

The Auditor-General
Audit Report No.48 2001-02
Performance Audit

Regional Assistance Programme

Department of Transport and Regional Services

Australian National Audit Office

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Canberra ACT
10 May 2002

Dear Madam President
Dear Mr Speaker

The Australian National Audit Office has undertaken a performance audit in the Department of Transport and Regional Services 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 *Regional Assistance Programme*.

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

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

P. J. Barrett
Auditor-General

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

AUDITING FOR AUSTRALIA

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Abbreviations/Glossary

ACC	Area Consultative Committee
ANAO	Australian National Audit Office
DEWR	Department of Employment and Workplace Relations (after November 2001)
DEWRSB	Department of Employment, Workplace Relations and Small Business (prior to November 2001)
DOTARS	Department of Transport and Regional Services
ISBF	Indigenous Small Business Fund
NO	National Office
RAMIS	Regional Assistance Management Information System
RAP	Regional Assistance Programme
SO	State Office

Summary and Recommendations

Summary

Background

1. The Regional Assistance Programme (RAP) is designed to generate employment in regional, rural and metropolitan Australia through locally based projects. Individual projects are co-funded by the Commonwealth government through RAP and by partnership funding in cash or in kind. RAP, is available to not-for-profit organisations, and is intended to encourage local communities to develop business growth, increase employment opportunities and build the regional skills base.
2. The 2000–2001 RAP appropriation included funds for Community-based Projects (the focus of this audit) and Projects of National Significance (covered in this audit), as well as funds transferred to other agencies for the Regional Solutions Programme, the Dairy Regional Assistance Programme, Business Incubators and the Indigenous Small Business Fund. Expenditure on Community-based Projects and Projects of National Significance for the 2000–2001 financial year was \$19.28 million. Of the \$53 million made available by the Government for the RAP appropriation in the 2001–2002 Budget, \$12.51 million has been set-aside for Community-based RAP Projects and Projects of National Significance.
3. The decision to approve RAP funding, for projects other than Projects of National Significance, is made by a delegate in the department’s national office. The local Area Consultative Committee (ACC) recommends projects to the department and the department’s state office undertakes assessment of projects. After the decision is made, national office advises the Minister, who then announces the successful projects. Projects of National Significance are approved on a case-by-case basis in response to situations such as local economic crises, natural disasters or projects of national significance.
4. Until December 2001, the Department of Employment and Workplace Relations (DEWR), formerly known as the Department of Employment, Workplace Relations and Small Business (DEWRSB),¹ administered RAP. In December 2001, responsibility for RAP moved from DEWR to the Department of Transport and Regional Services (DOTARS). To facilitate readability of this report, we have referred to the relevant responsible agency simply as ‘the department’ wherever possible. The recommendations and suggestions regarding future actions are directed to DOTARS.

¹ After the Federal election in November 2001, the Office of Small Business was moved from the Department of Employment, Workplace Relations and Small Business (DEWRSB) to the Department of Industry, Tourism and Resources, leaving the Department of Employment and Workplace Relations (DEWR).

Audit objective, criteria, scope and focus

5. The objective of the audit was to determine whether:
 - funding was being allocated in accordance with the RAP policy guidelines; and
 - the department was managing RAP contracts to ensure that desired outcomes are achieved.
6. The ANAO examined the administrative processes that the department has in place to support the administration of RAP. Particular aspects of RAP examined were whether:
 - funding was being effectively targeted and is aligned with programme objectives;
 - project selection processes were conducted in accordance with programme objectives and guidelines;
 - performance information was timely and relevant for measuring outcomes against objectives;
 - the department had a contract management framework in place that is underpinned by appropriate guidelines and procedures; and
 - the department was monitoring both compliance and performance aspects of RAP projects against contractual obligations.

