

The Auditor-General  
Audit Report No.51 1999–2000  
Performance Audit

# **Program Management in the Training and Youth Division of the Department of Education, Training and Youth Affairs**

Department of Education, Training  
and Youth Affairs

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ISSN 1036-7632  
ISBN 0 642 44225 8

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Canberra ACT  
29 June 2000

Dear Madam President  
Dear Mr Speaker

The Australian National Audit Office has undertaken a performance audit in the Department of Education, Training and Youth Affairs in accordance with the authority contained in the *Auditor-General Act 1997*. I present this report of this audit, and the accompanying brochure, to the Parliament. The report is titled *Program Management in the Training and Youth Division of the Department of Education, Training and Youth Affairs*.

Following its tabling in Parliament, the report will be placed on the Australian National Audit Office's Homepage—  
<http://www.anao.gov.au>.

Yours sincerely



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

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# Abbreviations

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ASL	Average Staffing Level
DETYA	Department of Education, Training and Youth Affairs
DoFA	Department of Finance and Administration
ELT	Entry Level Training
ELTSS	Entry Level Training Support Services
IES	Integrated Employment System
NAC	New Apprenticeship Centre
NASS	New Apprenticeships Support Services (formerly known as ELTSS)
PASS	Payments Administration Support System
SNA	Support for New Apprenticeships
WELL	Workplace English Language and Literacy





# **Summary and Recommendations**



# Summary

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1. The Training and Youth Division (TYD) of the Department of Education, Training and Youth Affairs (DETYA) is responsible for delivery of vocational education in schools, infrastructure funding for the post secondary education system, apprenticeships and traineeships, skills development and transition support, and opportunities for the active engagement of young people with community activities.

2. These activities and programs are discharged using a variety of approaches, with most being delivered through third party providers using a range of contractual arrangements. The delivery of government services and programs by third party providers is now widespread. This audit is one of a number undertaken by the Australian National Audit Office (ANAO) which have examined, among other things, aspects of contract management between the purchaser and the provider.<sup>1</sup>

3. As is the case for many Australian Public Service (APS) agencies, the environment in which DETYA operates and its administrative arrangements have been, and are, subject to continuing change. In October 1998, the Administrative Arrangements Order *'modified the Department's functions and required a substantial reorganisation of the Department along with significant staff movements.'*<sup>2</sup>

4. In undertaking this audit, the ANAO was conscious of the significant restructuring which occurred in the Department in 1998, the range of program outputs required to be delivered and the significant workload borne by the relevant Division. There has been a strong focus on the achievement of policy outcomes in short timeframes and on the creation and development of new markets for outsourcing service delivery, including for the Literacy and Numeracy and the Support for New Apprenticeships programs.

5. Many of the programs are delivered with varying degrees of assistance from DETYA's State Offices, Centrelink, the Department of Employment, Workplace Relations and Small Business and a range of other stakeholders in the vocational education and training sector, including State Governments. This adds to the complexity of the environment in which the relevant Division's programs are delivered.

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<sup>1</sup> Audit reports and audits in progress which deal with these issues are listed at Appendix 1.

<sup>2</sup> Department of Education, Training and Youth Affairs Annual Report, 1998–99, Canberra 1999, p. 1.

## The audit

### Audit objective and scope

6. The objective of the audit was to examine program management in the Training and Youth Division of DETYA. In broad terms, the audit focused on the management frameworks at both Divisional and program level. In order to assess whether these are operating effectively in practice, the ANAO examined:

- whether adequate risk management and business planning arrangements were in place;
- the extent to which the performance assessment framework and monitoring arrangements enable an assessment of outputs and outcomes; and
- elements of contract management, particularly compliance with program guidelines, provider performance monitoring and management of payments.

7. The audit was undertaken in two parts. The first part, discussed in this report, examined the matters outlined above. The second part mapped key internal business activities, undertook activity based costing of selected processes and, where appropriate, developed some options for re-engineering of these processes with the aim of identifying opportunities for improvement. This latter phase commenced in March 2000 and will be reported on later in 2000.

### Audit approach and methodology

8. The audit approach involved examination of both higher-level Divisional management systems as well as specific program management arrangements. Three of the Division's 17 programs were selected for more detailed review as follows:

- Workplace English Language and Literacy (WELL);
- Literacy and Numeracy; and
- Support for New Apprentices (SNA)<sup>3</sup>.

9. Further details on the programs selected for review during the audit are at Appendix 4.

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<sup>3</sup> Formerly known as the New Apprenticeship Incentives program.

10. The ANAO held discussions with National and State Office program managers, reviewed files and undertook compliance testing of contract management arrangements. Audit fieldwork was undertaken between August 1999 and February 2000 in DETYA's National Office in Canberra, and in a sample of New Apprenticeship Centres in the Australian Capital Territory, New South Wales and Victoria.

## Audit conclusion

11. The ANAO concluded that overall management of programs in TYD is effective bearing in mind the complex operating environment including, in particular, the creation and development of new markets for the administration of the Support for New Apprenticeships and Literacy and Numeracy programs. Against this background, the ANAO identified a range of business planning and monitoring systems at both the Divisional and program management levels in which improvements should be made.

12. At the Divisional level, DETYA is aware of the current weaknesses in the links between its risk assessment approach, business planning processes and performance assessment framework. The Department advised that these were being addressed through the introduction of a revised approach to the Departmental planning process. However, continued emphasis on risk management and further work on the performance assessment framework, such as more clearly linking performance indicators to objectives in the business plan, are required if risks are to be adequately addressed through the planning process and follow-up actions monitored and assessed effectively.

13. Within the context of the 1998 changes to administrative arrangements, the developing employment services market and implementation deadlines, the ANAO concluded that DETYA's contract management was adequate. However, weaknesses in the capability and reliability of management information systems and the effectiveness of DETYA's quality assurance system for the Support for New Apprenticeships program indicate that the Department's monitoring of both individual provider and overall program performance could be improved.

14. During the course of the audit, DETYA recognised the shortcomings in its management information systems and allocated resources to address them. As well, significant improvements are being made in administration of the Support for New Apprenticeships program. If designed and implemented appropriately, these actions will address the concerns raised by this audit.

## Department's response

15. The Department's response to the report noted that it had been well received by all program areas within the Division. The Department considers that the report will provide a valuable basis for further work currently being carried out in conjunction with the ANAO in the business process re-engineering phase of the audit (which is to be reported separately).

16. In relation to the ANAO's comments on possible improvements to the risk assessment approach, business planning processes and the performance assessment framework within the Division, the Department noted that TYD has completed risk management plans for all programs, introduced a revised business planning model and reviewed performance management arrangements. The Department considers that these represent substantial progress towards addressing the suggestions in the report.

17. The Department agreed with the three recommendations and provided further information on action already taken to address them, along with planned future action. These are included following the relevant recommendation in the main text of this report.

# Key Findings

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## Risk management

18. DETYA introduced departmental requirements for risk management plans in late 1998. At the start of the audit in mid-1999, TYD was not able to provide any program-level risk management plans to the ANAO, although a draft plan had been prepared at Divisional level. While this plan focused on risk management procedures, it did assess four main areas of high priority risk for the Division as a whole. This was adequate, but could have been improved by specifying responsibilities for treatment strategies and timelines for implementing them.

19. Analysis of the program level risk management plans subsequently provided for the three programs examined during the audit showed that they did not meet all the requirements set out in the Divisional plan. As well, arrangements for monitoring and review of risk were not always clearly defined.

20. DETYA has recognised the need to strengthen its risk management culture and risk management training has been provided to staff across the Department. The ANAO strongly supports DETYA's continued effort to embed a risk management approach into the business culture.

## Recommendation No.1

21. The ANAO recommends that, to ensure that effective risk assessment underpins all of its program management activities, TYD should:

- ensure that risk assessments and associated management plans are undertaken within required timeframes;
- at the Divisional level, clearly define the responsibilities and timeframes for implementing treatment strategies; and
- at the program level, ensure that risk assessments and related plans meet the requirements of the Divisional plan and clearly specify arrangements for monitoring and reviewing risks.

### *DETYA response*

22. Agreed.

## **Business planning**

23. Because there was no Departmental requirement to adopt a risk management approach until late 1998, TYD business planning was not underpinned by any documented risk assessment. DETYA advised that this is now being addressed as part of the introduction of a revised approach to corporate planning in DETYA.

24. Outcomes, outputs and administered items were specified appropriately in the business plan in line with Department of Finance and Administration (DoFA) guidelines and provide a firm basis on which to develop TYD's planning framework.

## **Performance assessment**

25. The performance assessment framework was generally sound. However, in a number of instances, strategies set out in TYD's business plan had no related indicators, or indicators only allowed a partial assessment of the strategy. As well, some indicators did not appear to relate directly to any of the stated strategies.

## **Recommendation No.2**

26. The ANAO recommends that, to allow TYD to better assess the contribution of its business activities to outputs, TYD's business plan should draw attention to the need to ensure that:

- the achievement of each strategy can be assessed through a clear and direct relationship with one or more indicators of success;
- indicators are able to be assessed quantitatively and/or qualitatively; and
- indicators enable an assessment of at least the major elements of stated strategies.

### *DETYA response*

27. Agreed.

## **Performance monitoring**

28. TYD had a range of groups and systems in place to monitor performance. As well, a further monitoring system, the Work Plan Management System (WPMS), was introduced in late 1999. However, its role and group responsibilities were not clearly defined. In order to ensure that there is systematic monitoring without apparent gaps or unnecessary duplication, TYD should clearly define how these arrangements should operate together.



29. Reporting, which is also part of overall monitoring and review, was adequate. However, some gaps were identified. For example, in both external and internal reporting it was, in some cases, difficult to relate progress or activities reported to planning objectives/outcomes. This is clearly not helpful to management or other stakeholders.

### Recommendation No.3

30. In undertaking its proposed review of performance monitoring arrangements, the ANAO recommends that, to ensure that the necessary range of program performance and administration issues is monitored without unnecessary duplication of effort, TYD clearly defines and documents the roles, responsibilities and reporting arrangements at the Divisional level for the various monitoring groups. In particular, these arrangements should specify how the Work Plan Management System is to be used in the monitoring framework.

#### *DETYA response*

31. Agreed.

### Contract management

#### *Workplace English Language and Literacy (WELL)*

32. In the WELL program, the ANAO found that contract management was effective. Some minor issues, such as the timely provision of progress reports, were identified by the ANAO and were addressed by DETYA during the course of the audit.

#### *Literacy and Numeracy*

33. While the ANAO found that payments to providers delivering literacy and numeracy assessments and training had, overall, been made satisfactorily, there were a number of areas of concern in relation to contracting processes. These included:

- checks of tenderers' insurances, training accreditation and qualifications were not undertaken until late 1999, some 12 months after contracts had been signed; and
- provider performance monitoring was not undertaken in accordance with program guidelines and conditions of the contract. For example, site visits to providers were not carried out within the required timeframe. As well, there was insufficient documentation of the range of performance monitoring activities to determine whether relevant reports had been reviewed and analysed by DETYA's National Office.

34. In raising these issues, the ANAO notes that the findings should be considered in the light of significantly lower than expected levels of referrals to Literacy and Numeracy assessment that occurred early in the life of the program.<sup>4</sup> In response to this, DETYA established program management priorities and initiated urgent action to achieve the required level of referrals.

### *Support for New Apprenticeships*

35. In relation to the Support for New Apprenticeships Program, the ANAO found that, of the incentive and personal benefit claims that it reviewed, around two per cent revealed errors that would indicate that either the employer or the new apprentice were not eligible for payment. Where these had been identified, follow up action was initiated to recover the incorrect payments.

36. The ANAO identified a further nine per cent of claims where there was insufficient evidence of the eligibility of the recipient and this had not been identified through the Department's monitoring processes. The ANAO identified a further 16 per cent of claims where the eligibility of the client was uncertain due to weaknesses in the administration of the program, for example, claim forms not reflecting the details concerning citizenship of the new apprentice or the extent of the possible business relationship between the new apprentice and their employer.

37. DETYA advised that the purpose of monitoring undertaken is to ensure the accountability of the New Apprenticeship Centres (NACs) with program guidelines and to improve their administrative procedures. As well, the Department indicated that:

- a number of improvements designed to address monitoring deficiencies have been put in place for the second contract period which commenced in December 1999; and
- initial outcomes of the new procedures indicate that while there are still some recurring problems, there has been a significant improvement in the quality of claims processing being undertaken.

38. The ANAO considers that these measures should significantly improve the effectiveness of monitoring arrangements and the efficient use of the resulting information.

