

# **Report 380**

- Army Individual Readiness Notice
- Examination of the Federation Cultural and Heritage Projects Program
- Management of Job Network Contracts

**Review of Auditor-General's Reports, 1999–2000**

**Third Quarter**

**Joint Committee of Public Accounts and Audit**

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## Foreword

This report is the outcome of the review by the Joint Committee of Public Accounts and Audit (JCPAA) of the Auditor-General's audit reports tabled in the third and fourth quarter of 1999-2000. Of the 28 audit reports reviewed, the Committee selected three for further examination.

*Audit Report No. 26, 1999-2000, Army Individual Readiness Notice; Audit Report No. 30, 1999-2000, Examination of the Federation Cultural and Heritage Projects Program; and Audit Report No. 44, 1999-2000, Management of Job Network Contracts* were examined at public hearings on 6 October 2000.

*Audit Report No 26* reviewed the Army Individual Readiness Notice (AIRN) which seeks to bring individual readiness components together into a single instruction and to establish a minimum level of individual readiness across Army. The audit found scope for improving the effectiveness of AIRN in achieving its then primary objective, namely to ensure that all Army members could be deployed on operations within 30 days.

Although Army is now reviewing AIRN, one area of particular concern to the Committee is the apparent lack of analysis being applied to what constitutes sufficient warning time in a conflict, what constitutes a sufficient level of readiness, and the cost implications of readiness sustainability. The Committee has recommended accordingly.

*Audit Report No. 30* was an examination of the Federation Cultural and Heritage Projects Program which gave \$70.4 million to a total of 60 projects as part of the Centenary of Federation. The audit concluded that there were areas for improvement in the administration of the grants to ensure a clear audit trail for the selection of projects and the distribution of funds.

The Committee strongly supports a rigorous needs assessment process so program funds are well targeted. It therefore recommended that the Department of Communications, Information, Technology and the Arts implement its draft guidelines for the administration of grant programs.

The Committee also recommended that after grant decisions are finalised, all applicants, successful or otherwise, should be notified of the decision as soon as possible in writing, advised of relevant appeal processes and provided with guidance for improving subsequent applications.

*Audit Report No. 44* reviewed the efficiency and effectiveness of the management of the first round of Job Network contracts. ANAO found that, on the whole, these contracts were managed in an efficient and effective manner by the Department of Employment, Workplace Relations and Small Business.

The Committee was informed by the department that it had taken into consideration all ANAO's recommendations in its development of the Job Network 2 contracts. In addition, it had ensured that the Auditor-General will have access to the premises of Job Network providers and access to confidential information involved in contracts, should ANAO request these.

The Committee is pleased to note the implementation of its earlier recommendations on this matter.

**Bob Charles, MP**  
Chair



## Membership of the Committee

Chair Mr Bob Charles MP

Deputy Chair Mr David Cox MP

Members	Senator Helen Coonan	Mr Kevin Andrews MP
	Senator the Hon Rosemary Crowley (from 12/10/00)	Mr Malcolm Brough MP (until 7/3/00)
	Senator the Hon John Faulkner (until 12/10/00)	Mr Petro Georgiou MP
	Senator the Hon Brian Gibson AM	Ms Julia Gillard MP
	Senator John Hogg	Mr Alan Griffin MP (until 9/8/99)
	Senator Andrew Murray	Mr Peter Lindsay MP (from 7/3/00)
	Senator John Watson	Ms Tanya Plibersek MP (until 10/4/00)
		The Hon Alex Somlyay MP
		Mr Stuart St Clair MP
		Mr Lindsay Tanner MP (from 9/8/99)
		Mr Kelvin Thomson MP (from 10/4/00)



## **Membership of the Sectional Committee**

**Chair** Mr Bob Charles MP

**Deputy Chair** Mr David Cox MP

**Members** Mr Petro Georgiou MP                      Senator the Hon Brian Gibson AM  
Ms Julia Gillard MP                                      Senator Andrew Murray  
Mr Peter Lindsay MP  
Mr Alex Somlyay MP  
Mr Lindsay Tanner MP

## **Committee Secretariat**

**Secretary** Dr Margot Kerley

**Research Officers** Ms Maureen Chan  
Ms Jennifer Hughson  
Ms Paola Cerrato-D'Amico

**Administrative Officers** Ms Maria Pappas

## Duties of the Committee

The Joint Committee of Public Accounts and Audit is a statutory committee of the Australian Parliament, established by the *Public Accounts and Audit Committee Act 1951*.

Section 8(1) of the Act describes the Committee's duties as being to:

- (a) examine the accounts of the receipts and expenditure of the Commonwealth, including the financial statements given to the Auditor-General under subsections 49(1) and 55(2) of the *Financial Management and Accountability Act 1997*;
- (b) examine the financial affairs of authorities of the Commonwealth to which this Act applies and of intergovernmental bodies to which this Act applies;
- (c) examine all reports of the Auditor-General (including reports of the results of performance audits) that are tabled in each House of the Parliament;
- (d) report to both Houses of the Parliament, with any comment it thinks fit, on any items or matters in those accounts, statements and reports, or any circumstances connected with them, that the Committee thinks should be drawn to the attention of the Parliament;
- (e) report to both Houses of the Parliament any alteration that the Committee thinks desirable in:
  - (i) the form of the public accounts or in the method of keeping them; or
  - (ii) the mode of receipt, control, issue or payment of public moneys;

- (f) inquire into any question connected with the public accounts which is referred to the Committee by either House of the Parliament, and to report to that House on that question;
- (g) consider:
  - (i) the operations of the Audit Office;
  - (ii) the resources of the Audit Office, including funding, staff and information technology;
  - (iii) reports of the Independent Auditor on operations of the Audit Office;
- (h) report to both Houses of the Parliament on any matter arising out of the Committee's consideration of the matters listed in paragraph (g), or on any other matter relating to the Auditor-General's functions and powers, that the Committee considers should be drawn to the attention of the Parliament;
- (i) report to both Houses of the Parliament on the performance of the Audit Office at any time;
- (j) consider draft estimates for the Audit Office submitted under section 53 of the *Auditor-General Act 1997*;
- (k) consider the level of fees determined by the Auditor-General under subsection 14(1) of the *Auditor-General Act 1997*;
- (l) make recommendations to both Houses of Parliament, and to the Minister who administers the *Auditor-General Act 1997*, on draft estimates referred to in paragraph (j);
- (m) determine the audit priorities of the Parliament and to advise the Auditor-General of those priorities;
- (n) determine the audit priorities of the Parliament for audits of the Audit Office and to advise the Independent Auditor of those priorities; and
- (o) undertake any other duties given to the Committee by this Act, by any other law or by Joint Standing Orders approved by both Houses of the Parliament.



## List of abbreviations

<b>AIRN</b>	Army Individual Readiness Notice
<b>ANAO</b>	Australian National Audit Office
<b>DEWRSB</b>	Department of Employment, Workplace Relations and Small Business
<b>DoCITA</b>	Department of Communications, Information Technology and the Arts
<b>DOEH</b>	Department of Environment and the Heritage
<b>FCHP</b>	Federation Cultural and Heritage Projects
<b>FTG</b>	Federation Task Group
<b>IES</b>	Integrated Employment System [DEWRSB]
<b>ISIS</b>	Income Security Integrated System [Centrelink]
<b>JCPAA</b>	Joint Committee of Public Accounts and Audit
<b>NCCOF</b>	National Council for the Centenary of Federation
<b>NESA</b>	National Employment Services Association



## **List of recommendations**

### **Audit Report No. 26, 1999–2000, Army Individual Readiness Notice**

#### **Recommendation 1** [paragraph 2.26]

The Committee recommends that Army define rigorously what constitutes sufficient warning time, a sufficient level of readiness and the cost implications of readiness and sustainability.