Overall Conclusion

7. The ANAO concluded that the department's administration of RAP was generally efficient and effective. The department has a sound governance framework and has made appropriate changes to the management of the programme during the last three years to promote a higher level of accountability.
8. Funding for RAP Community-based Projects was allocated in accordance with policy guidelines. There was a balanced distribution of funds to remote, regional and metropolitan areas.
9. Communication between ACCs, the department's state offices and national office is generally effective. Overall, there is a high level of goodwill and co-operation between the department and the representatives of local communities.
10. In general, the department assessed Community-based Projects against the published assessment criteria. However, the ANAO considers that, as RAP is a competitive submission-based programme, it is better practice to clarify the

relative importance of any criteria or considerations in assessing applications, and to communicate this to key stakeholders. Consideration should also be given to improving the feedback mechanisms to proponents of unsuccessful projects, to address concerns of some applicants that they were not aware of the reasons for rejection.

11. The department has a performance information framework in place, and has developed an evaluation process for RAP Community-based Projects. However, the ANAO considers that the department would be better able to assess and report on the effectiveness of the programme as a whole, through further refinements to performance indicators and the development of a plan to systematically evaluate the programme.

12. The ANAO concluded that the department has a good contract management framework that is underpinned by appropriate guidelines and procedures. Although some state offices have developed monitoring and review strategies, the ANAO concluded that a national risk based monitoring and review strategy would ensure that the methods of monitoring and reviewing projects are consistent between states.

Key Findings

Funding

13. The department allocated funds, available for RAP Community-based Projects, in 2000–01 between the ACCs on a notional, or indicative, basis using a funding model approved by the then Minister. The notional allocation allowed the ACCs to plan and prioritise potential RAP projects, and operated as a guide for the department to assist in the balanced distribution of RAP funds. The ANAO considers that, overall, a reasonably balanced outcome was achieved in the actual distribution of funding for 2000–01 across remote, regional and metropolitan areas.

14. Three of the fourteen ACCs classified as ‘remote’ did not have any projects approved during 2000–01. The two main reasons cited by ACCs for this were the lack of applications because of difficulties in generating co-funding² in remote areas, and a lack of community expertise in developing projects and writing applications. The ANAO found that the department had measures in place to address these limitations, although further clarification of the flexibility in co-funding requirements would assist potential project proponents.

Project assessment and approval process

15. The ANAO found that, in general, Community-based Projects were assessed against the published assessment criteria. However, the ANAO considers it would be better practice to clarify transparently the relative importance of criteria and any other considerations taken into account in deciding the relative worth of applications.

16. There is one component of RAP, Projects of National Significance, where projects are approved by the Minister or the Cabinet. The ANAO suggests that, in the interest of consistent decision-making and public accountability, further attention be given to documenting the reasons for approving particular Projects of National Significance. The assessment process should be sufficiently rigorous to provide reasonable assurance that the projects selected are consistent with the guiding principles of RAP.

17. In the main, communication and relationships between proponents, ACCs and the department were found to be open and productive, with a high degree

² As a general principle, preference is given to projects which show a partnership approach through co-funding from additional sources. These sources may include the private sector, local government or the local community.

of goodwill on the part of most participants. ACCs and state / district offices felt that they shared an understanding of what type of project would be of most benefit to their regions.

18. The ANAO found that, in some cases, ACCs and project proponents felt that the reasons provided as to why certain projects were not approved were not adequate. The ANAO considers that communication with stakeholders should be improved in further explaining the application of the selection criteria used for assessing projects, and in providing feedback to unsuccessful proponents. In particular, the ANAO considers that the department should communicate to stakeholders any approval considerations that are additional to those outlined in programme guidelines, and which may influence the way the assessment criteria are applied.

Performance information and programme evaluation

19. The ANAO found that the specified outputs for RAP did not clearly identify the means by which the programme objective would be achieved. Although performance indicators were identified for each outcome, the department had not determined how these indicators were to be measured.

20. The performance information provided by the department in its reporting did not relate directly to the quality of the outputs. Where the department reported its performance, the information was not presented in such a way that reasonable judgements could be made about the adequacy of programme performance.

21. The ANAO found that the department does not have a plan for evaluating RAP. Although there are mechanisms in place for the project approval and management process to help ensure outcomes are achieved, these are not part of a strategy for assessing the performance of the programme as a whole.

