

Background

4.1 The evaluation report is an important element of the evaluation process. It is not, however, an end in itself. It is an output of the evaluation process. The report is the main means by which the findings of an evaluation are communicated to program managers, decision-makers and stakeholders. The findings of evaluation activities generally are available more broadly to the Parliament and the public through their inclusion in the annual reports and Portfolio Budget Statements.

4.2 Preparation of reports can be time consuming and costly. Therefore it is important that evaluation reports are useful in conveying findings and recommendations in a way that

will lead to program improvement. Without commitment to take action as a result of the evaluation, of which the report is only one element, the evaluation effort will not achieve its potential impact.

4.3 One of the mandatory requirements in relation to evaluation specifies that results of major evaluations should normally be publicly released. The aim of such a release is to:

- make portfolios more accountable; and
- provide an incentive for good performance.

4.4 The new good practice principles approach to performance management proposes that performance results (including results of evaluations) should be published

for areas where government policy is in the public domain.

Criteria

4.5 A review of the quality of a sample of evaluation reports from each portfolio agency was undertaken. This quality review made an assessment of completed evaluation reports against various aspects of quality as they related to:

- terms of reference;
- methodology;
- relationship of conclusions to data;
- evaluation recommendations;
- completeness; and
- presentation of report.

4.6 In each area, a further refinement was made to allow an examination of essential and desirable features. For example:

- an essential requirement is that recommendations flow logically from the findings, and
- a desirable feature is that recommendations are identified in terms of their relative importance; with the most important recommendations being highlighted in some way.

4.7 Each report was examined in relation to the areas listed at paragraph 4.6. For each

of the six areas, a ranking was given as to whether that area of the report:

- included all essential features to an adequate level;
- had some minor problems, but were of the type that would not significantly detract from the reader's understanding of the report and its findings; and
- had one or more weaknesses which pointed to some potential difficulties in the usefulness of the report.

4.8 The findings in relation to each area listed in paragraph 4.6 are set out under separate headings below. For each area, a definition is given of essential and desirable features on which the assessment was based. This is followed by a description of the number of reports which were determined to meet the ranking (listed in paragraph 4.7).

4.9 It should be noted that this part of the audit examined only the evaluation reports; not the evaluation process or the use made of the findings. While some reports may have had weaknesses, they were only part of the process of evaluation which contributes to the advice available for decision-making. That is, while a report brings together the methodology, findings and so on, other information which arises during

the conduct of the evaluation is also useful for decision-making.

4.10 The quality review found that there were many examples of good practices in evaluation reports. In particular, the majority of evaluations examined did not have weaknesses such that the value of the evaluation report would be adversely affected and most fully addressed their Terms of References (ToRs).

Terms of reference

4.11 Properly articulated terms of reference (ToRs) are central to an effective evaluation. ToRs are expected to provide the overall direction for an evaluation. It is therefore important that ToRs are of sufficient quality and that links can be identified between ToRs and the rest of the report. This latter point allows users of an evaluation to assess whether ToRs were actually addressed.

Quality of terms of reference

4.12 Essential features of ToRs are that they:

- are easily identifiable;
- relate to significant evaluation issues;
- are specific to the program; and
- are appropriate to the stage of development of the program.

4.13 Sixteen reports included all essential features in relation to the quality of ToRs, eleven had some minor problems and ten had one or more weaknesses. Examples of weaknesses were:

- failure to clearly identify ToRs; and
- apparent absence of any ToRs (two cases).

Correspondence between the terms of reference and the rest of report

4.14 Essential features include:

- all ToRs should be addressed;
- ToRs should be reflected in methods of data collection, conclusions and recommendations and links clearly made; and
- ToRs should be explicitly addressed. For example, if the ToRs related to efficiency, the information reported against it should be about efficiency not effectiveness.

4.15 It is desirable that the report (at least the executive summary) is organised in such a way that the reader can clearly identify the findings against the ToRs.

4.16 For five reports examined in the quality review, the ToRs (or some equivalent such as

objectives) were either missing or too ambiguous to allow assessment. For example, in two reports there appeared to be two sets of ToRs. Of the remaining 32 reports, sixteen included all essential features, eleven had some minor problems and five had one or more weaknesses. Examples of weaknesses were:

- the report did not address a specific ToR; or
- a ToR was partially addressed, that is, the ToR may have related to efficiency and effectiveness but only efficiency was addressed in the report.

Evaluation methodology

4.17 The appropriateness of the methodology used in undertaking evaluations is important in making judgments regarding the overall quality of the evaluations. However, in undertaking this review it was found that making such a judgment was difficult in that many reports did not give a sufficient description of the methodology used and this had to be inferred from other information contained in the report.

Description of the methodology

4.18 Essential features are that:

- sufficient information is provided to allow a judgment to be made regarding the appropriateness and adequacy of the methods used; and
- the limitations of the methodology are discussed.

4.19 It is desirable that the description of the methodology can be easily found, that the use made of each method is described and that access to data collection instruments is provided (for example, questionnaires could be appended to reports).

4.20 The quality review found that eleven reports included all essential features, sixteen had some minor problems and ten had one or more weaknesses - such as no description of the methodology in the report.

Appropriateness and quality of methods of data collection and analysis

4.21 Essential features are that:

- selection of methods includes an appropriate mix of

quantitative and qualitative methods;

- all methods used actually contribute to the evaluation and the way they do so is made clear;
- design of the particular method is appropriate for its intended use;
- the sample size and composition are appropriate;
- appropriate comparisons are used to make judgments; and
- a balanced view based on data collection and analysis is provided.

4.22 It is desirable that quantitative and qualitative methods are used to maximise their advantages, the level of precision in presentation (for example, use of figures with a decimal point) should reflect the precision of the data and reporting should indicate whether majority opinions were expressed.

4.23 The quality review found that fourteen reports included all essential features and nine had some minor problems. However, significantly, fourteen reports had one or more weaknesses in this area. This raises the issue of the availability of skills, such as sound research and analytical skills, within an agency or evaluation team. The issue of

skills was discussed in Chapter 3. It is important to recognise that there is a variety of skills needed to undertake evaluations and it may be necessary to use external experts or provide training if skills of a sufficient level are not available within the agency or team.

4.24 The ANAO has drawn attention to the following examples of poor practice:

- case studies which were put in a document separate to the evaluation report without appropriate references to their location. As well, it was not clear how these case studies were used as part of the overall evaluation; and
- further information was required about the specific features of a customer contact process used by one evaluation team. For example:
 - was contact made by written survey, face to face, structured interview or casual conversation? and
 - how many customers were involved and who were they?

Without this information it is difficult to judge the importance of reported findings such as 'of the customers contacted in the course of the evaluation, approximately 50 per cent made decisions concerning the purchase of services locally'.

Evaluation conclusions and recommendations

4.25 The level of correspondence between conclusions and data and the inclusion of quality recommendations are discussed under the relevant headings below.

Relationships of conclusions to data

4.26 The essential features are:

- relevant data or argument should be provided to support conclusions; and
- the conclusions should follow from the data and links should be clearly stated.