### **Audit Report No. 30, 1999–2000, Examination of the Federation Cultural and Heritage Projects Program**

#### **Recommendation 2** [paragraph 3.20]

The Committee recommends that the Department of Communications, Information, Technology and the Arts implement its draft guidelines for the administration of grant programs.

#### **Recommendation 3** [paragraph 3.32]

The Committee recommends that, after the making of grant decisions, all applicants, successful or otherwise, should be notified of the decision as soon as possible in writing, advised of relevant appeal processes and provided with guidance for improving subsequent applications.

### **Audit Report No. 44, 1999–2000, Management of Job Network Contracts**

#### **Recommendation 4** [paragraph 4.41]

The Committee recommends that the Australian National Audit Office carry out a follow-up audit on Job Network to ensure its recommended improvements are incorporated the management of Job Network contracts.



## Introduction

- 1.1 One of the statutory duties of the Joint Committee on Public Accounts and Audit (JCPAA) is to examine all reports of the Auditor-General in terms of the significance of the program or issues raised; the significance of the findings; the arguments advanced by the audited agencies; and the nature of public interest in the report. The Committee is then required to report the results of its deliberations to both Houses of Parliament as it sees fit.
- 1.2 Upon consideration of the twelve audit reports presented to the Parliament by the Auditor-General during the third quarter of 1999–2000, the JCPAA selected two reports for further scrutiny at a public hearing. It also selected a report from the batch presented during the fourth quarter of 1999–2000. The public hearings were conducted in Canberra on Friday, 6 October 2000.
- 1.3 The reports selected were:
  - **Audit Report No. 26, *Army Individual Readiness Notice***, Department of Defence;
  - **Audit Report No. 30, *Examination of the Federation Cultural and Heritage Projects Program***, Department of Communications, Information Technology and the Arts, and Department of the Environment and Heritage; and

- **Audit Report No. 44, Management of Job Network Contracts**, Department of Employment, Workplace Relations and Small Business.

## Structure of the Report

- 1.4 This report draws attention to the main issues raised at the public hearing. Where appropriate, the Committee has commented on unresolved or contentious issues.
- 1.5 Chapter 2 of the report discusses the evidence taken relating to Audit Report No. 26, 1999-2000, *Army Individual Readiness Notice*, on the management of Army readiness.
- 1.6 Chapter 3 of the report addresses issues raised in relation to Audit Report No. 30, 1999-2000, *Examination of the Federation Cultural and Heritage Projects Program*, on the selection of projects for Commonwealth funding under the Federation Cultural and Heritage Projects Program.
- 1.7 Chapter 4 of the report discusses the evidence taken relating to Audit Report No. 44, 1999-2000, *Management of Job Network Contracts*, on the effectiveness with which Job Network 1 contracts were managed.
- 1.8 In addition, the report provides an outline of the conduct of the Committee's review (Appendix A). The report should be read in conjunction with the transcript of evidence collected at the public hearing (Appendix C).

## Report

- 1.9 A copy of this report is available on the JCPAA website at <http://www.aph.gov.au/house/committee/jpaa/reports.htm>.



## Audit Report No. 26, 1999-2000

# Army Individual Readiness Notice

## Introduction

- 2.1 Individual readiness refers to the ability of an individual member to be deployed, within a specified notice period, on operations, potentially in a combat environment, and to perform the specific skills in which he or she has been trained. Maintenance of a specified level of individual readiness in peacetime influences the speed with which personnel can deploy on operations. The Army Individual Readiness Notice (AIRN) applies to all trained and active soldiers and officers of the Regular Army and the Army Reserve.<sup>1</sup>
- 2.2 To be compliant with AIRN, a member must meet or exceed the minimum standards set for each of the individual readiness components relating to: dental fitness, medical fitness, physical fitness, weapons proficiency, employment proficiency and individual availability.<sup>2</sup>
- 2.3 The performance audit of AIRN, Audit Report No. 26, *Army Individual Readiness Notice*, was chosen because of its timeliness, materiality and its importance to overall Army preparedness. Army considered that a five year period was required to get a complete picture of the AIRN process and displayed initial reluctance to an audit. However, the ANAO decided to proceed

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1 Audit Report No. 9, 1999-2000, p. 9.

2 Audit Report No. 9, 1999-2000, p. 9.

with a performance audit in view of the national importance of Army's readiness and Army's expressed willingness to consider the merits of possible enhancements that the audit might indicate.<sup>3</sup>

- 2.4 The audit found that there was scope for improving the effectiveness of AIRN in achieving its then primary objective, namely to ensure that all members could be deployed on operations within 30 days. It noted that, with the exception of dental and medical fitness, the ANAO could find no relationship between the minimum standards set for AIRN components and the achievement of a deployable standard in 30 days. It also found that the administration of AIRN could be more efficient.<sup>4</sup>
- 2.5 The audit report drew attention to the fact that a number of significant changes had occurred within both the Army and Australia's strategic environment since AIRN's initial development. The report stressed that it would be timely for Army to review whether the original objective for AIRN remained appropriate and achievable for its intended purpose, and to assess whether it was desirable to retain AIRN as the primary tool for ensuring individual readiness.<sup>5</sup>
- 2.6 Eight recommendations were made by the ANAO of which six were originally agreed to by Army. Army later reviewed its position in relation to recommendation no. 6 and indicated its agreement.
- 2.7 During the public hearing the Joint Committee of Public Accounts and Audit (JCPAA) discussed the following issues:
- development and implementation of Army Individual Readiness Notice;
  - individual readiness components, and
  - response to recommendations.

## Background

- 2.8 In 1996 Army instituted the AIRN policy under Defence Instruction (Army) Personnel 135-2. At the time the policy was

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3 Audit Report No. 9, 1999-2000, pp. 31-2.

4 Audit Report No. 9, 1999-2000, pp. 10, 38.

5 Audit Report No. 9, 1999-2000, p. 11.

aimed at establishing a common pre-deployment baseline for both full-time and part-time personnel.<sup>6</sup>

The intent behind the AIRN requirement...was to ensure that all people who were in the Army were physically fit, medically and dentally fit, capable of using their basic weapon and available for deployment on operations, if required.<sup>7</sup>

- 2.9 The audit report stated that the proposal to maintain a minimum level of individual readiness during peacetime appeared to have arisen in response to a number of factors that still exist today. These included the short-warning nature of modern conflicts and insufficient numbers of regular soldiers.<sup>8</sup>
- 2.10 The primary objective of AIRN was to ensure that all members could be deployed on operations within 30 days to perform their specific skills. Maintenance of a minimum level of individual readiness in peacetime was intended to assist in achieving two secondary aims:
- to increase the speed with which most of Army could be mobilised, and
  - to enable 'cross-levelling'.<sup>9</sup>
- 2.11 At the time of the tabling of the audit report, the then Acting Chief of Army briefed the Minister for Defence that Army would be conducting a review of AIRN. Chief of Army subsequently advised during the 23-30 May 2000 Senate Legislative Committee hearings that Army would be able to provide a revised policy statement by August 2000.<sup>10</sup>
- 2.12 The Army review of AIRN confirmed many of the ANAO findings.<sup>11</sup>

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6 Department of Defence, Submission No. 1, p. 1.

7 Minister for Defence, Submission No 73, p. 1104.

8 Audit Report No. 9, 1999-2000, p. 35.

9 Cross-levelling refers to the use of members with specific skills in lower readiness force elements to fill vacant positions in higher readiness force elements prior to an operational deployment. Audit Report No. 9, 1999-2000, p. 38.