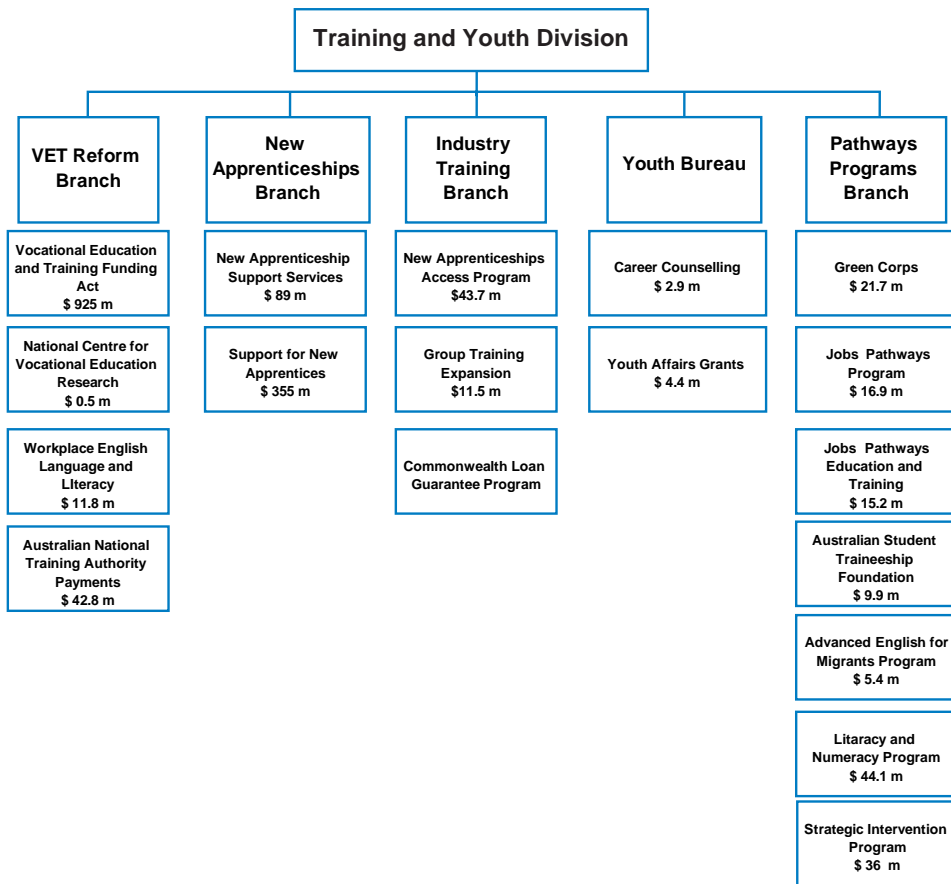
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<sup>4</sup> The program started in September 1998.

# **Audit Findings and Conclusions**

**Figure 1**

**Branch Structure and Funding for Training and Youth Division 1999–2000**



# 1. Introduction

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*This chapter provides background information on Training and Youth Division and its programs and outlines the audit objective, approach and criteria.*

## Training and Youth Division

**1.1** The Training and Youth Division (TYD) of the Department of Education, Training and Youth Affairs (DETYA) is responsible for the delivery of elements of Departmental Outcomes 1 and 2<sup>5</sup>. These elements include delivery of vocational education in schools; infrastructure funding for the post secondary education system; apprenticeships and traineeships; skills development and transition support; and opportunities for the active engagement of young people with community activities.

**1.2** A more detailed description of the TYD activities and programs that contribute to the outcomes and their funding is at Appendix 2. These activities and programs are discharged using a variety of approaches, with most of them being delivered through third party providers using a range of contractual arrangements. The delivery of government services and programs by third party providers is now widespread. This audit is one of a number undertaken by the Australian National Audit Office (ANAO) which have examined, among other things, aspects of contract management between the purchaser and the provider.<sup>6</sup>

**1.3** TYD programs are managed within a structure of five branches as shown in Figure 1.<sup>7</sup>

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<sup>5</sup> Outcome 1: School systems provide their students with high quality foundation skills and learning outcomes. Outcome 2: Post school education and training providers assist individuals achieve relevant skills and learning outcomes for work and life.

<sup>6</sup> Audit reports and audits in progress which deal with these issues are listed at Appendix 1.

<sup>7</sup> The revised branch structure was implemented during the audit in late 1999 following completion of work by the New Apprenticeships Centres Taskforce. This resulted in the splitting of New Apprenticeships and Industry Training Branch into two branches.

## Operating environment

1.4 As is the case for many Australian Public Service (APS) agencies, the environment in which DETYA operates and its administrative arrangements have been, and are, subject to continuing change. In October 1998, the Administrative Arrangements Order ‘*modified the Department’s functions and required a substantial reorganisation of the Department along with significant staff movements.*’<sup>8</sup> The Portfolio Budget Statements (PBS) further indicated that:

*A major feature of the reorganisation of [DETYA] national office was the creation of the Training and Youth Division. This brought together several programs and policy interests focussed on the transition of young people from school to further education, work or the broader community.*

1.5 In undertaking this audit, the ANAO was conscious of the significant restructuring that occurred in the Department in 1998, the range of program outputs required to be delivered and the significant workload borne by the Division. There has been a strong focus on the achievement of policy outcomes in short timeframes and on the creation and development of new markets for outsourcing service delivery, including those for the Literacy and Numeracy and the Support for New Apprenticeships programs. Many of the programs are delivered with varying degrees of assistance from DETYA’s State Offices. The ANAO also notes that TYD has an ongoing liaison role with Centrelink, the Department of Employment, Workplace Relations and Small Business, and a range of stakeholders in the vocational education and training sector, including State Governments. This adds to the complexity of the environment in which the Division’s programs are delivered.

## The audit

### Audit objective and scope

1.6 The objective of the audit was to examine program management in the Training and Youth Division of DETYA. In broad terms, the audit focused on the management frameworks at both Divisional and program level. In order to assess whether these are operating well in practice the ANAO examined:

- whether risk management and business planning arrangements were in place;

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<sup>8</sup> Department of Education, Training and Youth Affairs Annual Report, 1998–99, Canberra 1999, p. 1.

- the extent to which the performance information framework and monitoring arrangements enable an assessment of outputs and outcomes; and
- elements of contract management, particularly compliance with program guidelines, performance monitoring and management of payments.

**1.7** The audit is being undertaken in two parts. The first part, discussed in this report, examined the matters outlined above. The second part mapped key internal business activities, undertook activity based costing of selected processes and, where appropriate, developed some options for re-engineering of these processes with the aim of identifying opportunities for improvement. This latter phase commenced in March 2000. It will be reported on separately later in 2000.

### **Audit approach and methodology**

**1.8** The audit approach involved examination of both higher-level Divisional management systems as well as specific program management arrangements. Three of the Division's 17 programs were selected for more detailed review:

- Workplace English Language and Literacy (WELL);
- Literacy and Numeracy; and
- Support for New Apprentices (SNA)<sup>9</sup>.

**1.9** These programs were selected from different Branches of the Division in order to cover a range of delivery mechanisms, having regard to the level of materiality and risk involved. In considering which programs to examine, the ANAO did not include programs in which tender processes were underway at the time of the audit fieldwork. These included the Jobs Pathways Program, Jobs Placement Education and Training and New Apprenticeships Support Services programs. Further details on the programs selected for review during the audit are at Appendix 4.

**1.10** The ANAO held discussions with National and State Office program managers, reviewed files and undertook compliance testing of contract management arrangements. Audit fieldwork was undertaken between August 1999 and February 2000 in DETYA's National Office in Canberra, and in a sample of New Apprenticeship Centres in the Australian Capital Territory, New South Wales and Victoria.

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<sup>9</sup> Formerly known as the New Apprenticeship Incentives program.

**1.11** The audit was conducted in conformance with ANAO Auditing Standards at a cost of \$348 000.

### **Audit criteria**

**1.12** The ANAO made an assessment against criteria that were designed to test the administrative arrangements in place. The criteria specific to the area under discussion are outlined at the beginning of each chapter or relevant section.

### **Previous audit reports and reviews**

**1.13** There have been a number of previous audit reports relevant to this audit. During this audit, the ANAO followed up the recommendations of these reports to determine the extent to which they had been implemented. The recommendations and the ANAO's findings in relation to their implementation are outlined at Appendix 3.

### **This report**

**1.14** This report has been structured around three main topics of planning, performance monitoring and contract management. Chapter 2 covers risk assessment and business planning. The performance assessment framework and performance monitoring arrangements are assessed in Chapter 3. Contract management, including compliance with the requirements of contracts and program guidelines, monitoring of provider performance and management of payments is analysed in Chapter 4.

**1.15** A consultant, Mr Guy Reeve, Mercadier Pty Ltd, was engaged to assist the ANAO with the audit. His contribution included determining relevant criteria, designing and carrying out fieldwork, evaluating material gathered and drafting the report.



## 2. Risk Management and Business Planning

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*This chapter examines the adequacy of risk management and business planning arrangements in Training and Youth Division.*

### Introduction

**2.1** One of the main elements of sound corporate governance is the establishment of an effective planning framework within which an agency, and its business units, operates to achieve government objectives. This should include the conduct of a risk assessment and associated business planning.

### Risk management

**2.2** Risk management is important because it allows the identification, analysis and assessment of risks that may prevent the agency achieving its business objectives and overall government objectives. This in turn allows appropriate treatment strategies to be addressed in business plans. Risk assessments should be undertaken in line with the Guidelines for Managing Risk in the APS<sup>10</sup> and the Australian Standard on Risk Management<sup>11</sup> that were published in 1995–96.

**2.3** The ANAO examined TYD's risk management to determine whether:

- the Department had provided guidance on risk management in accordance with the Management Advisory Board/Management Improvement Advisory Committee (MAB/MIAC) guidelines and Australian/New Zealand Standards;
- risk assessments were undertaken and management plans developed at the Division and program levels in accordance with the timeliness and quality requirements of Departmental guidance; and
- responsibilities and timelines for risk management strategies were included in relevant plans.

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<sup>10</sup> MAB–MIAC Report No.22, AGPS, Canberra 1996.

<sup>11</sup> Standards Australia/Standards New Zealand Standard AS/NZS 4360: 1999 *Risk Management* (first published in 1995, revised 1999).

2.4 The ANAO acknowledges that DETYA has had fraud risk assessment and related control plans in place since 1991. Implementation of improvements to fraud planning matters are discussed at Appendix 3.

### **Departmental guidance on risk management**

2.5 DETYA introduced a formal requirement for risk management plans in late 1998 in a Staff Circular setting out the Departmental policy on general risk management. This included the need to undertake a risk assessment and required that all projects and programs were to have a documented risk management strategy implemented progressively during the course of 1998–99. Later in 1999, Staff Circulars provided additional guidance on general risk management requirements and made a clear distinction between the existing fraud risk management arrangements and the new general risk management requirements.

2.6 The ANAO also found that DETYA has recognised the need to strengthen its risk management culture. Until early 2000, DETYA's Audit Branch was responsible for risk management policy and continued to drive awareness of the benefits of a broader risk management approach. In early 2000, following the ANAO's fieldwork, DETYA centralised responsibility for risk management policy in the Legal, Business Assurance and Investigations Branch with the aim of meeting the Department's obligations towards the Commonwealth approach to risk management as established by the then MAB/MIAC. DETYA is conscious of the need to build on the initial introduction of mandatory risk assessments at the program level with the goal of embedding risk-management approaches into the Department's decision-making culture at every level of management and operations.

### **Division level risk assessment**

2.7 At the start of the audit in mid-1999, a draft risk management plan had been prepared at the Divisional level. This plan focused mainly on defining Divisional risk management procedures. In addition, it identified four main areas of high priority risk for the Division as a whole and outlined relevant treatment strategies. The plan met the Departmental requirements but was not completed within the expected timeframe, that is, within the 1998–99 financial year. As well, it did not specify responsibilities for the implementation of risk treatment strategies.

### **Program level risk assessments**

2.8 Documented risk management plans for all TYD programs were commenced during the course of ANAO fieldwork and were completed in early 2000. Comprehensive risk assessments had therefore not been

undertaken before the audit. The ANAO acknowledges that comprehensive risk assessments were not a Departmental requirement before late 1998. However, the ANAO considers that it would have been good management practice to have undertaken risk assessments earlier in the life of the relevant programs than has been the case.

**2.9** A number of specific requirements for program level plans were set out in the Division's risk management plan. These requirements included the need to address the four highest priority risks identified in the Divisional plan, assess the value of controls in place and state whether or not identified risks are acceptable. Program managers were allowed some flexibility in their approach to developing program level risk management plans. However, the program level risk management plans for the three programs examined during the audit did not meet all of the Divisional requirements. In particular, the ANAO found that:

- two program level plans did not address the Divisional high priority risk relating to maintaining sufficient numbers of adequately skilled and motivated staff;
- in a number of cases there was no assessment of the value of controls in place or indication of whether development of an appropriate treatment/strategy is required;
- for two programs it was not clear whether the identified risks were acceptable or unacceptable given the controls in place; and
- timeframes or responsibilities for implementation of additional controls and for monitoring and review of risks were not always specified.

## **Conclusion**

**2.10** The ANAO concluded that risk management should be strengthened by ensuring that risk assessments are undertaken and associated management plans developed within required timeframes. As well, the Divisional plan should clearly define timelines and responsibilities for implementing risk treatment strategies. Program level plans should meet all requirements of the Divisional risk management plan and specify timelines and responsibilities for implementation of risk management strategies and monitoring and review arrangements. While recognising there are always competing priorities for management's attention, risk management does require considerable discipline in order to ensure its ongoing effectiveness.

## Recommendation No.1

**2.11** The ANAO recommends that, to ensure that effective risk assessment underpins all of its program management activities, TYD should:

- ensure that risk assessments and associated management plans are undertaken within required timeframes;
- at the Divisional level, clearly define the responsibilities and timeframes for implementing treatment strategies; and
- at the program level, ensure that risk assessments and related plans meet the requirements of the Divisional plan and clearly specify arrangements for monitoring and reviewing risks.