4.27 There are many levels at which the correspondence between conclusions and data can be assessed. This assessment was undertaken only on the information presented in the report. A more thorough assessment of the correspondence between conclusions and data would require an in-depth understanding of the type of program being evaluated and its context, what is known more broadly about alternatives for program delivery and so on.

4.28 It is desirable that evaluation conclusions are explicitly drawn, rather than presenting the data and leaving readers to draw their own conclusions.

4.29 The quality review identified eighteen reports that included all essential features, eight that had some minor problems and eleven that had one or more weaknesses. While there were few instances where conclusions actually contradicted the data, there were several reports where conclusions were presented without supporting data.

4.30 Some other examples of weaknesses identified included the following:

- much of one evaluation consisted of assertions made by the evaluation team using the phrase ‘the evaluation believes’. However, the reader is not provided with relevant information to question the assertions; and
- at several points in another report, findings are presented but no evaluation conclusions are drawn.

4.31 It is important that conclusions are drawn and that they are well-founded because they are likely to be used to make decisions about policy or resource allocation, which may

have a significant impact on the continuance and success of a government program.

Inclusion of recommendations

4.32 The inclusion of recommendations is not necessarily an essential feature of all evaluations. For three of the 37 reports, there appeared to be no expectation that recommendations would be made.

4.33 Essential features of a report are that recommendations are included (where required by the ToR) and are clearly identifiable. Desirable features are that the recommendations are cross-referenced to relevant findings and conclusions and are brought together in one place where an indication of themes and significance is given.

4.34 Of the 34 reports where recommendations were expected, the quality review found that 23 had all essential features, nine had some minor problems and only two had one or more weaknesses.

Quality of recommendations

4.35 Essential features are that recommendations:

- flow logically from findings;
- are practical in implementation;

- identify responsibilities for implementation and timeframes; and
- identify potential benefits and cost implications.

4.36 Another essential feature is that the rationale for highly specific recommendations should be provided. Desirable features are that recommendations could be organised according to a theme and their relative importance. Recommendations could also identify interdependencies.

4.37 In examining the quality of recommendations, there has not been (and could not be) any attempt to comment on the acceptability or otherwise to management and stakeholders of recommendations. It should also be noted that the quality of recommendations will be affected by the quality of the methodology and conclusions.

4.38 The quality review found that ten reports included all essential features, fourteen had some minor problems and the remaining ten had one or more weaknesses. Of the ten reports which included all essential features a particular example of good practice is detailed below:

- the recommendations contained in the report were related to strategic issues and intended impacts;

- while the recommendations were not individually costed, the issue of costing was dealt with in relation to the expected costs and benefits of the proposals as a whole;
- the report included a change management strategy and implementation timetable; and
- several attachments provided further details relating to the various recommendations.

4.39 Some examples of the weaknesses identified included:

- recommendations without clear identification of priorities;
- recommendations without a clear indication of expected benefits in terms of improved effectiveness, efficiency and so on;
- recommendations that would appear to have substantial cost implications but for which no explicit reference to cost and likely or possible trade-offs has been made; and
- recommendations that appear to be self serving. For example, recommendations that a program should take on new tasks because it has the relevant capabilities, without consideration being given to whether those new tasks are really needed and/or how else they might be undertaken.

4.40 It should also be noted that only eight reports indicated the cost of recommendations but

there was little expectation evidenced in the reports themselves that costing would occur.

Completeness and presentation of the report

4.41 As mentioned in paragraph 4.1 above, the report is a key output of the evaluation process, the main means by which findings are communicated to a wide audience and the vehicle for encouraging the use of findings. It is therefore important that the report is complete, that is, contains all the information necessary for the reader to understand the evaluation and is presented so as to encourage its use.

Completeness

4.42 In addition to the features discussed above, factors which should be considered in relation to completeness include the provision of:

- a table of contents;
- contact information;
- an executive summary;
- background information on the reasons for undertaking the evaluation and the purposes for which it is likely to be used;

- a description of the program. This will provide an understanding of the context for external readers or those not familiar with the program; and
- the management structure of the evaluation, that is, whether a steering committee was used, who was in the evaluation team and so on.

Executive summary	21	10	6
Background information	15	19	3
Description of the program	18	10	9
Management structure ³⁸	13	16	8

4.43 As with other criteria, essential and desirable features were developed for each of the above factors. However, given that many of these factors are largely self explanatory, only the summary of the quality review findings are presented in Table 1 below. Other factors, such as the description of the methodology and inclusion of recommendations, have been discussed under the appropriate headings above.

Table 1:
Completeness of evaluation reports

Factors	Number of reports		
	Included all essentials	Minor problems ³⁴	Weaknesses ³⁷
Table of contents	19	11	7
Contact information	7	16	14

³⁷ For a definition of these terms, refer to paragraph 4.7.

³⁸ 20 of the 37 reports examined indicated that they had steering committees and seventeen did not.

4.44 Some of the above findings are minor. For example, it is likely that a reader will be able to gain further details on the evaluation without the inclusion of contact information. However, factors such as an appreciation of the background to an evaluation or description of the program are important for a reader to be able to understand the reasons for the evaluation and the environment in which the program operates.

Presentation of reports

4.45 While the presentation of a report may be to some extent a matter of personal taste, factors such as being user friendly and not unnecessarily technical, are helpful for a reader to understand and therefore use the information included in the report.

4.46 The majority of reports examined in the quality review (that is, 33) either included all essential features or had only some minor problems. Only four reports had one or more weaknesses.

Conclusion

4.47 The quality review demonstrated that evaluation reports range in standard from poor, through being just acceptable to those which included all essential features. The ANAO acknowledges that the quality of a report can be affected by factors such as timing. For example, the evaluation results may be required to inform a particular decision at a specific time. This could lead to the production of a report which contains conclusions but which may not fully describe all other matters.

4.48 The quality review found that there were many examples of good practices in evaluation reports. In particular, the majority of evaluations examined did not have weaknesses such that the value of the evaluation report would be affected and most complied with their ToRs.

4.49 The quality review also found that the most prevalent weaknesses in reports related to:

- the failure to clearly identify ToRs or to address them;
- the lack of a clear description of the methodology used;
- the inappropriateness and/or poor quality of data collection and analysis;

- conclusions being reported without supporting data or which contradicted the data; and
- recommendations being included without identification of priorities or likely benefits.

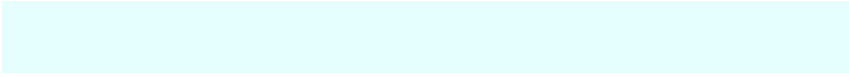
4.50 The absence of particular skills from the evaluation team may have led to some of these weaknesses. For example, the absence of an appropriate level of research and analytical skills may result in the development of a poor methodology which, in turn, is judged as inadequate when described in a report.

4.51 Weaknesses such as these clearly reduce the usefulness of evaluation reports and its findings for decision-making. The ANAO recognises that these weaknesses may reflect problems in the evaluation process rather than just a problem of report writing. It is therefore important that agencies identify where the weaknesses lie and take appropriate action to improve the evaluation processes and/or reporting as necessary. To assist agencies in addressing specific problem areas, the ANAO will make the individual report assessments available to each agency when this audit is tabled in the Parliament.