10 Department of Defence, Submission No. 1, p. 1.

11 Department of Defence, Submission No. 1, p. 2.

## Development and implementation of Army Individual Readiness Notice

- 2.13 The audit found that the initial development stages of AIRN had been given insufficient time and that important decisions about the length of the readiness notice period and the components of readiness were not based on a thorough analysis of the risks and costs involved.<sup>12</sup>
- 2.14 At the JCPAA's public hearing, the Committee sought to establish whether Army's review of AIRN had established a risk analysis for deployments and the appropriate readiness requirements. It also sought to discover whether Army had undertaken a cost analysis as part of the review.<sup>13</sup>
- 2.15 Army responded that the requirements would be coordinated, the Chief of Army would have to be satisfied that the capability issues were achievable and a coherent, balanced approach, fully encapsulating the cost would be provided.
- [The approach] will no doubt be guided by the outcomes of the white paper, and it will no doubt be guided by the consideration of the Joint Committee [of Foreign Affairs, Defence and Trade]'s report. We are about developing a coherent strategy that is reasonably funded and that actually articulates a preparedness and readiness state.<sup>14</sup>
- 2.16 Army's submission to the Committee's review stated that Army would develop the Individual Readiness Standard process by February 2001 and that this would be followed by the development of a detailed costing model for the enhanced policy.<sup>15</sup>

## Recording and reporting

- 2.17 The audit report concluded that the system for recording and reporting members' compliance with AIRN suffered from a number of weaknesses. The ANAO found that

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12 Audit Report No. 9, 1999-2000, p. 41.

13 Transcript, 6 October 2000, pp. 34-5.

14 Transcript, 6 October 2000, p. 35.

15 Department of Defence, Submission No. 1, p. 7.

- the system placed an unnecessary administrative burden on units, lacked timeliness, produced information of questionable validity; and
  - did not encourage members to maintain a continuous state of individual readiness.<sup>16</sup>
- 2.18 At the hearing, Army agreed that the inordinate amount of staff effort to enter AIRN compliance information was a reasonable criticism by ANAO. Army stated that improvements in data entry were being suggested to remove the administrative burden on units.<sup>17</sup>
- 2.19 In its submission Army noted:
- The administrative framework necessary to support the efficient application of the AIRN policy to the whole of Army needs further development. The introduction of the ADF [Australian Defence Force] Personnel Management Key Solutions systems will be a major step forward in this process.<sup>18</sup>

### Committee comments

- 2.20 The Committee notes Army's agreement that the administrative processes put in place to support AIRN were not as efficient as they needed to be, and that they have to be more flexible and responsive.<sup>19</sup>
- 2.21 The Committee notes the ANAO comment that the initial AIRN implementation plan had been developed without an appreciation of the size of the task and the effort required by units, especially Army Reserve units, to assess members and record their AIRN information.<sup>20</sup>
- 2.22 The Committee supports Army's proposed improvements to information systems support and visibility of personnel data.
- 2.23 The Committee was pleased to note in evidence given to the Senate Legislation Committee hearing on 30 May 2000, Army's

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16 Audit Report No. 9, 1999-2000, p. 103.

17 Transcript, 6 October 2000, p. 30.

18 Department of Defence, Submission No. 1, p. 5.

19 Senate Legislation Hearings, Foreign Affairs, Defence and Trade, 30 May 2000, p. 136.

20 Audit Report No. 9, 1999-2000, p. 45.

statement that capturing the cost of AIRN was one of the highest priorities for the review.<sup>21</sup>

- 2.24 Nevertheless, the Committee considers that the deficiencies identified in AIRN by the ANAO are symptomatic of a more fundamental problem throughout Army in that there has not been sufficient analysis applied to the understanding of what constitutes sufficient warning time, what constitutes a sufficient level of readiness, and the cost implications of readiness and sustainability.
- 2.25 While the Committee welcomes Army's commitment to an improved system to ensure that full-time and part-time members of the Army meet appropriate individual readiness standards, it makes the following recommendation:

### Recommendation 1

- 2.26 **The Committee recommends that Army define rigorously what constitutes sufficient warning time, a sufficient level of readiness and the cost implications of readiness and sustainability.**

### Individual readiness components

- 2.27 The AIRN instruction of September 1997 required members of the Army to maintain a minimum standard of individual readiness in six individual readiness components:
- employment proficiency;
  - physical fitness;
  - medical fitness;
  - dental fitness;
  - personal weapons proficiency, and
  - individual availability.<sup>22</sup>

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21 Senate Legislation Hearings, Foreign Affairs, Defence and Trade, 30 May 2000, p. 137.

22 Audit Report No. 9, 1999-2000, p. 55.

- 2.28 The audit found that of the six AIRN components, only two appeared to have a direct relevance to ascertaining the ability of members to deploy. The ANAO considered that a link needed to be established between the achievement of AIRN components in peacetime and the ability of members generally to reach a deployable level of individual readiness in the specified period.<sup>23</sup>
- 2.29 While initially rejecting the recommendation, Army now agrees that there is a sound rationale for linkage between the components of AIRN and unit readiness levels.<sup>24</sup>
- 2.30 A number of amendments are to be made to the existing AIRN policy and all full-time and part-time personnel will be required to meet the new baseline AIRN requirement. The policy will be expanded to include Individual Readiness Standards that are linked to directed unit readiness levels.
- Three Individual Readiness Standards steps are proposed to match individual readiness to unit readiness. Personnel posted to units with a directed Readiness Notice would then need to meet the comparable Individual Readiness Standard.<sup>25</sup>
- 2.31 Army advised the Committee that the enhanced AIRN policy linked to the Individual Readiness Standard process will be implemented for all Army personnel over the financial year 2001-2002.<sup>26</sup>
- 2.32 Army stated at the hearing:
- ... we want to allow for linkages of individual readiness to match the costs of our collective training requirements.<sup>27</sup>

### Committee comments

- 2.33 Individual readiness is an important issue because it is the basis for military preparedness. The Committee understands Army's requirement to have a system in place which gives it some

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23 Audit Report No. 9, 1999-2000, pp. 84-5.

24 Department of Defence, Submission No. 1, p. 4.

25 Department of Defence, Submission No. 1, p. 6.

26 Department of Defence, Submission No. 1, p. 7.

27 Transcript, 6 October 2000, p. 25.

assurance that it can deploy personnel on operations in an appropriate time frame.

- 2.34 The Committee considers that Army's implementation of the former AIRN left a great deal to be desired. Army had not followed through on its objective, in that it did not have in place sufficient readiness component standards to give it assurance on the former AIRN standard of 30 days.
- 2.35 The imprecision associated with readiness component standards and the absence of linkage to the primary AIRN objective created a fundamental difficulty in providing Army with the assurance it sought from AIRN on the deployability of personnel.
- 2.36 The Committee notes that Army has now agreed with ANAO that AIRN can be enhanced through the process recommended in recommendation No. 6 of the audit report and is undertaking the adjustment of some AIRN component standards.<sup>28</sup>

## Response to recommendations

- 2.37 During the hearing the Committee raised the issue of Army's responses to the ANAO's recommendations.
- 2.38 The Committee noted that Army's responses to the ANAO recommendations, which were detailed in the audit report, had, in a number of instances, undergone substantial change. The Committee stated that it would have expected Army to consider thoroughly ANAO recommendations in the first instance, and asked Army why there had been a later change of attitude to a number of the recommendations.
- 2.39 In response, Army stated that the audit report was produced at a time when Defence had ongoing East Timor requirements to address:
- To some extent we did not have the staffing priority to address the recommendations in the full spectrum.<sup>29</sup>
- 2.40 Army stated that as a result of its involvement in East Timor, the organisation had sought to learn lessons and identify enhancements to employ should a similar situation arise again:

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28 Transcript, 6 October 2000, pp. 24, 31.