### *DETYA response*

**2.12** Agreed. Risk assessments and associated management plans have now been completed for all Training and Youth Division programs. Action will be taken to ensure consistency between the requirements of the Division plan and the program plans. Program plans contain arrangements for monitoring the risk control measures. Risks will be reviewed as part of a periodic review of plans.

## Business planning

**2.13** Business planning provides the framework within which an organisation can achieve government objectives; ensures unity of purpose among individuals and teams working towards the organisation's goals. It provides the basis for assessing performance through well-considered performance indicators and/or measures, as well as monitoring arrangements, including reporting.

**2.14** The ANAO examined TYD's business planning to determine whether TYD's business plan was consistent with Departmental planning guidance<sup>12</sup>.

**2.15** As part of this examination, the ANAO sought to establish whether the guidance required the business plan to take account of a risk assessment (discussed in the previous section) and adequate consultations with staff to assist with their understanding and commitment to the plan.

**2.16** As well, the ANAO examined whether outcomes and outputs had been specified in line with Department of Finance and Administration (DoFA) guidelines.

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<sup>12</sup> These were set out in a Secretary's minute in April 1999.

## Departmental guidance

2.17 DETYA had issued guidance on an annual basis, including for the 1999–2000 business planning cycle. The guidance for 1999–2000 required Divisional business plans to include certain key elements. The extent to which the TYD business plan conformed to these requirements is set out in Table 1. The Departmental guidance for the 1999–2000 corporate business planning cycle did not require any direct link between identification and assessment of risks and consideration of them when developing a business plan. The ANAO considers that use of risk assessment in developing a business plan is necessary to ensure that business activity is directed towards addressing risks that might prevent or limit the achievement of overall objectives and to ensure that available resources are allocated to best effect. The ANAO has therefore included risk assessment as one of the criteria for assessing the TYD business plan in the following table.

**Table 1**  
**Assessment of TYD Business Plan 1999–2000**

<i>Criteria</i>	<i>Yes/No</i>	<i>Comments</i>
Risk assessment	X	TYD's overall risk assessment had not been undertaken at the time the draft plan was developed. <sup>13</sup> This is discussed further below.
Met departmental guidelines for:		
<ul style="list-style-type: none"> <li>Outcomes/outputs and performance indicators (Section 2a)</li> </ul>	✓	The definition of outcomes and outputs are discussed below, and the extent to which performance indicators enable an assessment of the achievement of outcomes and outputs is discussed in Chapter 3.
<ul style="list-style-type: none"> <li>Major priorities, strategies and indicators of success (Section 2b)</li> </ul>	✓	The way these contribute to the achievement of outcomes and outputs is discussed in Chapter 3.
<ul style="list-style-type: none"> <li>Information on the implementation of the Corporate Plan (Section 2c)</li> </ul>	✓	Corporate Plan and TYD business plan are appropriately linked.
<ul style="list-style-type: none"> <li>Allocation of resources to outputs (Section 3)</li> </ul>	✓	Provided separately. Gives a clear indication of administrative costs including ASL relating to administered items.
<ul style="list-style-type: none"> <li>Contribution to Outputs by States/ Business partnership arrangements (Part B— Attachment 1)</li> </ul>	-	Business partnership arrangements with the States were planned in parallel with business planning process and are available separately, but consideration of these arrangements was not within the scope of the audit.
<ul style="list-style-type: none"> <li>New Initiatives—Information Technology (Part B— Attachment 2)</li> </ul>	✓	Consideration of these issues was not within the scope of this audit.

*continued next page*

<b>Criteria</b>	<b>Yes/No</b>	<b>Comments</b>
• New Initiatives—Research and Evaluation (Part B—Attachment 3)	✓	Evaluation is discussed in Chapter 3.
• New Initiatives—Corporate Planning Contribution (Part B—Attachment 4)	✓	Consideration of these issues was not within the scope of this audit.
• Report against 1998–99 Plan (Part B—Attachment 5)	✓	Discussed in Chapter 3.
• Business partnership arrangements with Centrelink	-	Planned in parallel with business planning process and available separately, but not reviewed during the audit. <sup>14</sup>
Plans at other levels as necessary.	✓	A plan for Pathways Programs Branch was in place during audit fieldwork. A plan for New Apprenticeships and Industry Training Branch had not been developed because of branch restructuring anticipated following review of Divisional structure. Other level plans are discussed below.

**2.18** While not a requirement of the Departmental guidance, the ANAO noted that a number of formal planning days were held in the former VET Division and at individual Branch and Section level in TYD on various dates. This represents sound practice because it helps to ensure that staff understand business objectives and are likely to have greater commitment to achieving them.

### **Risk assessment**

**2.19** As noted above, risk assessments were not completed in TYD until early 2000 after completion of the business planning cycle. As a result, three of the four high priority risks identified in the Divisional risk management plan were not addressed in the TYD business plan.

**2.20** Following completion of the ANAO fieldwork, DETYA advised that it has recognised the need to link risk management with business planning to guide the day to day management of its programs. It therefore introduced a new approach to corporate risk management planning in early 2000. This incorporates risk management plans at Departmental, Division and State Office level as well as at program/activity level.

<sup>13</sup> TYD Business Plan provided to the ANAO on 13 August 1999 was dated May 1999: the Draft Risk Management Plan was provided to the ANAO on 2 September 1999. The Business Plan was in draft form as at June 1999.

<sup>14</sup> This was examined in Report No.30 1998–99 *The Use and Operation of Performance Information in the Service Level Agreements*.

**2.21** The new approach emphasises that risk management strategies at all three levels are to inform development of business planning and fraud risk control. This should assist in developing a more positive approach to risk so that it is integrated into planning and day-to-day operations rather than being a process which is undertaken separately. The ANAO encourages the Department to pursue this approach in order to effectively embed risk management into the organisational culture.

## Specification of elements of the accrual budgeting framework

**2.22** Outcomes, outputs, administered items<sup>15</sup> and third party outputs should be specified clearly in accordance with Departmental requirements (based on DoFA guidelines) so that all stakeholders both within and outside the Department understand what is to be achieved and what services are to be delivered. This forms the basis for establishing performance information against which plans can be monitored and achievements assessed. The ANAO therefore sought to establish whether outcomes, outputs and administered items had been specified in Portfolio Budget Statements (PBS) in line with DoFA guidelines. Performance information and monitoring are discussed in Chapter 3.

### Outcomes

**2.23** DETYA specifies three Departmental-level outcomes. TYD contributes to two of these as follows:

- Departmental Outcome 1: *'School systems provide their students with high quality foundation skills and learning outcomes'*; and
- Departmental Outcome 2: *'Post school education and training providers assist individuals achieve relevant skills and learning outcomes for work and life.'*

Table 2 shows the extent to which these outcomes are specified in accordance with DoFA guidelines.

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<sup>15</sup> Administered items are expenses, revenues, assets or liabilities managed by agencies on behalf of the Commonwealth. While agencies do not control administered items, they are responsible for ensuring that such items contribute effectively to the achievement of outcomes. Administered items include grants, subsidies and benefits. In many cases, administered items fund the delivery of third party outputs.

**Table 2**  
**Specification of Outcomes**

<i>DoFA Requirements</i>	<i>Outcome 1</i>	<i>Outcome 2</i>
The outcome description should clearly reflect the Government's objectives and priorities.	✓	✓
The outcome should be described in terms of the impact on the Australian community. Outcome descriptions should enable a broad understanding of what the outcome is about, for example, in terms of the major service areas and administered items covered.	✓	✓
Where an outcome is focussed on target groups these groups should be able to be clearly identified.	✓	✓
It should be possible to monitor and assess the achievement of an outcome, particularly where the outcome is not achievable within a specified time frame.	✓	✓
It should be possible to clearly identify a causal link between the action of government, through the relevant agency, and the outcome sought.	✓	✓
Outcomes should be clearly distinguishable from agency strategies.	✓	✓
Outcome statements should be worded clearly and concisely, in a format suitable for external reporting.	✓	✓
Outcome statements should meet the requirements for a legally valid appropriation.	✓	✓

## Outputs

**2.24** The departmental outcomes discussed above are achieved through a combination of departmental outputs and administered items/third party outputs. The ANAO examined whether these had been specified in accordance with DoFA guidelines.

**2.25** DETYA has specified a range of departmental outputs that contribute to the the achievement of outcomes. Table 3 shows the extent to which the departmental outputs are specified in accordance with the DoFA guidelines.



**Table 3**  
**Specification of Departmental Outputs**

<i>DOFA Criteria for Outputs</i> ↓	<i>DEPARTMENTAL OUTPUTS</i>				
	<i>Administration</i>	<i>Policy Advising</i>	<i>Ministerial and Parliamentary Services</i>	<i>Research, Analysis and Evaluation</i>	<i>Service Delivery</i>
Describes a good or service which is provided to individuals or organisations external to the agency.	✓	✓	✓	✓	✓
Identified and described clearly.	✓	✓	✓	✓	✓
Described in terms of what service or product it is, not what function it performs.	✓	✓	✓	✓	✓
Contributes to the achievement of planned outcomes.	✓	✓	✓	✓	✓
The agency must have control (either direct or indirect) over the delivery of the output (including outsourced activities).	✓	✓	✓	✓	✓
All activities undertaken by an agency should be covered by the agency's outputs, either directly as a component of an output, or as legitimate, value adding overheads contributing to the production of its outputs.	✓	✓	✓	✓	✓

### **Administered items/third party outputs**

2.26 TYD administers a range of programs that are delivered by third parties. These programs are funded by administered items<sup>16</sup> and are directed towards achieving planned outcomes. The administered items specified by DETYA include, among other things:

- Literacy and Numeracy program;
- Job Placement Education and Training; and
- Workplace English Language and Literacy; and
- Advanced English for Migrants Program.

### **Conclusion**

2.27 TYD outcomes, outputs, administered items and third party outputs have been specified in line with the Departmental requirements, which were based on the DoFA guidelines. These provide a good basis on which to monitor the delivery of departmental outputs and administered items.

<sup>16</sup> See Footnote 15.

## Consultations with staff

**2.28** As shown in Table 1, the ANAO found that the Division's approach to business planning included a suitable level of staff input through formal Section and Branch level planning days. The ANAO therefore considered the Division's approach to be consistent with better practice in this regard.

## Other branch/work area plans

**2.29** Departmental guidance on business planning states that branches, sections, work units and State Offices are encouraged to develop their own business, operational or work plans. These should be consistent with the relevant Divisional plan.

**2.30** The Pathways Programs Branch was the only one of the four branches in TYD to provide a business plan during the audit fieldwork. The VET Reform Branch plan was being developed during the time that the audit fieldwork was being undertaken. New Apprenticeships and Industry Training Branch did not produce a plan because the branch structure was expected to change following an internal review of the Divisional structure at the conclusion of the New Apprenticeships tender process. In line with the Departmental guidance, the ANAO found that the Pathways Programs Branch plan was consistent with the Divisional plan. The key performance indicators contained in this plan are discussed in Chapter 3.

## Overall conclusion

**2.31** TYD's risk management and business planning was undertaken in line with Departmental guidance. However, because Departmental guidance on business planning was issued separately from that on risk management, the business plan was developed without a documented risk assessment. Outcomes, outputs and administered items were specified appropriately (that is, in line with DoFA guidelines) and provide a sound basis on which to develop TYD's planning framework.

# 3. Performance Assessment Framework

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*This chapter examines the performance assessment framework at the Divisional and program levels and performance monitoring and reporting arrangements.*

## Introduction

**3.1** The establishment of a performance assessment framework and a system of monitoring against that framework are important tools in the management of programs and performance improvement. They are also a valuable part of an agency's accountability to key stakeholders such as the Minister, the Parliament, clients and the public.

**3.2** An important factor in relation to performance assessment for TYD is the fact that many of the services that it manages for the Government are delivered on its behalf by third parties. The establishment of performance information in contracts and relevant monitoring arrangements are necessary to ensure that third party providers contribute effectively to the achievement of outcomes. Contract management is discussed in detail in Chapter 4. Performance information and monitoring are discussed under separate headings below.

## Performance information

**3.3** The ANAO examined whether the performance information enables an adequate assessment of outcomes and outputs, including administered items. As well as outcomes and outputs performance information, the TYD business plan included priorities (objectives), strategies and indicators of success. The ANAO therefore sought to determine the extent to which the strategies and indicators contributed to outcomes and outputs and whether the performance indicators at this level enable an assessment of the achievement of those objectives and strategies.

## Assessment of outcomes

3.4 An assessment of the extent to which outcomes are achieved depends on a sound framework of performance information. DoFA sets out a number of criteria that should be met when developing performance information in relation to outcomes.<sup>17</sup> These specify that performance information should be, among other things:

- measurable;
- important and useful for decision-making; and
- balanced and cover all outputs produced and all the outcomes to which they contribute.

3.5 To assess the performance information for outcomes contained in the TYD business plan, the ANAO undertook a detailed analysis of the performance information for Outcome 2 against these criteria as shown in Table 4. The ANAO notes that TYD is also responsible for the vocational education in schools component of Departmental Outcome 1.

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<sup>17</sup> For more information, see *Better Practice Guide on Performance Information Principles*, ANAO and Department of Finance and Administration, November 1996 and *Specifying Outcomes and Outputs*, Department of Finance and Administration, Canberra, 1998.