Better practice principles

The ANAO has identified a number of better practice principles which could further improve the quality of evaluation reports as follows:

- ◇ include clearly identifiable terms of reference in the report to outline the purpose, scope and focus of the evaluation. The report should respond clearly to the terms of reference;
- ◇ provide a clear explanation of the methodology and ensure that it is appropriate to the specific evaluation;
- ◇ ensure the data collection and analysis are appropriate to the specific evaluation and of high quality and relevance;
- ◇ base conclusions on the data collected and ensure that they are explicitly drawn on that basis; rather than presenting the data and leaving readers to draw their own conclusions;
- ◇ include recommendations where necessary and ensure that they are clearly identifiable, flow logically from the findings, are practical in implementation and identify priorities and/or likely benefits; and
- ◇ ensure that evaluation reports are complete, that is, they contain all the information necessary for the user to understand the evaluation and are presented so as to encourage their use.



5. Impact of Evaluations

This chapter examines the strategies and processes which contribute to the impact of evaluations and the steps taken by agencies to monitor the costs and benefits of evaluations. It also discusses the future direction in relation to evaluation activities. The ANAO found that agencies had processes in place for endorsing evaluation recommendations and monitoring the progress made on implementation. However, few agencies were able to identify the costs and benefits of evaluations. The ANAO has made two recommendations aimed at improving the impact of evaluations.

Introduction

5.1 The evaluation process should contribute to government decision-making, program improvement and accountability. The outcome of the evaluation process is the use made of its findings, conclusions and recommendations to improve or change the nature and direction of government programs. Evaluations can provide assurance that programs are running efficiently and effectively and are appropriate in relation to current Government policies.

5.2 This audit has examined the approaches and principles used by agencies to encourage the appropriate planning and conduct of evaluations and the production of the report. All these factors have an effect on the impact of evaluations. There are also a number of specific

factors which can directly influence the likely impact of evaluations. These factors include:

- the extent of support and involvement by key decision-makers, such as the responsible Minister, Secretary and DoF, at each stage of the evaluation;
- whether it is an appropriate stage in the life of the program or function to consider changes;
- the extent of consultation with relevant parties during and after the evaluation;
- the reaction of major stakeholders to the conclusions and recommendations of the evaluation;
- acceptance of the need for change by all parties, that is,

management, staff and external stakeholders; and

- the resources required to implement recommendations.

Criteria

5.3 The ANAO sought to establish through the in-depth review and the survey of portfolio agencies whether agencies had evaluation strategies and processes in place which took account of the above factors, to help ensure that evaluations have an impact. The strategies and processes examined by the ANAO include:

- communicating evaluation findings and recommendations to stakeholders;
- monitoring the implementation of recommendations; and
- assessing the costs and benefits of evaluations.

5.4 The ANAO's findings in relation to these criteria are discussed under separate headings below. The ANAO has also included the findings of an assessment undertaken by DoF of the impact of evaluations in paragraphs 5.74 to 5.77.

Communication of evaluation findings and recommendations

5.5 The communication of evaluation findings and recommendations to a broad range of stakeholders is primarily through published evaluation reports. As mentioned in paragraph 4.3, it is a mandatory requirement that the results of major evaluations should normally be publicly released. This remains as a good practice principle in the new approach being developed by DoF. The ANAO recognises that evaluations often form the basis of submissions to government and, therefore, it may not be appropriate to make the outcome of evaluations publicly available before government considerations have been finalised.

5.6 The ANAO examined the ways in which agencies communicate evaluation results to a range of audiences including:

- stakeholders who have an interest in the area being evaluated;
- the responsible Minister(s); and
- the Parliament and the public.

Communication with stakeholders

5.7 It is important to communicate evaluation findings and recommendations to all relevant stakeholders for accountability purposes and to demonstrate the transparency of the evaluation process.

5.8 As noted above, the main vehicle for communicating evaluation findings and recommendations is the evaluation report. The ANAO sought to establish the extent to which evaluation reports were released to stakeholders.

In-depth review

5.9 The ANAO found that all agencies in the in-depth review had mechanisms for communicating evaluation results to stakeholders who have an interest in the area being evaluated.

5.10 In DIMA, DIST and the OEA, evaluation reports are generally published and distributed to all relevant stakeholders. Evaluation reports are also available to the public on request.

5.11 In DHFS, the decision to produce a final report is determined on a case-by-case basis in consultation with the responsible Ministers. In some cases, evaluation reports are

published and distributed to all stakeholders (both inside and outside government). Alternatively, the evaluation results may be distributed to selected stakeholders inside government only.

Survey results

5.12 The results of the survey show that over 75 per cent³⁹ of the evaluations undertaken in 1995 and 1996 were released to the public and/or available on request. Seven of the seventeen agencies publicly released all their evaluation reports in 1995. In 1996, nine of the seventeen agencies publicly released all their evaluations reports. However, the ANAO notes that one agency did not release any of the ten evaluations it had undertaken in 1996.

Communication with the responsible Minister

5.13 It is clearly important for the responsible Minister to be kept informed of the results of significant evaluations to assist in government decision-making, particularly where the Minister or the Government initiated the evaluation. In such cases, ministerial agreement to evaluation recommendations are more likely to result in the

³⁹ Seventeen agencies responded to this survey question.

recommendations being implemented.

In-depth review

5.14 The ANAO found that two of the four agencies have formal processes in place for ensuring that evaluation reports are forwarded to the Minister. In DHFS, as mentioned in paragraph 5.11 above, the responsible Ministers are consulted in relation to the communication of evaluation results. As a result, communication processes are designed to suit each individual evaluation. In the OEA, it is a statutory requirement to report to the Minister on, among other things, evaluation findings. Accordingly, the OEA, forwards all evaluation reports to the Minister and to the Chairperson of the ATSIC Board.

5.15 The ANAO found that DIST and DIMA have no formal processes in place for communicating evaluation results to the responsible Minister. In DIST, completed evaluation reports are forwarded to the Executive and the Minister, where necessary. In DIMA, most evaluation reports are referred to the responsible Minister although there is no formal requirement to do so. The ANAO notes, however, that there is a risk with informal processes that the responsible Minister may not

always receive information on significant evaluations.

Communication with the Parliament and the public

5.16 Individual evaluation reports may be tabled in the Parliament. As well, annual reports⁴⁰ and PBSs⁴¹ should provide other sources of information, both of which are available to the Parliament and the public concerning agencies' evaluation activities.

In-depth review

5.17 The ANAO examined the 1995-96 annual reports and the 1995-96 and 1996-97 PBSs and found that the agencies in the in-depth review did not consistently provide information on evaluations in these documents.

5.18 DHFS provides information on planned evaluations in the PBS as part of performance assessment, however, no mention is made of completed evaluation reports. Its

⁴⁰ An annual report should include findings from reviews and evaluations - *Annual Report Requirements, March 1995, Department of the Prime Minister and Cabinet.*

⁴¹ The Portfolio Budget Statement Guidelines 1997-98 indicate that the following information should be included in the PBSs:

- an indication of where the performance of the program is detailed in the annual report;
- reference to any recently published evaluations or Auditor-General's reports; and
- a discussion of performance forecasts, including the impact of budget measures.

annual report does not include any information in relation to individual program evaluations.