29 Transcript, 6 October 2000, p. 35.



With that in mind we went back to the ANAO report and identified areas where we initially had some minor disagreement but which actually are beneficial to the organisation. ... We have now got a way ahead that I think will address predominantly the ANAO's concerns but will also give us a far more viable AIRN system.<sup>30</sup>

- 2.41 The ANAO made the comment that it was willing to be accommodating about audit report response times during an audit. It nevertheless indicated its satisfaction with the 'very constructive and positive approach' that Defence was now taking.<sup>31</sup>

### Committee comments

- 2.42 In the past, the Committee has not always been satisfied with the quality of Defence responses to audit reports or the follow-up of ANAO and JCPAA recommendations.
- 2.43 While the Committee is aware that Defence has made a number of positive changes to the way in which it now follows up recommendations, it would like Defence to give appropriate and detailed consideration to ANAO's recommendations at the time that they are made. If Defence intends to give further active consideration to a recommendation, it should state this explicitly in its response.
- 2.44 That said, the Committee is pleased that the ANAO report has been a useful document for Army. It has provided a positive stimulus for Army to re-evaluate AIRN's objectives, components and record-keeping, and has driven a process aimed at establishing appropriate readiness requirements and associated costs.

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30 Transcript, 6 October 2000, p. 35.

31 Transcript, 6 October 2000, p. 36.



## Audit Report No. 30, 1999-2000

# Examination of the Federation Cultural and Heritage Projects Program

## Introduction

- 3.1 The purpose of the Federation Cultural and Heritage Projects (FCHP) program is to fund medium sized cultural and heritage projects with individual grants up to \$5 million. In 1998, expenditure of \$70.4 million for a total of 60 projects was approved.<sup>1</sup>
- 3.2 The FCHP program was jointly administered by the Minister for Communications, Information Technology and the Arts and the Minister for the Environment and Heritage (the Ministers). A Federation Task Group (FTG), made up of officers from the Ministers' respective Departments, was established to administer the development and assessment phases of the program. The National Council for the Centenary of Federation (NCCOF) was the principal source of external advice.<sup>2</sup>
- 3.3 In view of the public and specific parliamentary interest in the program, the Auditor-General agreed to conduct a preliminary examination of the administration of the FCHP program to ascertain whether a full audit of this aspect of the Federation Fund was warranted at this time.<sup>3</sup>

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1 ANAO, *Audit Report No. 30, 1999-2000*, p. 9.

2 ANAO, *Audit Report No. 30, 1999-2000*, p. 10.

3 ANAO, *Audit Report No. 30, 1999-2000*, p. 9.

- 3.4 The Australian National Audit Office (ANAO) is currently undertaking an audit of the Federation Fund Major Projects Program and the management and monitoring of some FCHP projects to be tabled in May 2001. The *Better Practice Guide for the Administration of Grants* which the ANAO publishes to enhance grants administration will also be revised in the light of recent audits of grant programs, including the examination of the FCHP program which is the subject of this inquiry.<sup>4</sup>
- 3.5 The ANAO's Audit Report No. 30, *Examination of the Federation Cultural and Heritage Projects Program*, examined three main areas:
- the selection process;
  - the distribution pattern of the grants; and
  - the announcement process.<sup>5</sup>
- 3.6 The ANAO's report did not make any recommendations. However it concluded that there were some areas where improvements could be made, such as:
- the development of criteria to assess geographic distribution of grants;
  - greater adherence to the program guidelines relating to the acceptance of late applications; and
  - the documentation of reasons for changing decisions.
- 3.7 The Department of Communications, Information Technology and the Arts (DoCITA) explained to the Committee that
- the Department has made considerable progress toward addressing these areas in two significant ways. First, the recent drafting of departmental guidelines for the administration of grant programs is establishing an increasingly effective, ethical and broadly adopted standard for grant administration within the Department. Second, a continued Departmental emphasis on project management training is improving corporate knowledge required for professional and expert grant management practice.<sup>6</sup>
- 3.8 At the public hearing, the Committee pursued the following issues:
- importance of the achievement of a geographic spread of projects;
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4 ANAO, *Audit Report No. 30, 1999-2000*, p. 21.

5 ANAO, *Audit Report No. 30, 1999-2000*, p. 9.

6 DoCITA, Submission No. 2, p. 1.

- importance of a needs analysis to provide a basis for the allocation of funds to proposed projects as a means of dispelling any suggestions of party political bias;
- better practice in the assessment of applications, especially in relation to the transparency and rigour of the decision-making process; and
- better practice in the announcement of the results of grant applications.

## Importance of the achievement of a geographic spread of projects

3.9 One of the principles underlying the program guidelines was the achievement of a geographic spread of projects. According to the ANAO,

an assessment of the relative needs in a geographic area can provide an objective justification for the selection of one project over another or, at least, give some indication of the requirement for any apparent geographic weighting. This, in turn, can provide a measure of protection for decision-makers against allegations of political bias.<sup>7</sup>

3.10 The ANAO reported that there did not appear to be any criteria developed as part of the FCHP program design to assist the FTG on how to assess projects against the geographic distribution assessment criteria outlined in the program guidelines. Therefore, there was no specific advice provided to NCCOF when they sought it. On the other hand, unlike NCCOF, the FTG did not seek advice on this matter.<sup>8</sup>

3.11 DoCITA told the Committee that the Department's draft guidelines addressed the issue of equity of the geographic spread of grants to States and electorates by specifying the requirement to develop selection criteria for all program objectives.<sup>9</sup>

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7 ANAO, *Audit Report No. 30, 1999-2000*, p. 32.

8 ANAO, *Audit Report No. 30, 1999-2000*, p. 32.

9 DoCITA, Submission No. 2, p. 2.

## Needs analysis

- 3.12 Although the ANAO's Better Practice Guide recommends that departments consider and analyse all relevant factors and risks of the program by, for example, a needs analysis, there was no evidence of any needs analysis having been conducted by the FTG.<sup>10</sup>
- 3.13 The ANAO stated in its report:
- A needs analysis for grant program can be considered at two levels, that is at the macro and micro levels. The macro level is concerned with the overall need for the program in the first place; while the micro level is concerned with the need for specific projects at particular locations. Such an analysis could determine, for example, the priorities to be given to the specific mix of projects, the emphasis to be placed on urban, regional and/or rural outcomes or the level of government appropriate to deliver particular outputs and outcomes.<sup>11</sup>
- 3.14 Appreciating that there were time constraints, the ANAO noted that, at the very least, needs analysis at the micro level would have been valuable to determine the need for specific projects at particular locations.<sup>12</sup>
- 3.15 DoCITA explained to the Committee that:
- the reason for a needs analysis not being undertaken on this occasion was that both departments felt that the government had decided to institute a program of \$70 million as part of the \$1 billion Federation Fund, and our energies were devoted towards compiling guidelines which met what Cabinet had in mind.<sup>13</sup>
- 3.16 In the course of the public hearing, DoCITA acknowledged that it would have been desirable to have a more detailed needs analysis, although until now it has been very difficult for either Commonwealth or State to actually deliver one.<sup>14</sup>
- 3.17 The Department of Environment and Heritage (DOEH) informed the Committee that the Commonwealth was currently in the process of

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10 ANAO, *Audit Report No. 30, 1999-2000*, pp. 27-28.