**Table 4****Assessment of TYD Business Plan Outcomes Performance Information – Outcome 2 ‘Post-school education and training providers assist individuals achieve relevant skills and leaving outcomes for work and life’.**

<i>Performance information and level of achievement<sup>18</sup></i>	<i>Measurable</i>	<i>Useful for Decision-making</i>	<i>Balanced</i>	<i>Measure / Target or Benchmark</i>
Access to post school education and training	✓	✓	✓	Enrolments. Benchmarked, target set for 1999–2000.
Access and participation in New Apprenticeships	✓	✓	✓	Commencements. Benchmarked, target set for 1999–2000.
Participation of population in post school education and training	✓	✓	✓	Participation in publicly funded training by age group. Benchmarked. No target specified.
Vocational education and training completions	✓	✓	✓	Completions. Passed training module. Benchmarked. No target.
Destinations of VET graduates	✓	✓	✓	Employment, unemployment, not in labour force—Benchmarked. Target set as ‘levels estimated to be maintained’.
Educational attainment of the adult population	✓	✓	✓	Participation. Benchmarked. Target specified as ‘will rise slightly’.
Unemployment experience by level of educational attainment	✓	✓	✓	Unemployment. Benchmarked. No target set.

**3.6** Table 4 shows that each indicator could be assessed. Although targets have not been set for some of these indicators, benchmarks exist by which DETYA can assess performance. DETYA advised that it is examining the extent to which targets could be set for high-level outcome indicators such as these. Where external factors beyond the Department’s control impact significantly but unpredictably on outcomes, DETYA considers that statements such as ‘*small increase expected*’ or ‘*at least maintained*’ are appropriate rather than specific targets.

**3.7** Individually these indicators are useful for decision-making. Taken together they allow participation by eligible people in the sector and improvements of various aspects of education and training to be assessed. In this way, the skills and learning aspects of the specified outcome could also be assessed.

<sup>18</sup> Source: Training and Youth Division Business Plan 1999–2000. Table 2.3.2.

3.8 Indirectly, these measures also indicate to what extent providers have contributed to the outcome. DETYA is conscious that the Commonwealth is not the only player in this sector and therefore does not have complete control over outcomes. Other influences (for example State/Territory policies and programs on vocational education and training) will have an impact on the achievements of TYD programs. As a result, it can be difficult to establish clear causal links between inputs/ outputs and high-level outcomes.

3.9 The ANAO considers that TYD met DoFA requirements and had established appropriate performance information to allow reasonable assessment/measurement of outcomes.

3.10 It should be noted that the ANAO is not commenting here on data accuracy. Because much of the required data is collected by the Australian Bureau of Statistics and the National Centre for Vocational Education Research (NCVER) which are outside the scope of the audit, an assessment of data accuracy for these measures has not been undertaken.

### Assessment of outputs

3.11 Output performance information should enable an assessment of the extent to which outputs are being achieved. As well as criteria for outcomes performance information, DoFA guidelines set out criteria for the development of output performance information. The ANAO examined the extent to which TYD output performance indicators met these requirements. This assessment is set out in Table 5.

**Table 5**  
**Performance Information for Departmental Outputs**

<i>DOFA Criteria for Outputs</i> ↓	<i>DEPARTMENTAL OUTPUTS</i>				
	<i>Administration</i>	<i>Policy Advising</i>	<i>Ministerial and Parliamentary Services</i>	<i>Research, Analysis and Evaluation</i>	<i>Service Delivery</i>
The output specification and associated information is stated in terms of :					
• price	✓	✓	✓	✓	✓
• quantity	✓/X	X	X	X	X
• quality	✓	✓	✓	✓	✓
• the contribution of the output to achievement of the planned outcome.	✓	✓	✓	✓	✓

**3.12** While Table 5 indicates that outputs are specified in terms of price, at this stage DETYA could only provide cost information for the departmental outputs in TYD. This shows, however, that since the accrual budgeting framework was introduced the Department has made significant efforts to implement the framework in a timely fashion. It has yet to specify its prices for outputs.

**3.13** In relation to quantity, in most cases, DETYA's departmental outputs do not lend themselves to quantitative measures, although the ANAO noted that quantities were specified where possible (for example, in one case, quantities of publications and information products to be produced were specified). A range of quality measures, including timeliness, were also specified in relation to departmental outputs. For example, timelines were specified for the annual report and a research study, and parliamentary timelines were required to be met for Ministerial and Parliamentary Services.

**3.14** As well, these departmental outputs will contribute to the achievement of the planned outcome. Therefore, TYD is able to assess and measure its outputs appropriately and has met the DoFA requirements.

### **Assessment of administered items**

**3.15** DoFA guidelines require Departments to report on the use to which administered items are put and on their contribution to outcomes. The purpose of the separation of departmental outputs and administered items is to enable assessment of the administrative efficiency of DETYA in providing goods and services. As well, performance information should be provided *'to assist government in understanding what it is funding and what will be provided in terms similar to the key attributes of outputs.'*<sup>19</sup>

**3.16** The ANAO selected administered items relating to New Apprenticeships as an example of the performance information established by TYD. The extent to which quantity, quality and timeliness indicators exist for each item in this group is set out in Table 6. A measure of price is not considered because funding levels, for example of incentive payments, are set by government decision. Value for money (which includes consideration of price) is assessed as part of the tendering process.

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<sup>19</sup> *Specifying Outcomes and Outputs*, Department of Finance and Administration, p. 15.

**Table 6****Performance Information included in TYD Business Plan**

<i>Administered Item</i>	<i>Contribution to Outcomes</i>	<i>Quantity</i>	<i>Quality</i>	<i>Timeliness</i>
New Apprenticeship Support Services	✓	✓	✓	✓
Employer Incentives (Support for New Apprentices)	✓	✓	✓	✓
Personal Benefits	✓	✓	✓	X
Access	✓	✓	X	✓
Group Training Expansion	✓	✓	✓	✓

1: Inherent in annual targets.

3.17 Table 6 shows that, although there are some minor problem areas, in general the range of indicators available enables a satisfactory assessment of the effectiveness of administered items in achieving outcomes. TYD acknowledged that there are some gaps where further work is required to identify suitable measures and advised that this will be undertaken in their review of the presentation of performance information. The ANAO considered that DETYA can assess adequately and, in most cases, measure the delivery of administrative items and their contribution to outcomes. DETYA therefore complies with the DoFA guidelines in relation to outputs performance information.

### **Assessment of Divisional business performance**

3.18 As well as being able to assess the achievement of outcomes and outputs, it is also important for managers to be able to determine how well their business objectives and strategies contribute to the delivery of outputs. The TYD business plan for 1999–2000 lists five major priorities along with a number of strategies and indicators of success for each. They are described as relating to *‘the major business activities of the Division’*. The ANAO therefore examined whether:

- Divisional priorities were related to specified outputs;
- the business plan strategies were linked to priorities and were able to be assessed by using associated performance indicators; and
- indicators of success were themselves assessable.

3.19 The five priorities set out in the TYD business plan are all framed so as to contribute to the achievement of outcomes and the delivery of outputs, for example Priority Two *‘Improve transition through education, training and work’*.

3.20 In order to assess whether the strategies were linked to the priorities and the indicators would enable an assessment of the



achievement of priorities and strategies, the ANAO analysed all priorities, strategies and indicators. Priority One of the five priorities was selected as an example. The analysis of the strategies and indicators relating to this priority is at Table 7.

**Table 7**

**ANAO Analysis of Priorities, Strategies and Indicators of Success.**

**PRIORITY 1: Enhance the management of training and youth division programs to achieve best practice standards and synergies across the division**

<i>Strategies</i>	<i>Linked to Priority</i>	<i>Indicator of Success</i>	<i>Measurable</i>
Examine program management activities across the Division for opportunities to achieve synergies.	✓	Divisional approaches to program management reviewed streamlined and consistent, where possible and appropriate.	✗ Able to assess whether a review had occurred but not possible to measure streamlining and consistency. Indicator is linked to strategy.
– Streamline program processes, including contracts procedures and reporting requirements and standardise where possible and appropriate.	✓	Divisional approaches to program management reviewed streamlined and consistent, where possible and appropriate.	✗ Difficult to judge appropriateness of processes for streamlining.
– Establish more efficient, high quality reporting and monitoring systems capable of tracking program performance	✓	Improved information flows and timely reporting between TYD and State/Territory offices and program providers.	✗ Able to assess 'timely' if term defined, that is within a specific timeframe. Difficult to assess 'improved'. Indicator is linked to strategy.
Ensure comprehensive risk management strategies for all divisional activities are developed and incorporated with standard business monitoring practices.	✓	Risk assessments completed, reviewed regularly and action plans developed and implemented where required.	✓ Number and timeliness of risk assessments and action plans, and reviews is measurable. Indicator linked to strategy.
Implement a high quality cash flow management system for the Division	✓	The Division meets its contractual obligations and the financial requirements of the Department and DoFA.	✗ Indicator does not refer to payment systems or schedules. Difficult to measure. Indicator only indirectly linked to strategy.
Develop more effective payment systems to better manage cash flows and meet new Departmental/ DoFA requirements	✓	The Division meets its contractual obligations and the financial requirements of the Department and DoFA.	✗ Indicator does not refer to payment systems or schedules. Difficult to measure. Indicator only indirectly linked to strategy.
Standardise payment schedules where possible.	✓	No indicator.	-

**3.21** Table 7 shows that, in a number of instances, strategies either did not include related indicators, or the indicators they had, only allowed a partial assessment of the strategy. As well, some indicators did not appear to relate directly to any of the stated strategies. The ANAO found that similar limitations applied to the strategies and indicators for the remaining Divisional priorities. The ANAO considers that assessment of the effectiveness of key strategies needs to be made possible by ensuring that:

- terms such as *timely, quality, more efficient, useful* are defined as clearly as possible so that the indicator enables a reasonable assessment of each strategy;
- indicators are directly linked to strategies to ensure that all the strategies can be assessed in terms of their appropriateness and contribution to achieving priorities; and
- indicators enable an assessment of all elements of stated strategies.

**3.22** The ANAO therefore considers that the performance assessment framework should be improved by more rigorously linking indicators to strategies and ensuring that all indicators can be assessed quantitatively and/or qualitatively.

## **Recommendation No.2**

**3.23** The ANAO recommends that, to allow TYD to better assess the contribution of its business activities to outputs, TYD's business plan should draw attention to the need to ensure that:

- the achievement of each strategy can be assessed through a clear and direct relationship with one or more indicators of success;
- indicators are able to be assessed quantitatively and/or qualitatively; and
- indicators enable an assessment of at least the major elements of stated strategies.

### *DETYA response*

**3.24** Agreed. The Division will be reviewing its performance information in response to the outcomes of the Report by the Finance and Public Administration Legislation Committee on the format of the Portfolio Budget Statements, which is to be released later in 2000. The ANAO recommendation will be taken into account as part of that review.

## Performance monitoring

3.25 The information necessary for assessment and monitoring of actual performance should be collected and used at a number of levels. In the case of TYD, the ANAO examined the performance monitoring arrangements, including reporting and evaluation, at the Divisional level.

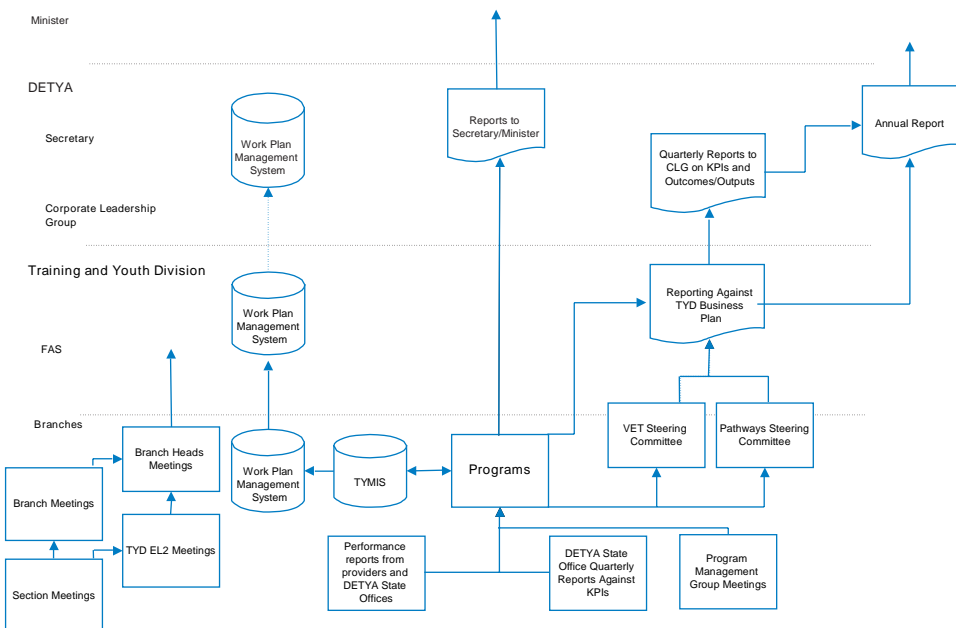
3.26 The ANAO sought to establish whether:

- monitoring was undertaken in a systematic manner;
- reporting occurred, including in the Annual Report; and
- evaluation arrangements are in place.