5.19 DIST includes some information in its annual report and PBS about current and proposed evaluations but this is not provided on a consistent basis. An examination of recent DIMA annual reports revealed that evaluations undertaken are not always clearly identified. In some cases, evaluations are referred to as 'reviews'. Evaluations are not mentioned in the PBS.

5.20 The OEA provides detailed information in its annual report on the evaluations undertaken and includes a brief description in the PBS. The latter is cross-referenced to the annual report in line with the Guidelines.

5.21 Other public documents which include information on evaluations include the PEP and the DoF Register of Published Evaluations. In the past, all four agencies in the in-depth review have published a brief summary of the results of completed evaluations in the subsequent PEP. As well, the agencies provide details of completed evaluations to the DoF Register which is published twice a year and is available publicly on the Internet and by request.

Conclusion

5.22 The ANAO found, in the in-depth review, that the distribution of evaluation reports to stakeholders is often determined on a case-by-case basis. However, in some agencies there is a risk that responsible Ministers will not always receive copies of significant evaluation reports. As well, evaluations are not always reported in public reports, such as the annual report and PBS, as required by the relevant guidelines. When they are, only limited information on the conduct and outcomes of evaluations is provided.

5.23 The survey indicated that 25 per cent of evaluations conducted in 1995 and 1996 were not released to the public. The ANAO notes that one agency did not publicly release any evaluations completed in 1996 or provide relevant information in its annual report or the PBS.

5.24 To ensure transparency and accountability in the evaluation process, it is important that the results of evaluations are publicly released. Where evaluations contain sensitive information which should not be widely released, consideration should be given to the distribution of a summarised version which does not discuss sensitive issues in detail. This has been part of

evaluation reporting guidance for many years.

Monitoring the implementation of recommendations

5.25 Two key issues need to be considered to ensure that recommendations are acted on. These are:

- endorsement of evaluation recommendations to identify those areas where it is agreed that action will be taken; and
- monitoring the action taken in implementing these recommendations.

5.26 As well, the time taken to implement recommendations has a bearing on the impact of evaluations. In line with sound management practice, there would be value in program managers developing implementation action plans. It is also important that those responsible for implementing evaluation recommendations are clearly identified and that they are held accountable for whether appropriate action is taken.

5.27 The ANAO sought to establish whether agencies have processes in place to endorse evaluation recommendations and measure the progress made in

implementing the recommendations.

Endorsing recommendations

In-depth review

5.28 The ANAO found in the in-depth review that responsibility for endorsing evaluation recommendations has been devolved to program managers. High-level endorsement is sought where necessary.

5.29 In DHFS, the evaluation project manager is responsible for recommending to the Performance Assessment Committee (PAC), through the program manager, acceptance (or rejection) of the evaluation findings and recommendations. The department has not laid down specific processes for obtaining Ministerial approval of evaluation recommendations, although the ANAO was advised that it is sought where appropriate.

5.30 In DIST, there is no requirement for the executive to formally endorse evaluation recommendations. However, under new arrangements currently being considered, program managers will be required to indicate to the Audit Committee which evaluation recommendations are to be implemented; and explain the reasons for any

recommendations on which they do not propose to take action. This should ensure that program managers give evaluation recommendations appropriate consideration.

5.31 In DIMA, all completed evaluation reports which included recommendations were approved by the DAEC. As well, where there are major policy or resource implications arising from the report's findings, a submission is provided to the responsible Minister indicating the Department's response to the findings and recommendations.

5.32 ATSIC program managers are responsible for endorsing the recommendations arising from evaluations conducted by the OEA. All OEA evaluation reports are provided to the relevant program managers for comment prior to finalisation. The program manager's responses to the evaluation recommendations are published in the final report. This is then endorsed by the ATSIC Chief Executive Officer (CEO) before being presented to the ATSIC Board.

Monitoring implementation

In-depth review

5.33 The ANAO found that, while the responsibility for implementing evaluation recommendations had been devolved to program managers in

the four agencies in the in-depth review, responsibility for monitoring the progress of implementing agreed recommendations was undertaken at the executive level. The ANAO found that implementation plans were developed to guide the implementation of recommendations where appropriate.

5.34 In DHFS, accountability for taking action on evaluation recommendations forms part of the program manager's responsibility to the Secretary and is contained in the performance agreement. In this way, monitoring implementation is integrated into the manager's overall program management responsibilities. It also means that there is an incentive for program managers to ensure that those working for them also recognise the roles they have to play and that they are held accountable for what they are required to do.

5.35 A key element in implementing evaluation recommendations under these devolved arrangements is to integrate evaluation with on-going program management. This is central to the targeted approach DHFS is currently pursuing (outlined in Figure 2) where evaluations are planned to be conducted at key decision points in the life of the program.

Where evaluations are undertaken to meet the needs of new agreements, strategies and so on, the implementation of the recommendations becomes part of ongoing program management. Consequently, the department has not seen a need for specific procedures to be promulgated dealing with implementation of the results of evaluations.

5.36 Two of the four agencies have recently introduced formal processes where executive evaluation committees monitor the implementation of recommendations. As part of the new arrangements currently being considered in DIST, the Audit Committee will receive quarterly updates providing information on the progress made in implementing evaluation recommendations.

5.37 Until recently, DIMA had no formal process for monitoring the implementation of recommendations. This had been the responsibility of program managers and there had been no prescribed process for managers to report on the nature or timing of actions taken. The Departmental Audit and Evaluation Committee (DAEC) decided in March 1997 that, in future, program managers would be required to provide the Committee with progress reports on implementation action.

5.38 At present, there is no explicit mechanism for the OEA to follow-up on evaluation recommendations. After a report is tabled before the ATSIC Board, comments on the findings and recommendations are provided to the ATSIC CEO by the relevant program area and a formal submission is made to the Board. Subsequently, the Board receives advice from the CEO on the action taken to implement recommendations.

Survey results

5.39 An analysis of the survey revealed that about 75 per cent of agencies⁴² indicated that they had processes in place to monitor the implementation of recommendations. In about half of the evaluations conducted in 1996⁴³, program managers were required to translate agreed recommendations into action plans. More than half of the agencies that have executive evaluation committees⁴⁴ stated that monitoring the implementation of evaluation recommendations was a responsibility of the committee.

5.40 The ANAO recognises that many agencies have informal processes in place to

⁴² Nineteen agencies responded to this survey question.

⁴³ Eighteen agencies responded to this survey question.

⁴⁴ Sixteen agencies had executive evaluation committees.

monitor the implementation of recommendations. However, the final responsibility rests with the executive. Therefore, the ANAO considers that agencies should ensure that appropriate monitoring processes are in place for accountability purposes.