11 ANAO, *Audit Report No. 30, 1999-2000*, p. 28.

12 ANAO, *Audit Report No. 30, 1999-2000*, p. 28.

13 R. Palfreyman, DoCITA, *Transcript*, 6 October 2000, p. 3.

14 B. Reville, DOEH, *Transcript*, 6 October 2000, p. 4.

appraising places of national heritage significance by means of a detailed needs analysis. DOEH advised that ‘that assessment will give us much better indication of the priority of places for investment, at least against heritage significance that the places contain.’<sup>15</sup>

- 3.18 The ANAO noted that the government could quite legitimately implement a program without a broad level needs analysis. However, a needs assessment might be desirable to determine, for instance, whether the government wished to give particular priority to cultural or heritage elements of particular submissions or regional or state priorities to make those broad assessments.<sup>16</sup> On the other hand, ‘a submission driven program is that a well informed constituency could be quite successful in seeking grant funds, and that may not necessarily equate to national priorities.’<sup>17</sup> Therefore, according to the ANAO and in line with the ANAO’s Better Practice Guide, ‘... the desirable model is to have a global needs analysis and a submission driven program and bring the two together.’<sup>18</sup>

### Committee comments

- 3.19 For programs focused on cultural and heritage projects, the Committee strongly supports a rigorous needs assessment process to ensure program funds are well targeted. This was also the Committee’s intention in commenting on Audit Report No. 36 (1996-97), *Commonwealth Natural Resource Management and Environmental Programs*.<sup>19</sup>

### Recommendation 2

- 3.20 **The Committee recommends that the Department of Communications, Information, Technology and the Arts implement its draft guidelines for the administration of grant programs.**

15 Reville, DOEH, *Transcript*, 6 October 2000, p. 4.

16 I. McPhee, ANAO, *Transcript*, 6 October 2000, p. 4.

17 McPhee, ANAO, *Transcript*, 6 October 2000, p. 4.

18 McPhee, ANAO, *Transcript*, 6 October 2000, p. 5.

19 JCPAA, *Report 359—Review of the Auditor-General’s Reports 1996-97 Fourth Quarter*, March 1998, p. 35.

## Assessment process

- 3.21 The ANAO was satisfied that the assessment process by the Federation Task Group and the National Council for the Centenary of Federation was generally well conducted and documented. However, the Ministers selected the successful projects and documented their reasons for decisions some two months after the projects were chosen. In ANAO's view, although this was not conducive to good administrative practice, all approved projects were eligible under the program guidelines.<sup>20</sup>
- 3.22 In the course of the audit it became clear that it was the Ministers who selected the projects to be recommended to the Prime Ministers for approval. The ANAO sought details of the selection process used by the Ministers and their staff. Because both DoCITA and DoEH were unable to provide these details, the ANAO asked Ministers for their cooperation. The Ministers advised that in considering the applications, they looked at the merits of the individual project, using the FTG ranking as their reference.
- 3.23 The selection process, especially in relation to the ministerial stage of the decision making process and not the departmental processes, was an issue explored at the public hearing. As the Committee noted,
- sixteen projects were chosen. All 16...complied with the criteria but did not score as highly as those that were put before the Ministers originally, and the determinations on those 16 were made at private decision meetings at which your Department was not present. The reasons for making those decisions were not advised to your satisfaction, in terms of due process, until several months after the event.
- 3.24 As pointed out by DoCITA, the Department had fulfilled its obligations in providing the Ministers with the information that the Department had and the final decision on the selected projects was one for the Ministers.<sup>21</sup>
- 3.25 The ANAO reiterated the view that better practice in grant administration would suggest the same standards of rigour and transparency applicable to departmental assessments should also apply to ministerial assessments. However, the ANAO did not suggest that

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20 ANAO, *Audit Report No. 30, 1999-2000*, p. 14.

21 Palfreyman, DoCITA, *Transcript*, 6 October 2000, p. 17.



Ministers should adopt the identical appraisal process, as this would duplicate the work of officials.<sup>22</sup>

## Committee comments

- 3.26 The Committee supports the ANAO's view that 'Ministers do not have to agree with what their departments say, but...if there is a variation, a difference, then reasons for that should be articulated so there is a clear trail of the decision making process.'<sup>23</sup>

## Announcement of applications

- 3.27 As the ANAO noted during the audit, one of the public interest issues raised in connection with the FCHP program concerned the timing of the announcement of 32 of the 60 successful applications during the lead up to the October 1998 election. Of the announcements prior to the election in marginal electorates, 78 per cent were in Coalition held electorates.<sup>24</sup>
- 3.28 Given that the decision to approve the grants was made prior to the start of the caretaker convention, their announcement during the lead up to the October 1998 election was not a breach of the convention.<sup>25</sup> However, the timing of the announcement provoked a deal of speculation and criticism that, as ANAO noted, 'could have been avoided'.<sup>26</sup>
- 3.29 In the course of the hearing, the Committee inquired whether DoCITA received any instruction from the Minister for Communication, Information Technology and the Arts or the Minister's office with respect to the timing of announcements or letters to applicants. From further examination, it became apparent that the timing of the announcement before and after the election was controlled by the Ministers. In the ANAO's view,

Ministers have the prerogative to determine the timing of the announcement of government decisions. However, if Ministers are to control the announcement process, it would seem

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22 McPhee, ANAO, *Transcript*, 6 October 2000, p. 19.

23 McPhee, ANAO, *Transcript*, 6 October 2000, p. 8.

24 ANAO, *Audit Report No. 30, 1999-2000*, p. 59.

25 ANAO, *Audit Report No. 30, 1999-2000*, p. 64.

26 ANAO, *Audit Report No. 30, 1999-2000*, p. 17.

important, from the perspective of sound public administration, that it is done in such a way that there is non-perception that the timing of the announcements is being used for party political purposes.<sup>27</sup>

- 3.30 DoCITA informed the Committee that its new departmental draft *Guidelines on the Administration of Grant Programs* addressed the issue of early announcement of successful grant applications.<sup>28</sup> In addition, DoCITA determined that 'the advice letter to applicants whose applications have been rejected should include information on how to appeal against the decision.'<sup>29</sup>

### Committee comments

- 3.31 In line with the ANAO's Better Practice Guide and the DoCITA's draft *Guidelines for the Administration of Grant Programs*, the Committee reiterates the requirement for applicants to be advised as soon as possible after the ministerial/ delegate decisions are made.

### Recommendation 3

- 3.32 **The Committee recommends that, after the making of grant decisions, all applicants, successful or otherwise, should be notified of the decision as soon as possible in writing, advised of relevant appeal processes and provided with guidance for improving subsequent applications.**

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27 ANAO, *Audit Report No. 30, 1999-2000*, p. 63.