### Monitoring mechanisms

3.27 There are a range of monitoring mechanisms in operation within TYD and within the Department to which TYD contributes. These are shown in Figure 2:

**Figure 2**  
**TYD Monitoring Mechanisms<sup>20</sup>**



<sup>20</sup> Source: ANAO.

**3.28** Figure 2 shows that monitoring mechanisms include steering committees, branch and section heads forums as well as the usual branch and section level meetings. The Program Management Group and Section Heads meetings were introduced in 1999 with the aim of improving corporate governance arrangements within the Division. As well, a desktop-based program performance monitoring system known as the Work Plan Management System (WPMS) was introduced across the Department in late 1999. WPMS delivers key program performance information to the desktop using a customised software application.

**3.29** Although the two steering committees had written terms of reference, the ANAO found no statement of the roles and responsibilities of all these groups in relation to each other, or a statement of the nature and level of issues that they should consider, or the impact of the introduction of WPMS.

**3.30** The ANAO's review of the minutes of the steering committees and related documentation showed that the steering committees tended to deal with more urgent program management and administration priorities. This meant that program managers were unable to assess whether there were problems and deal with them at an early stage. For example, on at least one occasion, review of progress against the business plan by the VET Steering Committee was held over to the next meeting due to other business. Where this agenda item was considered, the minutes of relevant meetings provide only limited reference to progress.

**3.31** While it is necessary to deal with urgent program management issues, it is equally important to ensure that ongoing program performance is monitored effectively. Because of the findings outlined above, and the large number of programs within the Division, the ANAO considers that program performance is generally not monitored on a systematic basis. Better value could be obtained from the different monitoring groups, in the light of the introduction of WPMS and with particular regard to program performance monitoring, by more clearly defining their roles and responsibilities in order to minimise the risk of duplication of effort.

**3.32** TYD advised that it is reviewing these arrangements with a view to addressing the issues raised by the audit.

## Recommendation No.3

**3.33** In undertaking its proposed review of performance monitoring arrangements, the ANAO recommends that, to ensure that the necessary range of program performance and administration issues is monitored without unnecessary duplication of effort, TYD clearly defines and documents the roles, responsibilities and reporting arrangements at the Divisional level for the various monitoring groups. In particular, these arrangements should specify how the Work Plan Management System is to be used in the monitoring framework.

### *DETYA response*

**3.34** Agreed. Program managers in the Division have received training in the use of the Work Plan Management System and the monitoring framework. Branch Heads in the Division now monitor program performance through regular reporting. Further improvements taking account of the ANAO's comments will be implemented as part of the proposed review of performance monitoring arrangements.

## Reporting

**3.35** The ANAO examined reporting at two levels: the Division reports to the Departmental Corporate Leadership Group (CLG) and the Division's contribution to the Departmental Annual Report.

### *Reports to the Executive*

**3.36** Reporting requirements include:

- Divisions reporting quarterly to the Secretary and CLG against major milestones and targets in the PBS, and against their Business Plans; and
- a mid-year review of business plans.

**3.37** The ANAO found that TYD, through DETYA's Strategic Planning and Performance Management Branch, provided the relevant quarterly report to the CLG covering program performance against major targets and milestones where reporting milestones had been reached.<sup>21</sup> The September quarterly report, the first under the new arrangement, reasonably reflected the new outcomes/outputs framework. TYD therefore met this Departmental requirement.

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<sup>21</sup> The first report to CLG under these arrangements was provided during audit fieldwork in October 1999 for the September Quarter. Some programs in Output Groups 2.2 – 2.4 had not reached reporting milestones by the time the September Quarter report was prepared.

**3.38** As well, progress against the business plan is reviewed every six months. There is a mid-year review of the business plan and a yearly report on performance against the business plan. These are Departmental requirements which are part of the annual corporate planning cycle. This yearly report is made against indicators of success specified in the business plan rather than against outputs and outcomes.<sup>22</sup> Mid-year review of plans and yearly reporting against the previous year's plan represents sound practice, and are particularly useful for informing the development of subsequent plans.

**3.39** There were seven priorities listed in the 1998–99 plan with related indicators. It is important that indicators included for each priority can be assessed either quantitatively or qualitatively. Without this capacity it is difficult to assess performance.

**3.40** An examination of the report against the 1998–99 business plan shows that:

- many of the indicators were not measurable, either quantitatively or qualitatively, and are therefore difficult to assess. For example, in Priority One, the related indicator is *'the Division is better able to take on and manage successfully a wide variety of tasks'*;
- the report includes a number of statements that do not relate clearly back to indicators or strategies. For example, in Priority One, the report says *'a number of initiatives have been introduced during the year to improve the Division's ability to provide pre-eminent advice to the Minister...'* There is no indicator or strategy to which this relates; and
- the report also focuses to some extent on process (for example, the number of groups established and the number of meetings held) rather than on outcomes.

**3.41** The ANAO considers that reporting against the business plan should be made more useful by ensuring that what is reported clearly relates back to the relevant strategies and indicators, while having an outcome as well as a process focus.

**3.42** The ANAO also examined the report on the mid-year review of the business plan. Reporting against priorities occurred, but in some cases it was difficult to relate reports on progress to specific objectives and related performance indicators. In other cases, there was no report against a particular objective. For example, for Priority Four, there was no mention of progress against the objectives of new policy funding strategies or new industrial relations arrangements for New Apprenticeships.

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<sup>22</sup> Outputs and outcomes are reported in the DETYA Annual Report. This is discussed in Chapter 4.

## *Annual Report*

**3.43** Agencies are required to provide annual reports for tabling in the Parliament in October each year, reporting against identified performance measures and related targets set out in the PBS. The PBS are published annually with the Government's Budget and provide information on what a portfolio plans to achieve with its budget allocation for the following financial year. The PBS are therefore key reporting and accountability documents and are expected to show:

- what outputs will be produced;
- how well they will be produced in terms of quantity, quality, price/cost and timeliness;
- how well outputs will contribute to planned outcomes; and
- how outcome achievement will be assessed.

**3.44** The Department of Prime Minister and Cabinet (PM&C) guidelines<sup>23</sup> specify that, among other things, annual reports (and PBS) should include accurate, consistent and timely program performance information of a quantitative and qualitative kind and should:

*focus on program performance, the achievement of program objectives and results. It should be a balanced and candid account of both successes and shortcomings. Information should be sufficient to enable the Parliament to make informed judgements on departmental performance.*<sup>24</sup>

**3.45** In the DETYA Annual Report for 1998–99, Program 3: Vocational Education and Training, broadly corresponds to the Training and Youth Division programs. The ANAO assessed whether the performance information provided in the Annual Report related to program objectives and whether the performance information presented was outcomes-focussed.

**3.46** The ANAO found that performance information provided was adequately linked to program objectives, although indirectly in the case of NCVER. Information on performance outcomes reflected the performance information defined in the annual report for most of the programs, although there were some gaps in coverage. For example:

- performance information for New Apprenticeship Centres addressed only two of the four performance indicators;

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<sup>23</sup> Department of Prime Minister and Cabinet , Requirements for Departmental Annual Reports, March 1994, updated May 1999.

<sup>24</sup> Department of Prime Minister and Cabinet *Annual Reporting Guidelines*, p. 6.

- performance information on the Support for New Apprenticeships program addressed all outcomes except retention of New Apprentices;<sup>25</sup>
- performance information for New Apprenticeships through Group Training Expansion did not address completions;
- performance information for the Strategic Intervention program was not specifically related to objectives or outcomes; and
- no performance information was provided for the Commonwealth Loan Guarantee program.

3.47 Although there are some gaps in performance information provided for 1998–99, the requirement for 1999–2000 to report against the Portfolio Budget Statements should address this matter. DETYA advised that a high priority has been assigned to developing and refining the performance information associated with the new budget framework. This includes further work on improving the coverage and quality of reporting.

## Evaluation

3.48 Evaluation (review) is a key component of sound corporate governance. Along with performance assessment, evaluation assists in providing appropriate accountability to key stakeholders. It is particularly important to assist in assessing program effectiveness and with decision-making, especially in the budget context. The ANAO reviewed plans for program evaluation in the light of recent evaluations undertaken. Evaluations were included at Priority 1.6 of TYD's 1997–98 Business Plan '*All programs monitored and evaluation strategies in place*'. A Youth and Pathways Steering Committee meeting considered evaluations in February 1999 and identified the need for a consolidated list of planned evaluations. A consolidated list was provided to the ANAO in September 1999. The ANAO found that adequate arrangements for evaluation had been made in each of the three programs, taking into consideration the program history and any recent evaluation work.

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<sup>25</sup> The 1998–99 Annual Report (p. 74) states that the impact of the Support for New Apprenticeships program '*is measured by take up and retention in New Apprenticeships compared with the previous year*'. Although the Annual Report provides information on the level of commencements in 1998–99 (p. 80), there is no information provided on the level of retention of New Apprentices. DETYA advised that developing information on retention is complex due to the varying duration of different apprenticeships and traineeships in different industries.



## Overall conclusion

**3.49** The performance assessment framework was generally sound and TYD had a range of suitable monitoring mechanisms in place. However, the roles and responsibilities of the various groups were not clearly defined. As well, a further monitoring system, the WPMS, was introduced in late 1999. In order to ensure that there is systematic monitoring without gaps or unnecessary duplication, TYD should clearly define how these arrangements should operate in a more integrated manner.

**3.50** Reporting, which is also part of overall monitoring and review processes, was considered adequate. However, some gaps were identified in coverage. TYD is now addressing them.

## 4. Contract Management

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*This chapter examines DETYA's contract management of the outsourced delivery of Workplace English Language and Literacy, Literacy and Numeracy and Support for New Apprenticeships programs.*

### Introduction

**4.1** The delivery of services through outsourced arrangements is being used increasingly across the APS. This audit is one of a number of ANAO audits that have examined, among other things, aspects of contract management between the purchaser and the provider.<sup>26</sup>

**4.2** The aim of effective contract management is to ensure that both parties meet their respective obligations and that the required results are achieved in an efficient, effective and ethical manner. In order to ensure that the contractor is performing satisfactorily and to enable early and effective action to be taken if performance is unsatisfactory, the responsible agency should regularly monitor performance against the contract terms and conditions.

**4.3** It is also important to establish and follow internal procedures to ensure contracts are entered into appropriately and payments to funding recipients or eligible clients are made in a timely and accurate manner.

**4.4** This chapter examines TYD's overall contract management in the WELL, Literacy and Numeracy and Support for New Apprenticeships programs. Funding for these programs for 2000–01 is set out in the following table:

**Table 8**  
**Program Funding 2000–01.**

<b>Program</b>	<b>Administered Expenses</b>
Workplace English Language and Literacy	\$ 11.6 million
Literacy and Numeracy	\$ 47.0 million
Literacy and Numeracy	\$ 44.1 million
Support for New Apprenticeships	\$ 355.0 million

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<sup>26</sup> Audit reports and audits in progress which deal with these issues are listed at Appendix 1.

**4.5** The examination of contract management covers compliance with contracting procedures, monitoring of compliance with contractual obligations and the management of payments to providers or recipients of funding. Each program is discussed separately below. More details of the background to each program are at Appendix 4. Generic audit criteria were applied across the broad areas of contracting, performance monitoring and payments and used to develop program-specific criteria from relevant contracts and program guidelines in order to address the specific arrangements in place in each program. Specific criteria are highlighted in boxes below, with the relevant findings directly after each one.

### **Workplace English Language and Literacy**

**4.6** The ANAO undertook compliance testing to assess whether contract management arrangements complied with contracting procedures and whether performance monitoring and management of payments were effective.

#### *Contracting*

Relevant contracting procedures should be followed, including funding applications being assessed and relevant checks conducted in accordance with guidelines.

**4.7** The assessment against this criterion includes consideration of such elements as checks to ensure that approval had been granted and the contract signed by a person with the appropriate delegation within DETYA; that contracts were made with a legal entity; that contracts were signed by a person within the contracted organisation who has the authority to do so; and that enterprises hold suitable insurance in accordance with the requirements of the contract.

**4.8** Overall, the ANAO found that, with some minor exceptions, contracts had been entered into in compliance with relevant guidelines for the WELL program. The administrative issues identified during the audit were relatively minor, presented a low risk and were easily addressed by the program manager at the time. The ANAO considered that contracting procedures are therefore effective for this program.

#### *Performance monitoring*

Performance reports should be received from funding recipients within the required timeframes. Where this does not occur, appropriate follow-up action should be undertaken by DETYA.

**4.9** For half of the sample tested, progress reports had either not been provided at all or had not been provided within the specified timeframe. As well, some financial audit reports were not submitted within the required timeframe. Late or non-submission of performance reports means that performance monitoring of the program and its recipients cannot be undertaken efficiently and therefore should be followed up by DETYA.

**4.10** In order to undertake follow-up action, National Office had to generate the reports showing overdue progress and audited financial statement reports and request State Offices to undertake follow-up action. The ANAO found that National Office was not able to track follow-up action undertaken by State Offices.

**4.11** During the audit, the ANAO recommended that, where follow-up action is necessary, arrangements should be put in place so that National Office is aware of action taken and can adequately monitor progress. DETYA advised that State Offices have now been given direct access to the WELL contract management database so that they can generate the necessary reports to enable them to initiate follow-up action. A suitable information field will be included in the system so that National Office staff can track progress of State Office follow-up action. As well, to hasten the lodgement of both the final performance report and the audited financial statement, DETYA advised that it will investigate the benefits of making the final payment dependent on receipt of the audited financial statement.