5.41 In comments provided with the survey, one agency advised that, as part of the public release of evaluation reports, the report foreword includes details of the key actions taken in response to the evaluation findings. This process is seen as providing an important means of accountability for follow-up action. Another agency indicated that, subject to permission from the responsible Minister, it makes details of the management response to evaluations available to the public on request.

Conclusion

5.42 Overall, the ANAO found that all agencies in the in-depth review had processes in place for endorsing evaluation recommendations and monitoring the progress in implementing agreed recommendations. The responsibility for endorsing and implementing evaluation recommendations was devolved to program managers. As well, the ANAO found that the executive in each of these agencies had overall responsibility for monitoring the implementation of evaluation

recommendations. In DIST, DIMA and the OEA, this is undertaken through reports to an executive evaluation committee and/or Board.

5.43 The approach taken by DHFS, where accountability for implementing evaluation recommendations is included in performance agreements, provides a useful accountability mechanism. The ANAO encourages other agencies to consider such an approach as a means of strengthening accountability.

5.44 The survey indicated that most agencies had sufficient processes in place to monitor the implementation of evaluation recommendations. As well, many agencies required program managers to translate agreed recommendations into action plans. The ANAO considers that there is benefit in agencies developing implementation action plans and providing regular reports on progress to the executive. This would allow an assessment to be made on the timeliness of implementation action as well providing information on any difficulties being encountered. It would also be a useful element of assurance to stakeholders.

Costs and benefits of evaluations

5.45 Since the concept of program evaluation was introduced in the late 1980s, there has been a significant investment of resources by all agencies in the conduct of evaluations. The identification of costs and benefits will enable the executive to obtain an appreciation of the value being derived from evaluation activity.

5.46 However, the ANAO acknowledges that evaluation is a long-term investment. While there may be considerable cost involved in implementing evaluation recommendations, the benefits may not be evident for sometime. As well, in some cases, the costs and benefits associated with the implementation of recommendations will be intangible or difficult to quantify. For instance, the benefits may be of a qualitative nature and not clearly measurable in dollar terms.

5.47 The ANAO also acknowledges that, depending on what costing approaches are adopted, the move towards integrating evaluations more closely with the performance assessment process may create difficulties in separately identifying the costs and benefits

associated with individual evaluations. As well, the benefits arising from the assistance that the evaluation provides to decision-makers in respect of future program directions does not lend itself to ready assessment.

5.48 The ANAO sought to establish the extent to which agencies attempt to measure the costs and benefits arising from the conduct of evaluations. The use of a centralised data collection system to measure the costs and benefits of individual evaluations is also discussed.

Costs

In-depth review

5.49 Only one of the four agencies in the in-depth review maintains detailed information on the costs of individual evaluations. The OEA has developed a system to record the following cost elements:

- internal costs (salaries of OEA evaluators);
- consultant costs;
- travel costs; and
- other costs (including printing costs).

5.50 This information is used for OEA internal management purposes. Information on the costs of individual evaluations is

not included in the final evaluation report, annual report or the PEP. The ANAO also found that the costing undertaken related to direct costs and did not include corporate overheads. However, the OEA has advised that, from the 1997-98 financial year, a corporate overhead component will be included in the costing.

Survey results

5.51 The survey results indicate that eleven of the 20 agencies surveyed keep records of the cost of evaluations. Of these eleven agencies, all record consultancy fees. However, only seven agencies record salaries of the evaluation team and only three record the full costs of evaluations (including corporate overheads).

Conclusion

5.52 The ANAO found that only a small number of agencies were able to identify the full cost of evaluations, including corporate overheads. When the evaluation had used the services of an external consultant, most agencies could identify the cost of consultancy fees. The ANAO notes that the move to the new accrual based resource management framework will involve identifying the full (accrual) costs of activities such as performance monitoring and evaluation and attributing them to

the cost of relevant agency output(s).

Recommendation No. 8

5.53 The ANAO recommends that DHFS, DIMA and DIST introduce appropriate mechanisms to record the full cost of undertaking their evaluations, including corporate overheads.

DHFS response

5.54 Agreed. DHFS agrees with the importance of costing activities but considers such information would be more meaningful at the integrated performance assessment level than at the level of individual evaluations.

DIST response

5.55 Agreed.

DIMA response

5.56 Agreed. DIMA will undertake such costings where practical.

Benefits

5.57 The benefits to be gained from evaluations are reflected in the impact that individual evaluations have on decision-making. The ANAO recognises the difficulties in assessing and measuring the benefits, and therefore the impact, of

evaluations. These difficulties stem from the fact that evaluations do not occur in a vacuum and that timing, environmental and other factors will influence the impact of evaluations.

5.58 The ANAO sought to establish the impact of a selection of evaluations undertaken by the four agencies in the in-depth review. As well, the ANAO examined the mechanisms used by the four agencies to measure and evaluate the benefits and impact of their evaluations. DoF has also undertaken an analysis of the impact of evaluations between 1990-91 and 1994-95⁴⁵. A brief outline of their findings is outlined in paragraphs 5.74 to 5.77 below.

Impact of individual evaluations

5.59 In the in-depth review, the ANAO examined a number of individual evaluations⁴⁶ to assess their impact.

5.60 DHFS advised that the impact of one of the evaluations

⁴⁵ DoF has not undertaken a specific assessment of impact since 1994-95. Since 1995-96 DoF has been undertaking a Performance Information Review (PIR), in conjunction with departments, to establish the clarity of existing objectives and the quality of performance information, and to identify necessary improvements and good practice.

⁴⁶ The ANAO examined one evaluation from the OEA and two evaluations from each of the other three agencies in the in-depth review.

was substantial as it assisted in defining the Government's approach to a new national strategy and brought stakeholder interests in line with the new strategy. At the time of the audit fieldwork, the impact of the second evaluation was yet to be fully realised.

5.61 In DIMA, it was difficult to assess the actual impact of the two evaluations examined, as some of the recommendations had been overtaken by significant changes in policy. In DIST, both the evaluations examined by the ANAO resulted in improvements in operational efficiency as well as informing decisions about the future of the programs.

5.62 The program which was the subject of the OEA evaluation examined by the ANAO was terminated shortly after the evaluation report was published. However, at that time ATSIC had been subject to budgetary reductions. It is therefore not clear whether this program was terminated as a result of the evaluation. Discussions with ATSIC indicated that the findings of the evaluation were considered in making the decision on whether to discontinue the program.

Assessing impact of evaluation function

5.63 As well as examining a number of individual evaluations,

the ANAO reviewed the mechanisms used by the four agencies in the in-depth review to measure and evaluate the benefits and impact of their evaluation functions.

5.64 In DHFS, there is no evidence that the department has undertaken specific studies to measure the benefits of evaluations. Similarly, there is no process in place to specifically measure the impact of evaluations. However, the ANAO acknowledges that since DHFS has moved to integrating its evaluation function into the overall performance management framework, it may be more difficult to separately identify the benefits of DHFS evaluations from other factors.

5.65 In DIMA, there do not seem to be processes in place to measure the impact of evaluations on program performance.

5.66 DIST has not undertaken a review of its overall evaluation strategy. However, the Bureau of Industry Economics (BIE), then a part of the Industry, Science and Technology portfolio, produced a 'Lessons Learnt' paper in 1995 outlining some suggestions for program formulation and evaluation in the department.