28 Palfreyman, DoCITA, *Transcript*, 6 October 2000, p. 22.

29 DoCITA, Submission No. 2, p. 2.

## Audit Report No. 44, 1999-2000

# Management of Job Network Contracts

Department of Employment, Workplace Relations  
and Small Business

## Introduction

### Scope of the Audit

- 4.1 Audit Report No. 44, 1999-2000, *Management of Job Network Contracts* by the Australian National Audit Office (ANAO) reviewed the efficiency and effectiveness of the management of the first round of Job Network contracts. The contracts were in operation from May 1998 till 27 February 2000.
- 4.2 The Department of Employment, Workplace Relations and Small Business (DEWRSB) has responsibility for the management of Job Network contracts. The DEWRSB State and district offices have responsibility for day-to-day contact with Job Network providers, contract administration, monitoring of contracts, providing a help desk for the Integrated Employment System (IES), servicing the complaints facility, and managing payments administration. In addition, State and district offices deal with fraud and compliance

matters. State offices exist in each State capital while district offices are in Newcastle, Wollongong, Orange, Bendigo and Townsville.<sup>1</sup>

- 4.3 Although there are five employment services available under Job Network, the audit focused only on three. *Job Matching* delivers labour exchange services to job seekers and includes canvassing for jobs, matching and placing suitable unemployed people in these jobs, as well as preparing resumes for job seekers. *Job Search Training* provides assistance in job search techniques (resume writing, interview techniques, presentation) to prepare unemployed people applying for jobs. The third employment service, *Intensive Assistance*, provides individually tailored assistance to eligible job seekers who are more disadvantaged in the labour market. Among this third group are long-term unemployed, older clients, and those with poor literacy and numeracy skills.<sup>2</sup>
- 4.4 ANAO assessed the extent that the Job Network program was meeting Government objectives based on performance and management information. In doing this, ANAO focused on the following aspects:
- *Value for money* from the new arrangements, bearing in mind the government's objectives, in terms of expected employment outcomes, and the resources applied to introduce the new arrangements;
  - The arrangements for *performance monitoring* of employment service providers in delivering contracted services;
  - The arrangements for *compliance monitoring* of Job Network providers against contractual obligations, including:
    - ⇒ monitoring visits;
    - ⇒ processes to identify and investigate Job Network Code of Conduct issues; and
    - ⇒ compliance and fraud control projects relating to the Job Network;
  - *Contract management* arrangements, including the management of contract variations, and the mechanisms for referring and adjusting the flow of job seekers to Job Network providers to best meet market demand and contracted capacity;
  - *Mechanisms* in place in DEWRSB to support effective contract management, including guidelines, training, and internal and external communication arrangements; and

1 ANAO, Audit report No. 44, 1999–2000, *Management of Job Network Contracts*, 16 May 2000, p. 27.

2 ANAO, Report no. 44, p. 28.

- *The access, security and privacy controls* put in place by DEWRSB to manage Job Network provider access to, and use of, relevant IT systems used in the operation of the Job Network.<sup>3</sup>

## ANAO Findings

- 4.5 ANAO concluded that DEWRSB managed the first round of Job Network contracts in an efficient and effective manner, bearing in mind that the Job Network was a completely new structure for the delivery of employment services. Nevertheless, ANAO considered that DEWRSB could improve its management of contracts in certain areas.<sup>4</sup> ANAO made ten recommendations aimed at improving the efficiency and effectiveness of the management of Job Network contracts. DEWRSB agreed with all the recommendations.
- 4.6 On 26 September 2000, DEWRSB provided the Committee with a copy of the Department's six monthly update on the progress of its implementation of ANAO's recommendations. The update indicates that two and a half recommendations were fully implemented, five were 'in progress' and two and a half were 'under development'.<sup>5</sup>
- 4.7 At the public hearing on 6 October 2000, the Committee examined the following issues:
- Contract management
    - ⇒ Communication among the key agencies
    - ⇒ Management of client flows
  - Contract monitoring arrangements
    - ⇒ Risk management
    - ⇒ Resource planning
  - Access, security and privacy controls.

## Contract management

- 4.8 At the public hearing, the Committee was told that DEWRSB was close to finalising a new contract management framework for Job

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3 ANAO, Report no. 44, p. 32.

4 ANAO, Report no. 44, p. 34.

5 DEWRSB, Exhibit no. 4.

Network contracts. The following improvements to the contract management process were indicated:

- A series of key performance indicators are being written into the Job Network contracts.<sup>6</sup>
- Contract managers can access a number of *pro formas* when assessing Job Network providers.<sup>7</sup>
- Regular feedback is provided to the Job Network providers.
  - ⇒ DEWRSB indicated to the Committee that written summaries of monitoring visits included an outline of agreed action between a provider and DEWRSB.<sup>8</sup>

- 4.9 In addition, DEWRSB is still developing a system of quality assurance and review to improve compliance with monitoring procedures and guidelines.<sup>9</sup> Where action needs to be taken to improve performance, agreed time lines and follow-up activities are also provided in writing to the provider's head office.<sup>10</sup>

### Internal and External Communication with providers

- 4.10 ANAO found that there was 'limited discussion with Job Network providers on strategic issues'.<sup>11</sup> ANAO stated that DEWRSB 'should have in place good internal communication arrangements, as well as mechanisms to communicate with other government stakeholders and Job Network members.'<sup>12</sup> While direct discussions between DEWRSB and providers on specific matters did occur, 'these discussions are bilateral and relate directly to the contractual provisions of the particular provider.'<sup>13</sup> ANAO considers that having a forum covering providers, DEWRSB and Centrelink is important.<sup>14</sup>
- 4.11 In its response to ANAO's recommendation on the need for better communication, DEWRSB said it 'strongly supports regular meetings at a senior level between [the National Employment

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6 L. Riggs, DEWRSB, *Transcript*, 6 October 2000, p. 42.

7 Riggs, *Transcript*, 6 October 2000, p. 41.

8 DEWRSB, Exhibit no. 4, p. 2.

9 DEWRSB, Exhibit no. 4, p. 2.

10 Riggs, *Transcript*, 6 October 2000, p. 42.

11 ANAO, Report no. 44, p. 37.

12 ANAO, Report no. 44, p. 36.

13 ANAO, Report no. 44, p. 38.

14 ANAO, Report no. 44, p. 39.

Services Association (NESA)], Centrelink and the department'.<sup>15</sup> In its correspondence with the Committee, DEWRSB stated that senior officials from DEWRSB, Centrelink and members of the NESA Board now meet every two months 'in the presence of the Minister for Employment Services, to discuss matters of strategic and significant operational importance with respect to the management of Job Network'.<sup>16</sup>

- 4.12 The Committee agrees that this is a sensible arrangement, providing a forum where representatives of DEWRSB, Centrelink and Job Network providers can exchange views and consult about strategies to overcome problems that may arise.
- 4.13 The Committee believes that these regular meetings should help improve communication, especially on strategic issues, and assist in the smooth delivery of services to Job Network clients. DEWRSB should be able to inform Job Network providers of program variations, hear their reactions and take these into consideration before finalising and implementing any changes. The Committee agrees with ANAO's view that the meeting of senior officials is the key to better implementation of change to the design of Job Network.

### Management of client flows

- 4.14 A key part of DEWRSB's contract management of Job Network providers contracted to carry out Intensive Assistance (IA) services and Job Search Training (JST) services, is managing the referral of job seekers requiring these services to appropriate providers. Without DEWRSB taking an active role in ensuring that the referral of job seekers occurs appropriately, providers are unlikely to achieve the levels of service supply envisaged in their contracts. DEWRSB has a minimum of 85 per cent of the contracted quantity as an objective of commencements for a provider.<sup>17</sup>
- 4.15 ANAO found that the referral process using a mail-out based on the Integrated Employment System (IES) was not resulting in job seekers commencing Job Start Training at the levels envisaged in the provider contracts. ANAO acknowledged that IES was introduced to overcome other difficulties with referrals, although

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<sup>15</sup> ANAO, Report no. 44, p. 39.

<sup>16</sup> DEWRSB, Exhibit 4, p. 1.

<sup>17</sup> ANAO, Report no. 44, p. 64.