Performance and financial reports should be assessed by DETYA against agreed targets and budgets.

**4.12** DETYA had undertaken appropriate reviews of progress and financial reports to assess whether expenditure of Commonwealth funds was made to eligible people in line with the contract and agreed targets and budgets.

### *Payments*

Payments should be made in accordance with the funding schedule and program guidelines and should be adequately documented.

**4.13** Assessment against this criterion included testing that initial payments are not made before the contract has been signed and that subsequent payments are not made before the relevant performance report has been received. The ANAO found that payments had been made satisfactorily in accordance with contract schedules.

The independently audited financial statement report (the certified acquittal of funds) should be received within 60 days of the final performance report as required by the contract.

**4.14** The ANAO noted that two key information technology initiatives for the WELL program have recently been implemented. These have further improved the efficiency of program management. Firstly, DETYA advised that its contract management database is now available to State Office staff over the internet. This should facilitate the conduct and management of monitoring and follow-up. Secondly, funding applications are now submitted, on disk, by applicants. This should eliminate the previous requirement to rekey data from hard copy applications and has considerably improved the efficiency with which State Office WELL Coordinators are able to manage the assessment process.

**4.15** As well, the ANAO understands that it is proposed to enable grant recipients to generate performance reports through an appropriate internet interface. This should eliminate the need for rekeying of this data by DETYA and therefore further improve efficiency.

### **Literacy and Numeracy**

**4.16** The ANAO undertook compliance testing to assess the effectiveness of management arrangements in the areas of contracting, performance monitoring and management of payments. The findings should be considered in the light of the significantly lower than expected level of referrals to Literacy and Numeracy assessment which occurred early in the life of the program.<sup>27</sup> In response, DETYA, in cooperation with Centrelink, initiated urgent action to address this problem. The result was the achievement of a rapid increase in the numbers of referrals in the last three months of 1998–99. The background to the program is described more fully in Appendix 4.

### *Contracting*

Relevant contracting procedures should be followed.

**4.17** Assessment against this criterion included checking whether the contract was approved and signed by a DETYA officer with the relevant level of delegation and whether the contract was signed by a member of the provider's staff with the appropriate authority.

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<sup>27</sup> The program started in September 1998.

**4.18** The ANAO found that contracts had been approved and signed by DETYA officers within the approved level of delegation. However, it was not always clear whether the person signing on the provider's behalf had the authority to do so. The ANAO suggested that wording should be included in the contract signature block to indicate to the person who signs on the behalf of the provider that they are required to have the authority to do so. DETYA subsequently made amendments to the contract wording which addressed this concern.

Checks of relevant contract requirements should be undertaken.

**4.19** Assessment against this criterion included whether DETYA had established that the provider held insurances as required by the contract and had relevant training accreditation and staff qualifications as stated in their tenders.

**4.20** The ANAO found that DETYA had not checked relevant insurances or the training accreditation and qualifications stated by providers in their tenders. DETYA advised that the priorities of program implementation and the limited resources available meant that priority had to be given to more immediate program management issues. The relevant checks were subsequently initiated by DETYA in late 1999.

### *Performance monitoring*

Performance monitoring of provider service delivery should be undertaken in line with program and contract requirements.

**4.21** Assessment against this criterion included checks that:

- reports on pre-training assessments were submitted by providers within the timeframe specified in the contract;
- initial site visits to providers and subsequent periodic monitoring visits were undertaken and the resulting report provided to National Office within the required 10 working days;
- provider performance was monitored against the KPIs in the contract;
- DETYA State/Territory Office Literacy and Numeracy Quarterly Reports were submitted within 10 working days of the beginning of each quarter; and
- National Office reviewed these reports.

**4.22** The findings for each of these areas are discussed under separate headings below.

Reports on pre-training assessments should be submitted by providers within the timeframe specified in the contract.

**4.23** Literacy and numeracy contracts require providers to send a summary report to DETYA within five days of the beginning of each month on the pre-training assessments which they have conducted for referred clients. The ANAO found that summaries for almost 20 per cent of the referrals in the sample tested were not sent within the required time. DETYA advised that it considered that this level of provision was reasonable in the light of the significantly increased numbers of referrals which were made in late 1998–99 in response to the low levels of participation early in the program. The increased numbers made it difficult for providers to schedule appointments within the required ten days. DETYA took this into account and did not enforce the time requirement during this period.

**4.24** In other cases, because documents were not date stamped on receipt by DETYA State Offices, the ANAO was unable to determine whether assessment summaries had been submitted within the required time. Although this is an apparently minor procedural weakness, failure to date stamp documents on receipt means that DETYA was not able to monitor whether providers were complying with this contract requirement. The ANAO raised this issue during the audit. DETYA subsequently advised that date stamping of all documentation received is now undertaken in National Office and all State Offices.

Initial site visits to providers and subsequent periodic monitoring visits should be undertaken and the resulting report provided to National Office within the required 10 working days.

**4.25** The ANAO found that:

- initial monitoring visits were undertaken for approximately 40 per cent of the providers in the ANAO's sample. However, none of these were carried out within the timeframe specified in the Literacy and Numeracy Program Draft Contract Management Handbook. For the remaining 60 per cent of providers, the ANAO found no evidence that site visits had been undertaken; and
- of those visits which had been undertaken, there was no documentary evidence that National Office had reviewed the relevant reports in order to identify any systemic issues which might need to be addressed through policy and/or administrative changes.

**4.26** DETYA advised that the State Offices were obliged to place a higher priority on management of payments and liaison with Centrelink and providers to address the lower than expected level of referrals. In relation to evidence of assessment by National Office, DETYA advised that these were undertaken but may not have been adequately documented. DETYA advised that it accepts the need to ensure such assessments are adequately documented but that more immediate priorities may prevent National Office staff from using the results of monitoring effectively.

Provider performance should be monitored against the KPIs in the contract.

**4.27** State Offices are responsible for contract management, including monitoring provider performance. The ANAO found no evidence to indicate that there has been any assessment undertaken by DETYA contract managers of the individual provider's performance against the key performance indicators contained in the contract.

**4.28** As noted above, DETYA advised that it was necessary to establish some program management priorities to better deal with workloads. This action had an impact on State Offices' ability to monitor the program.

**4.29** As well, the ANAO found a number of minor shortcomings in providers' compliance with contract conditions (in each case less than five per cent of contracts examined). DETYA indicated that most of these were isolated cases and provided detailed reasons for each. The ANAO was satisfied with the explanations provided for these cases. In a small number of cases DETYA advised that further investigation would be undertaken. In response to a number of other specific issues, DETYA undertook to remind providers of their obligations and monitor compliance more closely. This should address the issues raised by the ANAO.

DETYA State/Territory Office Literacy and Numeracy Quarterly Reports should be submitted within 10 working days of the beginning of each quarter.

**4.30** State/Territory Offices are also required to provide a specific quarterly report on Literacy and Numeracy program performance within ten days of the commencement of each quarter. The ANAO found that relevant documentation was maintained in DETYA National Office in a variety of paper and electronic forms. At the time of the audit, incomplete documentation and a lack of date stamping of documents meant that the ANAO was unable to assess whether the reports were being received in



a timely manner. However, DETYA subsequently provided copies of most quarterly reports in late 1999. Timely submission of reports is necessary to allow National Office to review them without delay so that any concerns can be addressed promptly.

DETYA National Office should review State Office reports.

**4.31** The ANAO found no evidence that DETYA was undertaking systematic assessments of providers in accordance with better practice. DETYA advised that such assessments are undertaken, but that they may not always be documented. The ANAO considered that DETYA should adequately document or record its assessments in order to maintain corporate knowledge and thus enable a balanced assessment of provider performance over time, particularly where staff turnover or redeployment is a risk. Adequate documentation is also an important part of ensuring accountability.

**4.32** In relation to performance monitoring, DETYA advised that it holds monthly teleconferences between National Office and State Offices and minutes are kept. Substantial email correspondence also takes place between State and National Offices. This is an effective way of identifying and dealing with urgent, current and emerging issues, but it should not replace the requirement for adequate documentation or record of routine performance monitoring processes for the purposes of accountability.

### *Payments*

Payments should be made in accordance with relevant procedures.

**4.33** Payments under the Literacy and Numeracy program are made in the form of bulk payments to providers for services provided over a monthly period. As well, in the light of lower than expected levels of client referral, arrangements were made in early 1999 to make advance payments to Literacy and Numeracy providers.<sup>28</sup> Assessment against this criterion addressed both types of payment.

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<sup>28</sup> These were arranged specifically in response to requests by some providers in late 1998 to make an advance of funds against the contracted minimum guaranteed level of business. DETYA's decision to make advance payments in some circumstances was in recognition of the financial hardship faced by some providers, particularly where additional staff were employed and additional equipment/premises procured in anticipation of a specified minimum level of business.

**4.34** The ANAO found that the accuracy of payments was generally satisfactory but that payment to providers was often delayed because of delays by Centrelink in recording referrals in IES. DETYA advised that it is continuing to follow up this issue with Centrelink to ensure timely data input. As well, in a very small number of cases, payment had been made for training which was provided in excess of that recommended by the literacy and numeracy assessment. These are not materially significant and DETYA advised that recovery action has been taken. The ANAO also found that advance payments had been made satisfactorily in accordance with relevant procedures.

### **Support for New Apprenticeships**

DETYA should monitor provider performance in administering claims for payment of incentives in accordance with program guidelines.

**4.35** In order to assess the effectiveness of DETYA State Office claim monitoring, the ANAO tested a sample of claims which had been tested by State Office staff during the first contract period. In order to clarify the complex eligibility criteria and to ensure consistency of assessment by the audit team, the ANAO developed eligibility flow charts for each incentive payment, based on the program policy guidelines. These were subsequently provided to DETYA to assist with simplifying the guidance on eligibility.

**4.36** In relation to the Support for New Apprenticeships Program, the ANAO found that, of the incentive and personal benefit claims that were reviewed, around two per cent revealed errors that would indicate that either the employer or the new apprentice were not eligible for payment. Where these had been identified, follow up action was initiated to recover the incorrect payments.

**4.37** The ANAO identified a further nine per cent of claims where there was insufficient evidence of the eligibility of the recipient and this had not been identified through the Department's monitoring processes. The ANAO identified a further 16 per cent of claims where the eligibility of the client was uncertain due to weaknesses in the administration of the program (for example, claim forms not reflecting the details concerning citizenship of the new apprentice or the extent of the possible business relationship between the new apprentice and their employer).

**4.38** DETYA advised that the purpose of monitoring undertaken is to ensure the accountability of the New Apprenticeship Centres (NACs) with program guidelines and to improve their administrative procedures. As well, the Department indicated that:

- a number of improvements designed to address monitoring deficiencies have been put in place for the second contract period which commenced in December 1999; and
- initial outcomes of the new procedures indicate that while there are still some recurring problems, there has been a significant improvement in the quality of claims processing being undertaken.

**4.39** The ANAO considers that these measures should significantly improve the effectiveness of monitoring arrangements and the efficient use of the resulting information.

**4.40** As well, the complexity of the eligibility criteria and varying degrees of knowledge of, and familiarity with, these criteria by DETYA monitoring staff is likely to have contributed to the problems identified above.

**4.41** DETYA advised the ANAO that a number of improvements designed to address monitoring deficiencies have been put in place for the second contract period. These include:

- revised forms from which all eligibility criteria can be assessed;
- production of a detailed contract management handbook which details the specific procedures to be used for monitoring claims;
- revised and simplified policy and administrative guidelines, which include eligibility flowcharts;
- centralisation of sample selection at National Office; and
- revised claims monitoring checklists.

**4.42** The ANAO considers that these measures should significantly improve the effectiveness of monitoring arrangements and the efficient use of resulting information.

Incentives and personal benefit payments should be made accurately to eligible clients.

**4.43** The ANAO considers that the level of payments to ineligible people outlined in paragraphs 4.36 and 4.37 above could be significantly reduced. Although these payments may be detected and recovered in due course, there is a significant opportunity cost to the Commonwealth in relation to the use of these funds and a cost in undertaking recovery action.

**4.44** The ANAO acknowledges that this level of payments in relation to ineligible people may, in part, be due to the new nature of the market (that is, the New Apprenticeships Centres have only been operating since May 1998). Given the complexity of the eligibility requirements, it is to be expected that the accuracy of payments will improve as NAC staff become more familiar with the requirements and as policy settings are adjusted. However, use of flowcharts in relevant guidelines to improve the accessibility of the eligibility requirements, along with the improvements to forms and improved training for NAC staff already implemented should result in improved accuracy in processing claims. The level of payments in relation to non-eligible people should therefore be substantially reduced.

## Management information

**4.45** During the course of undertaking the compliance testing, some problems were highlighted in the Integrated Employment System (IES) upon which DETYA relies for management information for a number of programs. These affect the Literacy and Numeracy and the Support for New Apprenticeships programs.

**4.46** In the case of Literacy and Numeracy, the two main issues are the inability of the system to maintain the required information and lack of timely information because of slow data entry by Centrelink.