5.67 The BIE highlighted the need for collective evaluations (that is, evaluations of groups of

programs); monitoring the effectiveness of programs in response to changes in the environment; structured real-time evaluation and tighter terms of reference with sufficient time allowed for the evaluation. However, the ANAO found that no action had been taken in relation to these suggestions. DIST indicated during the audit fieldwork that they will take account of the BIE's work to improve the conduct of evaluations.

5.68 An independent evaluation of the OEA's audit and evaluation functions was conducted in 1992-93 by the Chartered Accountants, Duesburys. However, this evaluation did not assess the impact of OEA evaluations.

Survey results

5.69 Less than half of the 20 agencies surveyed indicated that they had mechanisms in place to record and report on the impact of individual evaluations.

5.70 However, in a response to another question, fourteen⁴⁷ agencies were able to identify (and to some extent quantify) the impact of evaluations completed in 1995 and 1996. Agencies were asked to indicate the extent of the impact their evaluations

⁴⁷ Fourteen agencies responded to this survey question.

had on a range of factors, including:

- policy development;
- service quality;
- resource allocation decisions;
- performance information; and
- efficiency and effectiveness.

5.71 Responses to this question indicated that the impact of evaluations was most significant in respect of improvements in operational efficiency. This was followed by resource allocation decisions and improvements in the impact of programs on clients.

5.72 As well, the greatest number of evaluations for which agencies identified minimal or no impact were in relation to:

- the development of ongoing performance measures; and
- the refinement of existing performance measures.

5.73 In relation to the assessment of the impact of agencies' evaluation function, the survey shows that eleven of the 20 agencies surveyed have undertaken a review of their evaluation activities within the past four years.

DoF's assessment of impact

5.74 As part of DoF's ongoing monitoring of the progress in implementing the APS evaluation strategy, DoF had been analysing the impact of evaluations between 1990-91 and 1994-95. To undertake this assessment, DoF reviewed the role of evaluations in the Budget context, by examining the extent to which:

- evaluation findings were used by portfolios in the development of their New Policy Proposals (NPP) and Savings Options (SO); and
- Cabinet's decision-making was influenced by evaluation findings.

5.75 This assessment was based on surveys of relevant DoF officers regarding their views about the use which had been made of evaluations. These surveys were undertaken in relation to the five budgets delivered between 1990-91 and 1994-95.

5.76 It should be noted however, that DoF defines an evaluation in this context to 'include all formal evaluations, reviews by departments, Parliament, the ANAO, the Industry Commission, research bureaux, IDC reports, etc'.⁴⁸

⁴⁸ Department of Finance, 1994, *The use of Evaluations in the 1994-95 Budget*, Finance Discussion Paper, p.7.

5.77 DoF noted that 'evaluation findings are assessed to have had a marked impact on the 1994-95 Budget in providing information to support proposals and strongly influence Cabinet's deliberations.' They further indicated that 'evaluation findings were used much more extensively in 1994-95 than for each of the preceding four budgets.' However, DoF acknowledged that the scope for evaluation to influence budget deliberations depends on the nature of the particular budget environment. For example, in 1994-95 one particular raft of proposals, heavily supported by evaluation results, constituted a large component of the NPPs in the Budget.⁴⁹

Conclusion

5.78 The ANAO acknowledges that it is not always easy to separately identify the impact of evaluations from other factors which influence programs.

5.79 The in-depth review showed that three of the four evaluations, examined by the ANAO, in DHFS and DIST had an impact on policy development and improvements in operational efficiency respectively. However, it was difficult to assess the actual impact of the evaluations examined in DIMA because some of the recommendations had

been overtaken by significant changes in policy. The program which was subject to the OEA evaluation was terminated shortly after the evaluation report was published but it is not clear whether the program was terminated as a result of the evaluation.

5.80 In relation to assessing the impact of the evaluation function, DIST and the OEA had undertaken reviews of their evaluation functions, but these had not specifically addressed impact. The survey indicated that slightly more than 50 per cent of agencies had undertaken a review of their evaluation activities within the last four years.

5.81 The survey also showed that less than 50 per cent of agencies had mechanisms in place to record and report on the impact of individual evaluations.

5.82 In view of the substantial investment of resources in evaluations across the APS, it is important for agencies to have some understanding of the results being achieved. Therefore, it would be useful to gauge whether evaluations provide a meaningful input to policy deliberations and whether they are effective in achieving administrative improvements.

5.83 The ANAO, therefore, encourages agencies to consider

⁴⁹ Ibid., piii.

the use of post evaluation assessments of impact; or other mechanisms, such as establishing an appropriate data collection system, as a means of identifying those features that contribute to successful outcomes. Such assessments also provide an indication of the utility of evaluations as a whole and provide a guide to assist in better targeting of future evaluations.

5.84 DoF's analysis (which was based on a wider definition of evaluations and specifically examined impact in the budget context) concluded that evaluations had a marked impact in the budget context between 1990-91 and 1994-95.

Recommendation No. 9

5.85 The ANAO recommends that DHFS, DIMA, DIST and the OEA establish mechanisms to measure the benefits of their evaluations. This may include the use of post-evaluation assessments of impact to identify those features which contribute to successful outcomes.

ATSIC response

5.86 Agreed. The OEA has in the past conducted a follow up review with ATSIC program managers to assess the action which has been taken to implement evaluation recommendations for a number

of evaluations. This review was not fully completed and further action has not been possible due to resource constraints. The issues raised in this recommendation will be examined by the OEA, with a view to introducing a follow up system to assess the impact of evaluation recommendations.

DHFS response

5.87 Agreed.

DIMA response

5.88 Agreed. DIMA will undertake such benefit-cost analyses where practical.

DIST response

5.89 Agreed.

Data collection system

5.90 In order to measure the costs and benefits of individual evaluations, agencies could use a centralised system (within the agency) to record, monitor and disseminate information on evaluations.

5.91 The collection of data on costs and benefits could be part of wider process of continuous improvement relating to the conduct of evaluations. This could be achieved by recording a range of information and lessons learned at the completion of each

evaluation. The type of data that might be useful would include:

- budgeted and final costs of an evaluation;
- costs and benefits of implementing evaluation recommendations;
- best/worst practice examples, that is, aspects of evaluations that worked particularly well or aspects that created difficulties;
- new techniques;
- evaluation skills available or needed for particular tasks;
- steering committee comments on noteworthy aspects of evaluations;
- impact of evaluations; and
- feedback on implementation processes.

5.92 The ANAO found that, at present, none of the agencies in the in-depth review has a systematic process for recording information of this nature. There is some informal sharing of information between staff involved in evaluations but the information is not consolidated at a central point.

Conclusion

5.93 The ANAO recognises the potential costs involved in setting

up and maintaining a data collection system. However, there are significant potential benefits to be gained from maintaining such a system to record and share information so as to improve the evaluation function.