ANAO considered that the automated mail out process exacerbated administrative difficulties and created inefficiencies for providers instead of reducing them.<sup>18</sup>

- 4.16 Although Job Network providers put considerable administrative effort into achieving the optimum numbers for training courses, the audit report showed that on average, Job Start Training providers would not be able to meet their contracted quantities of clients. ANAO reported that Job Start Training commencements in late October 1999 were occurring at a rate of slightly more than 1000 per week. However, it indicated that commencements would need to increase to 2843 per week if contracted target numbers were to be met.<sup>19</sup>
- 4.17 In answer to a question from the Chairman regarding Job Start Training referral mechanisms, and whether they had been improved since the ANAO report, DEWRSB responded:
- We now have a system that can identify Job Search Training eligible clients and sends them a letter saying, 'You should now pick a Job Network member with whom you would like to attend your Job Search training.' If they make that selection, the system runs in such a way that we maximise the chances that they will be referred to their chosen provider. If they do not make such a selection, they are automatically referred to the next available place with a Job Search Training provider within the relevant location.<sup>20</sup>
- 4.18 In response to an issue raised by the Committee regarding inappropriate referrals, DEWRSB indicated:
- A lot of those inappropriate referrals that the Vice-Chairman has referred to are in that non-allowance but still eligible for Job Network services category who, when they are actually referred, decline to participate.<sup>21</sup>
- 4.19 In addition, up till 18 September 2000, a number of inappropriate referrals were picked up by the automated referral system. These clients were not on full allowances but still eligible for Job Start

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18 ANAO, Report no. 44, p. 72.

19 ANAO, Report no. 44, p. 71.

20 Riggs, *Transcript*, 6 October 2000, p. 42.

21 Riggs, *Transcript*, 6 October 2000, p. 44.



Training courses. Many of these clients would decline the training being offered.<sup>22</sup>

4.20 DEWRSB has, however, now changed the way Job Start Training offers are made to eligible non-allowance clients. If they decline to participate in Job Start Training, then these clients are not on-referred to providers. DEWRSB believes 'that will reduce the rate of what our providers have called "inappropriate referrals" by about 30 per cent.'<sup>23</sup>

4.21 DEWRSB told the Committee that:

We designed the referrals to commencements ratio to be three to one. So the fact that we are running at four to one, or 4½ to one at the moment, and we have taken steps to reduce the number of potentially inappropriate referrals quite significantly with our September release, will bring us back somewhere close to that policy design.<sup>24</sup>

Depending on locality and a number of other factors, the commencement to referral ratio is between 1 to 4 and 1 to 5 at the moment. So between 20 and 25 per cent of referrals are actually converted to commencements.<sup>25</sup>

## Contract monitoring arrangements

### Risk management

4.22 ANAO stated in its report that DEWRSB should have in place a contract management framework underpinned by appropriate guidelines, procedures and training. ANAO reviewed the written guidance material used by staff and Job Network providers, and the training received by staff in relation to their contract management responsibilities. In addition, ANAO undertook an assessment of the complaints process and the arrangements

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22 Riggs, *Transcript*, 6 October 2000, p. 44.

23 Riggs, *Transcript*, 6 October 2000, p. 44.

24 Riggs, *Transcript*, 6 October 2000, pp. 45–46.

25 Riggs, *Transcript*, 6 October 2000, p. 44.

relating to specific compliance projects initiated by DEWRSB National and State offices.<sup>26</sup>

- 4.23 DEWRSB told the Committee that it has drafted a practical guide to risk management of contracts, containing the basic principles of risk management and a set of tools to be applied by staff.

From about the second part of last year, we have had a program of better training in risk management within the department and a department-wide practical guide on risk management which, again, is about the principles of risk management but has a set of tools associated with it. Within the last six weeks we have provided to our contract managers a risk assessment checklist in respect of these contracts which they are now applying and, perhaps most importantly, we have been able to develop with our systems people a number of very much better site level based reports on the performance of Job Network members that our contract managers can use to assess performance and therefore help form their judgments of risks associated with various dimensions of the contract.<sup>27</sup>

## Monitoring of Providers

- 4.24 In response to Committee concerns about the quality of provider performance monitoring, DEWRSB told the Committee that it has improved feedback to Job Network providers during and after monitoring visits.

Matters of significant concern are to be discussed with those [providers] while our staff are still with them; there is to be follow-up in a standard format, not of those discussions, but of any findings of the monitoring visit or the quality audit where action needs to be taken within a very short time frame...<sup>28</sup>

- 4.25 DEWRSB has increased its monitoring of Job Network providers, employing risk management principles. 'There is now a very extensive evaluation of the performance, not only of each Job

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26 ANAO, Report no. 44, p. 41.

27 Riggs, *Transcript*, 6 October 2000, p. 42.

28 Riggs, *Transcript*, 6 October 2000, p. 42.

Network provider but of each Job Network provider's site in terms of the outcomes that they are achieving.'<sup>29</sup>

- 4.26 DEWRSB explained that monitoring is now not just the act of visiting a site. A comprehensive examination is made. 'Monitoring is an array of activities, some of which take place at an officer's desk. They involve looking at what the data tell us about the performance of sites against the key performance indicators.'<sup>30</sup>
- 4.27 The Committee noted the improvements now in place for DEWRSB's monitoring of Job Network providers. ANAO told the Committee that initially, many Job Network 1 providers were inexperienced in the delivery of services to clients, many of whom were themselves unsure of what to expect. The Committee expects DEWRSB's closer interaction with Job Network 2 providers, together with the regular meetings at the senior levels, will result in a better service to job seekers at all levels.

## Resource planning

- 4.28 In its report, ANAO concluded that there was no resource planning framework in place under which priorities planned for the entire division, were reflected in DEWRSB State office resource allocations. ANAO urged that data be gathered on activities undertaken by State and district office staff since this data would help determine 'what matters are driving resource usage and contract processes'.<sup>31</sup> These analyses could also assist in more efficient contract management.
- 4.29 DEWRSB indicated that it has now developed a framework for resource planning for Job Network functions at State and district levels.<sup>32</sup> It told the Committee that it will collect and review performance data on a quarterly basis 'including resource usage across Job Network activities to ensure alignment with overall Job Network priorities'.<sup>33</sup> DEWRSB is currently undertaking a business improvement project in State and district offices regarding contract management in order to maximise efficiencies

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29 Shergold, *Transcript*, 6 October 2000, p. 55.

30 Riggs, *Transcript*, 6 October 2000, p. 55.

31 ANAO, Report no. 44, p. 62.

32 DEWRSB, Exhibit no. 4, p. 3.

33 DEWRSB, Exhibit no. 4, p. 3.

and ensure there is a focus on priority activities.<sup>34</sup> All of this will be done within the context of DEWRSB's 'Outcomes and Outputs based planning and resource allocation framework'.<sup>35</sup>

- 4.30 The Committee agrees that given the changes made by DEWRSB with respect to risk management and monitoring, it appears that DEWRSB is endeavouring to deploy its resources more efficiently and effectively. The Committee expects to see this ANAO recommendation fully addressed in the next six monthly update from the department.

## Access, security and privacy controls

- 4.31 An electronic database—the Integrated Employment System (IES)—enables Centrelink, DEWRSB and Job Network providers to assess assistance entitlement or benefits based on the sensitive details of each individual client. The security of the database relies on an integrated, transparent process that ensures all elements work together effectively.<sup>36</sup> ANAO examined the integrity, accuracy, comprehensiveness and appropriateness of the control environment to ensure privacy and security when various agencies and providers accessed the database.
- 4.32 ANAO also looked for data consistency between the IES and employment related aspects of Centrelink's Income Security Integrated System (ISIS).<sup>37</sup> Two IES-to-ISIS reconciliations are made each month to ensure accuracy of data. However, according to ANAO, these reconciliations are not subject to a formal review process. In its report, ANAO said there should be consistent reviews and regular monitoring, with all errors documented and followed-up, since this reconciliation is a valuable tool in the identification of issues related to automated and manual processing.<sup>38</sup>

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34 DEWRSB, Exhibit no. 4, p. 3.