**4.47** In the first instance, DETYA is not able to fully report on program outcomes because of limitations in the capability of the IES.<sup>29</sup> This system is currently unable to maintain information on the literacy and numeracy outcomes achieved (that is, the level of improvement in competencies for each client referred to training). Funding was approved in late 1999 for a new contract management database system, similar to that in use for the WELL program. This system is currently under development and will incorporate appropriate functionality for maintaining information on program outcomes.

**4.48** Secondly, delays in entry of the results of assessments means that performance data lags behind actual program achievement. This means that DETYA is unable to use IES to determine whether the contract requirements are being met by the provider in accordance with the contract.

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<sup>29</sup> Since the Administrative Arrangements Order of late 1998, IES has been owned by the Department of Employment, Workplace Relations and Small Business (DEWRSB).

**4.49** In the Support for New Apprenticeships, accuracy of key performance information on numbers of New Apprentices has yet to be determined due to some data integrity issues (caused by duplicate employer and apprentice registration records in IES). This may affect the accuracy of the performance information by overstating the numbers of New Apprentices in training. DETYA has recognised this problem and in early 1999 allocated resources to addressing it by establishing a Data Integrity Project. DETYA advised that the actual impact of duplicate records on performance data cannot be confirmed until its Data Integrity Project is completed.

## Overall conclusion

### Contracting

**4.50** The ANAO concluded that DETYA's contracting procedures were generally sound although some relatively minor weaknesses were found. These were addressed during the course of the audit. They included, in the Literacy and Numeracy program, the need to undertake checks of the accreditations, qualifications and insurances which providers had stated in their tenders to ensure that services were able to be provided to the standard required by the contract.

### Performance monitoring

**4.51** The ANAO concluded that, in the WELL and Literacy and Numeracy programs, late submission of performance reports affects DETYA's ability to undertake monitoring within the required timeframe and to devote sufficient resources to follow up action. In the case of the Literacy and Numeracy program, DETYA decided not to enforce this requirement rigidly because of the initial low rate of participation and subsequent high levels of activity required to address this problem.

**4.52** In the Support for New Apprenticeships program, the ANAO concluded that there were some significant weaknesses in monitoring, but that DETYA had implemented or initiated a range of measures to address them. In both Support for New Apprenticeships and Literacy and Numeracy programs, weaknesses in the capability and reliability of management information systems indicate that DETYA's monitoring of both individual provider and overall program performance could be improved.

## Payments

4.53 The ANAO concluded that payments had been made satisfactorily in the WELL and Literacy and Numeracy programs, although some payments to Literacy and Numeracy providers were delayed because of delays in data entry by Centrelink. In the Support for New Apprenticeships program, a significant number of payments were made where eligibility criteria appeared not to have been satisfied, but a majority had been detected and follow-up or recovery action initiated where necessary.

## Contract management

4.54 Overall, the ANAO concluded that DETYA's contract management was, in the context of the 1998 changes to administrative arrangements, the developing employment services market and implementation deadlines, adequate. The ANAO notes that DETYA has either initiated or implemented improvements to procedures and systems to address the problems identified in each of the programs examined.

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Canberra ACT  
29 June 2000

P. J. Barrett  
Auditor-General

# **Appendices**





## Appendix 1

### Recent ANAO audit reports reviewing contract management

The ANAO has undertaken a number of performance audits of the management of contracts for the direct delivery of outputs. They include:

- Audit Report No.12, 1999–2000 *Management of Contracted Business Support Processes* Cross Portfolio;
- Audit Report No.2, 1998–99 *Commercial Support Program* Department of Defence;
- Audit Report No.42 1998–99 *The Establishment and Operation of Green Corps* Department of Education, Training and Youth Affairs;
- Audit Report No.24, 1997–98 *Matters Relevant to a Contract with South Pacific Cruise Lines Ltd* Department of Employment, Education, Training and Youth Affairs;
- Audit Report No.34, 1997–98 *New Submarine Project* Department of Defence;
- Audit Report No.21, 1996–97 *Management of IT Outsourcing* Department of Veterans' Affairs;
- Audit Report No.28, 1995–96 *Jindalee Operational Radar* Department of Defence.

## Appendix 2

### TYD activities and programs by output groups and funding

<i>Output Group</i>	<i>Funding 1999–2000</i>
<b>Output Group 1.3</b>	
School to Work Coordinators	\$ 10.5 million
Australian Student Traineeship Foundation	\$ 9.9 million
<b>Output Group 2.1</b>	
VET Funding Act	\$925.0 million
ANTA Payments	\$ 42.8 million
NCVER	\$ 0.5 million
<b>Output Group 2.2</b>	
Employment Services Market (NACs)	\$ 88.9 million
Employer Incentives	\$355.3 million
Strategic Intervention Program	\$ 36.0 million
Group Training Expansion	\$ 11.5 million
New Apprenticeships Access	\$ 43.7 million
Women in Small Business	\$ 0.4 million
<b>Output Group 2.3</b>	
Literacy and Numeracy	\$ 47.6 million
Literacy and Numeracy	\$ 44.1 million
Job Placement Education and Training	\$ 15.2 million
Workplace English Language and Literacy	\$ 11.8 million
Advanced English for Migrants	\$ 5.4 million
Jobs Pathway Program	\$ 16.9 million
Career Counselling	\$ 2.9 million
<b>Output Group 2.4</b>	
Green Corps	\$ 21.7 million
<b>Total</b>	<b>\$1646 million</b>

## Appendix 3

### Implementation of Previous ANAO Report Recommendations

<b>Recommendation</b>	<b>Satisfactory?</b>	<b>Implementation</b>
<b>Report No. 4 1999–2000 Fraud Control Arrangements in Education, Training and Youth Affairs</b>		
<p><i>Recommendation No. 1</i> The ANAO recommends that comprehensive monitoring arrangements should be established in relation to the implementation of fraud control action plans to inform the Departments' Executive of the effectiveness of fraud control arrangements for the Departments as a whole. Progress in implementing these arrangements should be periodically and formally reported to, and reviewed by, the Audit Committee and/or the Fraud sub-Committee.</p>	✓	<p>TYD and the other Divisions report regularly to the Departmental Audit and Fraud Committee. This recommendation has therefore been addressed.</p>
<b>Report 42 1998–99 The Establishment And Operation of Green Corps</b>		
<p><i>Recommendation No. 1</i> The ANAO recommends that, if the Green Corps program is extended beyond its current three year period:</p> <ul style="list-style-type: none"> <li>• the tender process should be underpinned by sound planning, including comprehensive risk management processes, as now required by departmental guidelines; and</li> <li>• the selection criteria included in the request for tender, and only those, should be used to make the selection of the preferred tenderer, and that bidders are notified of the relative importance assigned to these criteria.</li> </ul> <p><i>Recommendation No. 2</i> The ANAO recommends that DETYA, in line with sound management practice, ensures that management decisions, such as those reflecting consideration of advice received from appropriate specialist areas when drafting or amending contracts, are documented appropriately for accountability purposes.</p>	<p>✓</p> <p>✓</p> <p>✓</p>	<p>The tender process was appropriately planned, a risk assessment was undertaken, a probity advisor was involved and selection of the preferred tenderer was appropriate (only one submission was received). DETYA have therefore addressed this recommendation.</p> <p>The implementation of this recommendation can not be fully tested without more detailed review than was available within the scope of the audit. The documentation supplied by DETYA shows that there is a management trail that indicates consultation and consideration of advice. On this basis, the ANAO considers that the recommendation has been implemented.</p> <p style="text-align: right;"><i>continued next page</i></p>

<b>Recommendation</b>	<b>Satisfactory?</b>	<b>Implementation</b>
<p><i>Recommendation No. 3</i> The ANAO <i>recommends</i> that, in determining the appropriate form of acquittal for future payments, which should be linked directly to the assessed level of risk for the program, DETYA should take the following into account:</p> <ul style="list-style-type: none"> <li>• specifying clearly the form of audit certification sought and the information required with respect to the number of Green Corps projects, trainees and withdrawals in order for the auditor to provide the required certification. DETYA should also ensure that the Auditor's Certificate, provided by the ATCV under the contract, certifies the reported percentage of funds expended against each payment of estimated training allowance and confirms that these funds provided to the ATCV were paid to participants in the form of national training wages; and</li> <li>• requesting, under clause 7.10 of the contract, that the ATCV provide annual, audited financial statements which detail expenditure of funds provided to the ATCV. Such statements should be certified by an independent auditor who is registered under the Corporations Law (as defined by the contract).</li> </ul>	<p style="text-align: center;">✓</p> <p style="text-align: center;">✓</p>	<p>The contract allows DETYA to request an audit at any time. Separate accounts are required for Green Corps and other Australian Trust for Conservation Volunteers business. Annual acquittals are required to be certified. Repayments are to be identified and can be repaid or offset against future funding. From the documentation provided, the ANAO considers that these arrangements address the recommendation but is not able to test whether they are being implemented in practice. The ANAO notes that the contract does not include a clause allowing the ANAO access to the provider's records or premises.</p>
<p><i>Recommendation No. 4</i> The ANAO <i>recommends</i> that DETYA ensures that the conditions and requirements specified in each clause of the contract continue to be relevant, given the prevailing circumstances (this includes whether they are able to be met). If clauses are found to be no longer relevant or necessary, they should be removed from the contract, provided that both parties agree.</p>	<p style="text-align: center;">–</p>	<p>The contract has only recently been revised. The ANAO is unable to assess whether this recommendation has been addressed from the documentation provided by DETYA.</p> <p style="text-align: right;"><i>continued next page</i></p>

<b>Recommendation</b>	<b>Satisfactory?</b>	<b>Implementation</b>
<p><i>Recommendation No. 5</i> The ANAO recommends that DETYA systematically analyse the information collected through existing monitoring activities to assess program performance and use this information to provide effective feedback to the ATCV and take steps to improve program administration and performance as required.</p>	<p>✓</p>	<p>Reports of outcomes were provided by DETYA. These form part of the reports to the Green Corps Advisory Council. They also cover participant training, environmental outcomes for Rounds 1–10 and information on site visits. The documentation indicates that the recommendation has been addressed.</p>
<p><b>Report No. 7 1998–99 Management of the Implementation of the New Employment Services Market</b></p>		
<p><i>Recommendation No.5</i> The ANAO recommends that, to enhance the role of the KPIs as drivers of performance, DEETYA gives service providers clear guidance on how KPIs are to be measured by:</p> <ul style="list-style-type: none"> <li>• clarifying the definition of 'eligible population' in relation to the Equity KPI; and</li> <li>• specifying how timeliness and efficiency of processing are to be measured for ELTSS.</li> </ul>	<p>–</p> <p>✓</p>	<p>The equity KPI referred to in the first dot point is no longer used. Timeliness requirements are specified in the two KPIs relating to efficiency of processing.</p>
<p><b>Report No. 48 1997–98 Data Management in the APS</b></p>		
<p><i>Recommendation No.7</i> The ANAO recommends that, to promote data visibility, DEETYA, DIMA, DIST and DTRD each create directories of the data collections and statistical collections held in each agency and that for each collection/ database these directories include:</p> <ul style="list-style-type: none"> <li>• the title of the collection;</li> <li>• a contact name and/or phone number of the person responsible for managing the collection;</li> <li>• a description of the information needs that the collection was designed or purchased to address; and</li> <li>• other relevant details such as data quality, classifications and links to other data, where necessary.</li> </ul>	<p>✓</p>	<p>DETYA established a catalogue of all data collections in 1999, which is now available on the Departmental intranet.</p> <p style="text-align: right;"><i>continued next page</i></p>

<b>Recommendation</b>	<b>Satisfactory?</b>	<b>Implementation</b>
<b>Report No. 25 1995–96 Performance Information in the Department of Employment, Education, Training and Youth Affairs<sup>30</sup></b>		
<p><i>Recommendation No.22</i> The ANAO recommends that the Department develop:</p> <ul style="list-style-type: none"> <li>• collection protocols and definitions for the additional WELL performance indicators that the Department proposes to collect for the first time in 1995–96; and</li> <li>• a quality assurance plan which will ensure the integrity of data supplied by organisations receiving WELL grants.</li> </ul>	✓	<p>Additional WELL performance indicators have been defined. Performance information is reported by providers in the relevant format.</p> <p>A quality assurance plan was developed and incorporated into revised program guidelines. Quality assurance is undertaken by State Office staff monitoring visits to providers.</p>
<p><i>Recommendation No.23</i> The ANAO recommends that the Department liaise with the appropriate advisory committees to develop and implement a range of indicators for the WELL sub-program element which fully describe and allow the measurement of client service.</p>	✓	<p>Client service indicators were developed through the National Consultative Group for WELL. Four indicators were developed.</p>
<p><i>Recommendation No.24</i> The ANAO recommends that, where practicable, the Department set targets for all aspects of the objective for the WELL sub-program element of the Training Reform sub-program.</p>	✓	<p>Targets has been set for the WELL program which covers both the number of people trained and the percentage achieving intermediate to good outcomes as defined in the program guidelines.</p>
<p><i>Recommendation No.25</i> The ANAO recommends that, where practicable, the Department include performance information on the effectiveness of WELL sub-program element in the Annual Report.</p>	✓	<p>Relevant performance information was included in the 1998–99 Annual Report.</p>

<sup>30</sup> Implementation of Recommendations Nos.18, 19 and 20 in relation to the Pre-Vocational Places program was not examined because the program no longer exists. However, the thrust of these recommendations was addressed in like programs managed by Training and Youth Division (for example, the New Apprenticeships Access program).