Future directions

5.94 At the time of the audit, a new approach to evaluation in the APS was being developed by DoF for government consideration. This approach is moving away from a series of mandatory requirements to an approach which highlights good practice principles. Whether the requirements for evaluation are mandatory or discretionary, they are part of sound management practice. Evaluation should be integrated into the performance assessment framework and feed into program management. In this way it becomes part of the corporate governance framework for an agency.

5.95 Corporate governance is a concept most commonly used to describe the overall management of the affairs of corporations. Sound public service governance requires the understanding and commitment of all those involved and robust control structures designed to deliver corporate objectives and to enhance the confidence of

stakeholders in the performance and integrity of the organisation.⁵⁰

5.96 As well, current changes to legislation, which include a revised Public Service Act and a package of financial legislation,⁵¹ clearly set out responsibilities for Portfolio Secretaries and Chief Executive Officers. These include responsibilities for program performance. Evaluation is a key tool in this regard.

5.97 During this audit, the ANAO found that agencies were responding positively and were moving towards integrating evaluation into their overall performance assessment framework. However, this work was proceeding independently in an environment where responsibility for program management is largely devolved.

5.98 While it is recognised that agencies will need to tailor their approaches to their particular priorities and operating environment, there is scope for the wider dissemination of practices and processes that have been found to be beneficial.

This could occur through the Canberra Evaluation Forum, public sector journals and so on. The ANAO encourages agencies to take advantage of the experience of other agencies to assist in improving evaluations.

⁵⁰ For more information about Corporate Governance, refer to the ANAO's 1997 publication: *Principles for Core Public Sector Corporate Governance*.

⁵¹ This package includes the Auditor-General Bill, the Financial Management and Accountability Bill and the Commonwealth Authorities and Companies Bill. These are currently before the Parliament.

Better practice principles

From the work undertaken in this audit, the ANAO has identified the following practices which would enhance the impact of evaluations:

- ◇ communicate evaluation findings and recommendations publicly by:
 - providing evaluation reports to relevant stakeholders, including the provision of information on significant evaluations to the responsible Minister;
 - providing summary reports for sensitive evaluations, where appropriate; and
 - including adequate information in annual reports and Portfolio Budget Statements in accordance with the relevant guidelines;
- ◇ endorse recommendations at senior management level to identify those areas where it is agreed that action will be taken;
- ◇ develop implementation action plans in relation to the recommendations and clearly identify those responsible for implementation and the timeframe involved;
- ◇ include the implementation of evaluation recommendations in performance agreements as part of a manager's overall program management responsibilities to maximise the impact of the evaluation;
- ◇ provide regular reports to allow senior management to assess the timeliness of the action taken in implementing evaluation recommendations and be informed of any difficulties being encountered;
- ◇ record the relevant costs incurred in the conduct of individual evaluations;
- ◇ develop mechanisms to assess the impact of individual evaluations. Agencies could consider the use of post-evaluation assessments of impact or other mechanisms, such as establishing an appropriate data collection system, as a means of identifying those features that contribute most to successful outcomes; and
- ◇ review, on a regular basis, the effectiveness and impact of the evaluation function and disseminate widely those practices and processes that have been found to be beneficial.



Canberra ACT
Barrett
28 September 1997

P. J.
Auditor-General

Appendices

Appendix 1

Terms and Definitions

Appropriateness An appropriate program is one for which there is an identified need in the community, government decides that addressing the need is consistent with its overall objectives and of priority given competing demands on resources, and for which there is a strong causal link between the strategies chosen and the desired outcomes.

Effectiveness The extent to which program outcomes are achieving program objectives. The effectiveness of a program should be distinguished from the adequacy of the administration of the program, which concerns efficiency.

Efficiency Relates to minimising program inputs for a given level of program outputs (or the extent to which program outputs are maximised for the given level of inputs). Efficiency is concerned with the processes (activities/strategies/operations) by which the program is delivered and which produce the outputs of the program.

Evaluation The systematic and objective assessment of a government program, or parts of a program, to assist the Government and other decision-makers to:

- assess the continued relevance and priority of program objectives in the light of current circumstances, including government policy changes (that is, *appropriateness* of the program);
- test whether the program outcomes achieve stated objectives (that is, its *effectiveness*); and

- ascertain whether there are better ways of achieving these objectives (that is, its *efficiency*).

Executive

Agency executive can include the Secretary, Deputy Secretary and/or First Assistance Secretary or equivalent.

Outcome

All the impacts or consequences of the program beyond its direct outputs. Outcomes are often delayed or long term and they may be intended or unanticipated. Outcomes should be distinguished from outputs, for example, the output of a training program may be a skills training course, while the (desired) outcome is employment.

As specific outcomes may result from multiple factors, causal relationships between a program and outcomes must be demonstrated before they can be claimed as program outcomes.

Output

The products or services which are produced and delivered by a program.

Output and throughput measures (for example, the number of courses run, number of cases processed) are often more readily identifiable than outcomes and may provide useful background information about the program. Generally, they will not by themselves be useful measures of the achievement of objectives.

Performance information

Evidence about performance that is collected and used systematically. Effective performance information should enable judgments to be made on the extent to which program activities are achieving the desired results.

Program

A grouping of activities which contribute to a common strategic objective. Programs are usually further divided into sub-programs and components. The hierarchical arrangement of these constituent parts is called a program structure.

A program consists of several elements:

- objectives in terms of intended outcomes in relation to identified needs;
- resources, strategies, activities and processes;
- management and accountability arrangements; and
- performance information.

A program should be capable of being described in terms of these various elements and in terms of relationships amongst the elements.

Program Evaluation

See 'Evaluation'.

Stakeholders

People, organisations or groups with an interest or stake in the program and/or its outcomes and in the evaluation of the program. Stakeholder groups may include:

- program clients and non-beneficiaries from the target group;
- decision-makers and program staff;
- those with an interest in the program (eg. advocacy groups and central agencies); and

those who are adversely or unintentionally affected by the program.

Appendix 2

Assistance to the Audit

Consultants

1. Mr Brian Boland and Mr Pat Farrelly assisted with the conduct of the in-depth audit in the four agencies listed in paragraph 1.8.
2. Ms Sue Funnell of Performance Improvement undertook the review of completed evaluation reports to assess their quality against the criteria listed in Chapter 4.
3. Roy Morgan Research assisted in the development of the questionnaire for the survey, undertook the collection of the questionnaire and assisted in analysing the results.

The Audit Reference Group

4. The Group included a range of people from different agencies with expertise in evaluation, including a representative from DoF. The Group comprised:
 - Mr Keith Mackay, Acting Principal Adviser, General Expenditure Division, Department of Finance;
 - Mr Phil Potterton, Assistant Secretary, Evaluation Monitoring Branch, DEETYA;
 - Ms Paula Skippon, Special Projects Officer to the Inspector-General, Department of Defence;
 - Dr John Uhr, Political Science Program, Research School of Social Sciences, Australian National University;
 - Mr John Meert, Group Director, Performance Audit; and
 - Ms Ann Thurley, Acting Executive Director, Performance Audit.