35 ANAO, Report no. 44, p. 63.

36 ANAO, Report no. 44, pp. 74–75.

37 In September 1997, when Centrelink was formed from the CES and part of the former DSS, their two IT systems had to be integrated. The 1998 DEWRSB's IT system designed for Job Network included an online interface with Centrelink's IT system. All Job Network providers are required to use DEWRSB's Job Network or to interface with DEWRSB's system using their own compatible IT systems.

38 ANAO, Report no. 44, p. 79.

4.33 Where significant amounts of assessment, data verification and cross agency entitlement adjustment have to be processed, it is important that all the elements work together effectively. ANAO found, however, that the applications security for IES 'was relatively fragmented, and the architecture of the IES application detracts from the concept of transparency.'<sup>39</sup>

...the documentation of these processes did not effectively link, or adequately describe, the security mechanisms in operation....A lack of adequate documentation can have serious effects on both the efficiency and effectiveness of the system over time. These may include problems related to over-dependence on key staff, corporate knowledge not retained when tasks are performed by contract staff, inefficiencies suffered from re-working existing solutions and erroneously discarding key components of a system or process during change periods.<sup>40</sup>

4.34 DEWRSB told the Committee that in the process of preparing its tender documents to outsource its IT infrastructure, it was developing full documentation of all security protocols, in the light of ANAO's comments. DEWRSB had acquired additional software, and will incorporate browse logging of accesses to commercially sensitive information in the same way that viewing of client address details are now logged.<sup>41</sup>

4.35 The Committee noted the problems which arose from the continuing inconsistencies between the IES and the Centrelink systems, and the attempts to address these through the Systems Interface Steering Committee. It believes DEWRSB should document all errors uncovered by the reconciliation process so that in the next upgrade of the IES, consistency and accuracy issues concerning the interface between the two systems can be markedly improved.

4.36 When the Committee asked DEWRSB about its continuous IT audit process, DEWRSB told the Committee that:

We are one of three agencies in the Commonwealth that have applied for and received accreditation from the Defence Signals Directorate for the quality of the security

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39 ANAO, Report no. 44, p. 75.

40 ANAO, Report no. 44, p. 76.

41 W. Gibbons, DEWRSB, *Transcript*, 6 October 2000, pp. 52-53.

around our data stores and storage arrangements....Thus far, there has been no penetration of the security arrangements [although]...on average every month we get about 1600 very serious attempts to break through the firewall that we have around the security.<sup>42</sup>

- 4.37 The Committee noted that DEWRSB had accepted the need to fully document all security controls and that in its next upgrade of its IES, all access to sensitive information will be logged and privacy will be protected as required by the *Privacy Act 1988*. The Committee is satisfied that DEWRSB generally is developing a sound security framework for the Job Network IT system. Further improvement, however, could be provided by implementing a preventive mechanism which can identify inappropriate access to data. Security protocols, privacy and general data protection should be part of the specific agreements. These in turn should be oversighted through diligent contract management.

## Changes made to Job Network 2 contracts

- 4.38 While the management of the second round of Job Network contracts was outside the scope of its audit, ANAO's investigations and recommendations assisted the development of Job Network 2 contracts.<sup>43</sup> The Committee was particularly interested in this development and questioned DEWRSB during the public hearing about changes made to the Job Network 2 contracts.
- 4.39 DEWRSB said that it took into account the recommendations made in the audit report when it organised the Job Network 2 contracts. One important change was:
- the ability of the Auditor-General, on behalf of the Commonwealth, to access the premises of Job Network providers and to have access to the confidential information involved in the contracts, as was required by the Auditor-General.<sup>44</sup>
- 4.40 The Committee was assured that DEWRSB had taken into account all ANAO's observations and findings, as well as comments from

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42 Gibbons, *Transcript*, 6 October 2000, p. 53.

43 ANAO, *Op cit*, p. 11; McPhee, *Transcript*, 6 October 2000, p. 41.

44 Shergold, DEWRSB, *Transcript*, 6 October 2000, p. 41.

clients, providers and other interested stakeholders, and was endeavouring to improve employment service delivery.

#### **Recommendation 4**

- 4.41 The Committee recommends that the Australian National Audit Office carry out a follow-up audit on Job Network to ensure its recommended improvements are incorporated into the management of Job Network contracts.**

Bob Charles MP  
Chairman  
28 February 2001







## **Appendix A—Conduct of the Committee’s review**

### **Selection of audit reports**

The Auditor-General presented twelve reports in the third quarter of 1999-2000. These were:

- Audit Report No. 25 Performance Audit  
*Commonwealth Electricity Procurement*
- Audit Report No. 26 Performance Audit  
*Army Individual Readiness*
- Audit Report No. 27 Performance Audit  
*Risk Management of Individual Taxpayers Refunds*
- Audit Report No. 28 Performance Audit  
*Audit Activity Report July to December 1999  
Summary of Outcomes*
- Audit Report No. 29 Performance Audit  
*The Administration of Veterans’ Health Care*
- Audit Report No. 30 Examination  
*Examination of the Federation Cultural and Heritage Projects Program*
- Audit Report No. 31 Performance Audit  
*Administration of Tax Penalties*
- Audit Report No. 32 Performance Audit  
*Management of Commonwealth Non-primary Industries*
- Audit Report No. 33 Performance Audit  
*Business Entry Program*

- Audit Report No. 34 Performance Audit  
*Construction of the National Museum of Australia and the Australian Institute of Aboriginal and Torres Strait Islander Studies*
- Audit Report No. 35 Performance Audit  
*Retention of Military Personnel*
- Audit Report No. 36 Performance Audit  
*Home and Community Care*

The Joint Committee of Public Accounts and Audit discussed the above audit reports and considered whether the issues and findings in the reports warranted further examination at a public hearing. In making this assessment the Committee considered, in relation to each audit report:

- the significance of the program or issues canvassed in the audit report;
- the significance of the audit findings;
- the response of the audited agencies, as detailed in each audit report, and
- the extent of any public interest in the audit report.

The result of this consideration was that the Committee decided to take evidence at public hearing on the following audit reports:

- Audit Report No. 26 Performance Audit  
*Army Individual Readiness*
- Audit Report No. 30 Examination  
*Examination of the Federation Cultural and Heritage Projects Program*

In addition, the JCPAA also selected the following report for examination at a public hearing :

- Audit Report No. 44 Performance Audit  
*Management of Job Network Contracts*

## **The evidence**

The Committee held public hearings in Canberra on 6 October 2000. The transcript of evidence taken at the hearings is reproduced at Appendix C.



## **Appendix B—Submissions and Exhibits**

### Submissions

<b>No.</b>	<b>Individual/Organisation</b>
1	Department of Defence
2	Department of Communications, Information Technology and the Arts
4	Department of Employment, Workplace relations and Small Business
5	Department of Defence
6	Department of Communications, Information Technology and the Arts
7	Department of Defence

### Exhibits

<b>No.</b>	<b>Individual/Organisation and Title</b>
1	Department of Environment and Heritage, <i>Grants Administration Guide</i>
2	Department of Environment and Heritage, <i>Risk Management Guidelines</i>

- 3 Department of Environment and Heritage, *Guidelines for the Administration of Grants Programs*
- 4 Department of Employment, Workplace relations and Small Business, *Progress Report on ANAO Recommendations from Report No 44, 1999-2000*



## **Appendix C—Transcript of evidence**