## Appendix 4

### Training and Youth Division Programs Selected for Review

This appendix provides an outline of the three programs selected for review during the audit:

- Workplace English Language and Literacy;
- Literacy and Numeracy; and
- Support for New Apprenticeships.

Each is described under separate headings below.

#### Workplace English Language and Literacy

The aim of the Workplace English Language and Literacy (WELL) program is to provide workers with English language and literacy skills that are sufficient to enable them to meet the demands of their current and future employment. This includes the demands of their training needs, particularly in the context of award restructuring and workplace reform.<sup>31</sup> Administered funds for this program amount to approximately \$12 million for 1999–00.

The program provides grants to assist employers in establishing relevant training programs in the workplace. Employers contribute to the cost of these programs. Grants are also provided for both National and State level projects to facilitate strategic activities and resource development for WELL training within industries. State and Territory projects assist the delivery of workplace-based English language and literacy training activities and/or the development of related resources. In 1998–99 over 90 per cent of funds were allocated to State/Territory projects.

#### Eligibility for Funding

WELL is a grant-based program through which organisations can request funding for projects to facilitate the learning of English using a combination of traditional classroom methods and on-the-job training. Funding can be provided for a maximum of three years, although funding is assessed and provided on an annual basis. The average value of grants is approximately \$33 000 per year.<sup>32</sup>

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<sup>31</sup> Workplace English Language and Literacy Program Guidelines 1998–99.

<sup>32</sup> Source: ANAO analysis of funding and project data.

## Payments

DETYA administers the program on a national basis. There are over 300 funding contracts and about 600 payments are made annually. The principal program management tool is a contract management database known as WELLIES. Grant payments are made in stages. The number and value of stages is dependent on the total size of the grant.

An overview of the WELL program in 1997–98 and 1998–99 is at Table 1.

**Table 1**  
**Overview of the WELL Program<sup>33</sup>**

	<b>1998</b>	<b>1999</b>
Funding	\$11.7 million	\$11.7 million
No of Projects	294	326
No of Work Sites	483	401
No of Workers Assessed	12910	19615
No of Workers Trained	17426	> 20000
% of literacy outcomes rated as intermediate to good	59	-
% employees from non-English speaking background	34	40
% indigenous Australians	2.5	4
% female	33	37
% of funds allocated to strategic resource projects	14.5	8.5

## Literacy and Numeracy

The Literacy and Numeracy program was announced in January 1998 as part of the Mutual Obligation arrangements.<sup>34</sup> The program aims to achieve a measurable improvement in the literacy and numeracy skills of jobseekers and thereby improve their competitiveness in the labour market. Participation in the program is one way in which job seekers in receipt of benefits can meet their mutual obligation.

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<sup>33</sup> DETYA Annual Report 1998–99, p. 79.

<sup>34</sup> The Government announced the Mutual Obligation arrangements on 28 January 1998. The basic premise of the Mutual Obligation arrangement is that young unemployed jobseekers who are supported financially by the community, should actively seek work and strive to improve their competitiveness in the labour market, or contribute to their local community. Job seekers who have been in receipt of unemployment benefits for 6 months are required to undertake a further activity, such as Literacy and Numeracy training, Work for the Dole, Volunteer or part-time work etc) in addition to their job search activities.



Under revised arrangements announced in January 1999, those mutual obligation clients who are identified as having possible literacy and numeracy needs by Centrelink can be directed to have a literacy and numeracy assessment. If the assessment confirms that they would benefit from training, the client is required to participate in literacy and numeracy training as part of their mutual obligation activity. The revised arrangements also included an expansion of access to the program.

### **Provision of Assessment and Training Services**

The program was competitively tendered for the first time in early 1998. Assessment and training services are provided by a variety of service providers, including State and Territory Training Authorities and Registered Training Organisations. Sixty nine organisations were contracted to the Commonwealth in 1998–99. Contracts are for three years, commencing in July 1998. Funding for 1999–00 is approximately \$44.1 million.

The program consists of both assessment and training services. There are also three providers who carry out Independent Verification of assessment and training delivered by other providers. Most providers have been contracted to deliver face-to-face training. A small number have been contracted to deliver distance training. Providers can choose to provide face-to-face and/or distance delivery of training. Several have been contracted for both types of delivery. Assessments of job seekers' literacy and numeracy skills are made with reference to the National Reporting System.<sup>35</sup>

### **Referral of clients**

Participants are referred to the program through Centrelink. Centrelink referral for a formal assessment is based on an identification by the Client Service Officer of a literacy/numeracy need when determining the level of assistance required by a jobseeker.<sup>36</sup>

Clients who choose not to participate in the Literacy and Numeracy program are required to satisfy mutual obligation requirements by participating in part-time or voluntary work or by undertaking some other form of approved training.

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<sup>35</sup> The National Reporting System is a mechanism for reporting outcomes of adult English language, literacy and numeracy training. It comprises five competency levels (1 low, 5 high). To be eligible, job seekers need to be assessed as being at NRS 1 or 2 and have the potential to increase their competencies with up to 400 hours of training.

<sup>36</sup> This is done using the Job Seeker Screening Instrument (JSCI). The JSCI involves the job seeker answering a series of voluntary questions to produce a JSCI score.

## Payments

Payments for assessments are made on the basis of a post-assessment pre-training assessment summary report provided to DETYA. Providers are eligible for payments for training in three instalments; an initial payment once the job seeker commences training, a second payment once the job seeker has reached the midpoint of training and a final payment once a 'successful outcome' has been achieved.<sup>37</sup> Providers are required to provide a monthly summary of services provided along with their invoice.

## Program implementation

### *Limited participation in the early stages of the program*

In the initial months of the program's operation, very few job seekers chose to meet their mutual obligation requirement through literacy and numeracy training. While access to the program was voluntary, mutual obligation jobseekers with literacy and numeracy needs chose not to take advantage of this assistance.

In order to manage this, DETYA proposed broader eligibility for this training.<sup>38</sup> The Prime Minister agreed to this in late 1998 and the changes took effect from 1 February 1999. Centrelink was subsequently required to direct those mutual obligation jobseekers with literacy and numeracy needs to undertake a professional assessment of their needs, and, if appropriate, to undertake literacy and numeracy training as their mutual obligation activity. In spite of this, participation by mutual obligation jobseekers remained very low.

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<sup>37</sup> A successful outcome is defined as the participant's skills improving by a certain minimum level against the National Reporting System for the Macro Skills of Reading, Writing and Numeracy, or the participant obtaining a job of at least 20 hours per week for not less than six weeks.

<sup>38</sup> Eligibility was broadened to include any jobseeker required to comply with an activity test (eg. Youth Allowance and Newstart recipients) and sole parents participating in the Jobs Education and Training Strategy (JETS). At the same time, Mutual Obligation requirements were tightened so that clients in that group with a literacy and numeracy need could be directed by Centrelink to undergo a literacy and numeracy assessment. In May 1999 the Prime Minister agreed to allow more young people to access this training. This included young 15–20 year olds who are registered with Centrelink, all JPET clients and young Disability Support Pension recipients. These categories may participate if they are assessed as being able to benefit from training, they have volunteered, and a place is available. In April 2000, the Prime Minister further agreed to allow participants in Community Development Employment Projects and in the Community Support Program to access literacy and numeracy training.

## Support for New Apprenticeships

New Apprenticeships form part of a strategy to reform and strengthen vocational education and training in Australia. They include:

- user choice of training providers to improve the diversity and quality of training;
- national training packages that involve industry more directly in the development of effective training outcomes;
- introduction of streamlined administration arrangements to make it more attractive to employers to take on a New Apprentice; and
- school-based apprenticeships that enable students to undertake part time New Apprenticeships while still at school.

The Support for New Apprenticeships program forms part of this strategy. Under the Support for New Apprenticeships program the Government, through financial incentives, encourages employers to take on New Apprentices and retain them through to the successful completion of an industry-endorsed qualification. About 300 000 payments are made annually. Funding totals about \$354 million in 1999–00.<sup>39</sup> In 1999–00, approximately \$300 million is allocated for incentives and assistance payments. \$51 million is allocated to fund fee for service arrangements with the NACs for administering these payments.

### Purpose

The purpose of the Support for New Apprenticeships program is to assist the development of an appropriately skilled workforce in Australia. Its objective is to increase the number of New Apprentices taking up training opportunities through the provision of a combination of employer incentives, personal benefits for New Apprentices (for example, Living Away from Home Allowance) infrastructure and support services.

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<sup>39</sup> Source: TYD.

## **Types of payments**

The program provides eleven different incentive payments and four assistance payments as follows:

### *Incentives*

- commencement;
- recommencement;
- progression;
- completion (including pro-rate completion incentives under some circumstances);
- Group Training Company;
- sporting operations;
- exceptional circumstances drought-declared;
- rural and regional;
- women in non-traditional trades;
- workplace modifications (for New Apprentices with disabilities);
- additionality.<sup>40</sup>

### *Assistance Payments*

- Living Away from Home Allowance (LAFHA);
- Disabled Apprentices Wage Support (DAWS);
- Tutorial Mentor and Interpreter Assistance for New Apprentices in receipt of DAWS; and
- Wage Top Up.

## **Operating environment**

The program operates in a complex environment with a history of frequent changes in policy and administrative structures to reflect the different policy requirements of the Government. The ANAO notes that a major transition has occurred over the last two years. Administration of the program has moved from the Commonwealth Employment Services (CES) network, via a number of pilot Contracted Entry Level Training Agency (CELTA) projects to test issues associated with implementation of the 'one stop shop' arrangement, to the outsourcing of Support for New Apprenticeships administration to private sector service agencies.

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<sup>40</sup> The Commonwealth provided an additionality incentive of \$250 for each first year New Apprentice at AQF Level II,III or IV recruited by an employer during a calendar year who was in excess of the number of first year apprentices in training with that employer on 31 December of the previous year.

## Administration of Incentives Payments

With the commencement of the Employment Services Market on 1 May 1998, services previously undertaken by the CES in support of apprenticeships and traineeships were contracted out to New Apprenticeship Centres (NACs). In the first contract period from 1 May 1998 to 30 November 1999, 60 NACs were contracted to deliver New Apprenticeship Support Services (NASS) (known at that time as Entry Level Training Support Services (ELTSS))<sup>41</sup> at a total cost of \$83.8 million over the contract period. In the second contract period from 1 December 1999 to 30 November 2002, 35 NACs were contracted with the option to extend the contract for a period of up to three years.<sup>42</sup>

Contracts are with a range of entities including industry associations, Group Training Companies, private training providers, TAFE college consortia, State Training Authorities, Skillshare providers and industry training companies.

As well as administering incentives and assistance payments, NACs are also contracted to provide information to employers, market and promote New Apprenticeships, work with State/Territory Training Authorities and establish effective relationships with Job Matching service providers to help people in the labour market obtain New Apprenticeships.

NACs receive fee for service payments based on a unit price for each eligible New Apprentice placed. Payments are made to NACs in relation to the commencement, mid-point and completion of the training agreement.<sup>43</sup>

## Organisational Arrangements

Within the former Department of Employment, Education, Training and Youth Affairs (DEETYA), responsibility for management of ELTSS was split between the Employment Services Division (ESD) and the Vocational Education and Training Division (VET Division). ESD was responsible for contract management while VET Division was responsible for policy and oversight of administration of Incentives payments.

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<sup>41</sup> ELTSS was one of three services contracted out by the then DEETYA. The others were FLEX and the New Enterprise Incentive Scheme (NEIS).

<sup>42</sup> A separate tender process was conducted for the Northern Territory which included delivery of the Northern Territory Employment and Training Authority Services in conjunction with New Apprenticeship Support Services.

<sup>43</sup> During the first contract period this was 60 per cent for commencement, 30 per cent at mid-point and 10 per cent on completion. This was subsequently changed in the second contract period to 50 per cent on commencement, 20 per cent after three months, 20 per cent at the mid-point and 10 per cent at completion.

From 1994 to 1996, VET Division functions were further split to form a new Employer and Industry Programs Division (EIPD). EIPD established a Modern Australian Apprenticeships and Traineeships (MAATS) Taskforce (later renamed the New Apprenticeships Taskforce to reflect Government decisions on nomenclature). The Taskforce was responsible for the CELTA pilots and their evaluation, the first ELTSS tender round and NAC policy. EIPD and VET Division amalgamated in 1996 to bring together again the program policy and delivery elements along with industry liaison functions.

In October 1998, as a result of the Administrative Arrangements Order, elements of ESD became part of the newly created Department of Employment, Workplace Relations and Small Business (DEWRSB) while VET Division formed the new Training and Youth Division (TYD) of DETYA.

As a result of this, during the latter part of the first contract period, DEWRSB was responsible for NAC contract management (including monitoring of fee for service payments) while TYD was responsible for Incentives policy and monitoring, through DETYA State Offices, of the administration of Incentives payments by NACs.

Within TYD, the New Apprenticeships and Industry Training Branch is responsible for Incentives policy and program management. As well as Incentives program management, this Branch is also responsible for New Apprenticeships through Group Training Expansion, the Commonwealth Loan Guarantee Program and the New Apprenticeships Access program.

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