5. The Group provided advice on a number of matters during the audit, including audit criteria and methods of analysis.

Appendix 3

DoF's Proposed Good Practice Principles

To achieve good practice in performance management Secretaries and agency heads should address the following framework principles:

- performance information is clearly linked to the objectives and intended results of programs and activities, and enables a ready assessment of program performance in terms of effectiveness, efficiency, and service quality;
- as far as possible, programs and activities have a core set of performance information that meets multiple purposes; at a minimum, performance information for such purposes is consistent and complementary;
- the continued appropriateness of performance information is regularly assessed;
- responsibilities for performance management are clearly defined and understood, including where services are delivered under agency, outsourced or other third party arrangements;
- performance planning and performance results are directly linked, involving the establishment of clear performance targets (published for areas where Government policy is in the public domain) and demonstration of the results actually achieved - both internally (e.g for each appropriate responsibility unit) and externally (currently through portfolio budget statements and annual reports);
- ongoing performance monitoring and periodic program evaluation are balanced and used appropriately: program performance is monitored on an ongoing basis and complemented by periodic program evaluation, generally within at least a five year cycle;
- performance management activity is planned and integrated with corporate and business planning:
 - performance management activity supports the systematic review of agency activities through the Performance Improvement Cycle (PIC), and the application of specific improvement strategies such as Competitive Tendering and Contracting (CTC);

- Portfolio Budget submissions and new policy proposals are presented in the context of the portfolio's overall objectives and strategies and supported by performance information;
- the outputs and outcomes of programs and activities are clearly specified with outputs costed; and
- non-financial and financial performance information are integrated for management purposes and external reporting.

Appendix 4

DHFS Principles for the Conduct of Evaluation

Overall principles

Perspective and Scope

1. Evaluations will primarily focus on informing key decisions for achieving the Government's objectives for health and family services and for micro-economic reform of the Department.
2. Evaluations will explicitly take account of performance monitoring and audit results to benefit from an integrated performance measurement strategy.

Responsibilities

3. Responsibility for approving the Department's overall evaluation strategy rests with the Departmental Management Committee.
4. Responsibility for identifying evaluations to be undertaken (taking into consideration suggestions invited from the Department of Finance) and which of these might be listed in the annual Portfolio Budget Statements rests with Division Heads.

5. Responsibility for approving the overall listing of evaluations in the annual Portfolio Budget Statements rests with the Performance Assessment Committee.

6. In relation to evaluations jointly owned or negotiated between the Commonwealth and other jurisdictions, Ministerial reviews and external inquiries, and for evaluations relating to programs which have high level, national advisory bodies, responsibility for the Commonwealth's interests in the evaluation rests with the Departmental representatives involved and their Division Heads.

7. Responsibility for evaluations initiated specifically to inform key decisions, but not involving joint or negotiated ownership, rests with Program Managers.

8. Responsibility for evaluations which affect more than one Division will be shared by all participating Divisions although one Division will be assigned a lead role, consistent with and depending on the type of evaluation.

Resourcing

9. Costs of evaluations will be met by those programs involved in the evaluations. Where an evaluation crosses program areas, Program Managers should jointly agree on resource allocation.

10. The work of implementing evaluations initiated specifically to inform key decisions and not involving joint or negotiated ownership, will be managed by the Evaluation Project Manager and undertaken by program staff wherever possible, to enhance departmental skills and knowledge.

Quality Assurance, Transparency, and Utilisation

11. In relation to evaluations jointly owned or negotiated between the Commonwealth and other jurisdictions, and for those relating to programs which have high level, national advisory bodies, quality and transparency will be assured by the involvement of multiple owners/stakeholders with senior representation, and the use of external experts/consultants.

12. In relation to evaluations initiated specifically to inform key decisions and not involving joint or negotiated ownership:

- The Performance Assessment Committee will ensure

openness, robustness, and independence through approving key elements of each evaluation framework, ie, the objective, terms of reference, management arrangements, Reference Group membership, and use of consultants.

- These will be submitted through Division heads for consideration by the Performance Assessment Committee.
- Day-to-day management will be the responsibility of an Evaluation Project Manager who will be responsible for:
 - ensuring that the needs of the Portfolio are addressed in the evaluation;
 - clarifying and promoting an agreed understanding of the nature and scope of the evaluation amongst senior departmental staff, program managers and the evaluation team/s;
 - ensuring the key issues (appropriateness, quality, efficiency and/or effectiveness) and related questions included in the terms of reference are understood by the evaluation team/s;
 - making final decisions on how the evaluation might best be conducted (ie, evaluation design, data

- collection and analysis, methodologies and techniques);
- ensuring the stakeholder views are considered during the evaluation;
- ensuring that the evaluation remains on track and on time at all stages;
- monitoring the progress of the evaluation to ensure that it accords with the evaluation terms of reference, and referring any modifications to the terms of reference during the course of the evaluation through the relevant Division Head/s to the Performance Assessment Committee for approval.
- reviewing the overall quality of the work of the evaluation team/s;
- ensuring all evaluation reports include strategies for turning the findings into action;
- recommending to the Performance Assessment Committee through the relevant Division Head/s acceptance of the evaluation findings and recommendations; and
- presenting the findings of the evaluation and its recommendations to the appropriate parties for follow-up action.

- Evaluation Project Managers will have access to a Reference Group. The responsibilities of Reference Groups are:
 - providing clear, timely and appropriate advice on program and evaluation issues to the Evaluation Project Manager;
 - providing guidance on the evaluation design and data sources, and on additional sources of expert advice as necessary; and
 - reviewing drafts of the evaluation report/s.

Reference Groups will include external representatives such as representatives from other programs, stakeholders and external experts to ensure openness and an appropriate mix of expertise, and membership will be submitted to the Performance Assessment Committee for approval.

13. It is recognised that evaluations may be critical of the Department's performance and make recommendations for improvement as necessary.

Frameworks for evaluations

14. Responsibility for approving frameworks is shared between

the Performance Assessment Committee and the Program Manager as follows:

Responsibility of Performance Assessment Committee

15. Objective/s of the evaluation
16. Terms of reference
 - the scope of the evaluation; clear specification of the issues to be investigated (appropriateness, efficiency, quality and/or effectiveness), and the key questions necessary to address each issue
17. Proposed membership of the steering committee
 - names of internal and external members
18. Any proposals for the use of consultants

Responsibility of Program Manager

19. Description of the Program/Sub-program, cross-program function or process including
 - objectives; authorisation; relationship with other programs; resource usage
 - performance information available including results of

previous evaluations/reviews and audits

- external factors affecting the program

20. Evaluation design

- outline of the comparisons which underpin the choice of design; any constraints and limitations on the design arising from ethics and social justice issues, or trade-offs between technical validity and timeliness and cost considerations

21. Data collection and analysis strategies

- including an outline of constraints and limitations and costs involved

22. Implementation and consultation arrangements

- arrangements for resourcing the evaluation including whether the evaluation will be undertaken by Departmental staff and/or staff external to the Department
- arrangements for the involvement of program managers and staff, and for keeping stakeholders informed and involved throughout the evaluation

23. Timeframes and critical reporting dates

- including critical deadlines for decision-making, possibly

summarised using a Gantt
chart or other graphic

management tool.

Appendix 5

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