Contract management

22. The ANAO found that the department has a good contract management framework that is underpinned by appropriate guidelines and procedures. Contract management staff in state and district offices generally practise good record management, and have adequate systems for monitoring events such as progress reports and contract variations. However, the ANAO found that there is some variation in the frequency and quality of project monitoring and review visits undertaken by state offices. The frequency and depth of monitoring and review visits appear to be contingent on the workloads of contract management staff, and, in some instances, are regarded as a lower priority.

23. The ANAO considers that there are risks in some states where visits are not undertaken at appropriate intervals to check on the progress of projects. In addition, there is no formal national strategy in place to monitor and review the progress of projects. A risk based approach to monitoring and review activities would ensure that those projects with a higher possibility of non-compliance are more closely monitored and reviewed as necessary.

Recommendations

<p>Recommendation No. 1 Para 3.24</p>	<p>The ANAO recommends that DOTARS makes clear, in guidelines to potential applicants, the assessment criteria and their relative importance as a basis for evaluating applications.</p> <p><i>Response:</i> Agreed with qualification.</p>
<p>Recommendation No. 2 Para 3.40</p>	<p>The ANAO recommends that DOTARS, in conjunction with ACCs, develops and documents minimum standards for providing feedback on projects that are not approved.</p> <p><i>Response:</i> Agreed.</p>
<p>Recommendation No. 3 Para 3.53</p>	<p>The ANAO recommends that DOTARS, in conjunction with stakeholders, considers:</p> <ul style="list-style-type: none"> • the efficiencies of moving to more frequent assessment rounds, and/or • establishing regular known cut-off dates for the submission of applications. <p><i>Response:</i> Agreed.</p>
<p>Recommendation No. 4 Para 4.36</p>	<p>The ANAO recommends that DOTARS refines the national performance indicators, to ensure that the information provided reports adequately on the objectives and outcomes established for the programme.</p> <p><i>Response:</i> Agreed.</p>
<p>Recommendation No. 5 Para 4.40</p>	<p>The ANAO recommends that DOTARS develops, in conjunction with relevant stakeholders, a strategy for the systematic evaluation of the Regional Assistance Programme.</p> <p><i>Response:</i> Agreed.</p>
<p>Recommendation No. 6 Para 5.21</p>	<p>The ANAO recommends that DOTARS develops a national monitoring and review strategy for individual projects which incorporates a risk based approach.</p> <p><i>Response:</i> Agreed.</p>

Audit Findings and Conclusions

1. Background

This chapter provides background information to the Regional Assistance Programme and sets out the audit objective, scope, methodology and criteria.

Introduction

1.1 The Regional Assistance Programme (RAP) is a Commonwealth Government funded programme designed to generate employment by encouraging local community action to boost business growth and create sustainable jobs. The largest component of RAP is the Community-based Projects, which are developed at the local level in metropolitan, regional and remote Australia. RAP is designed to offer communities the opportunity to address the varying needs of local regions, and to encourage community initiative and innovative ideas.

1.2 RAP commenced on 1 July 1997 and was administered by the then Department of Employment, Education, Training and Youth Affairs (DEETYA), and consisted of programmes previously reported under Regional and Employer Assistance, Enterprise Based Measures and Industry Assistance. In 1999, employment responsibilities were transferred from DEETYA to the Department of Employment, Workplace Relations and Small Business (DEWRSB).³ In 1999, RAP was amended to focus on employment generation in the regions. In December 2001, responsibility for RAP was transferred from DEWR to the Department of Transport and Regional Services (DOTARS).

1.3 The department administers RAP through Area Consultative Committees (ACCs). ACCs endorse Community-based Projects, which are then assessed by the department's state offices. The decision to approve a project for RAP funding is made by a delegate in the department's national office. After the decision is made, national office advises the Minister, who then announces the successful projects.

Area Consultative Committees

1.4 There are 56 ACCs across Australia; serving metropolitan, regional, rural and remote areas of all states and territories. ACCs act as a communication channel between government, business and the community as well as providing a vehicle for the government to communicate information on policies and programmes to business and the community. ACCs also provide a community

³ DEWRSB's name changed in November 2001 to Department of Employment and Workplace Relations (DEWR).

voice to Government and the department, providing advice and feedback on community needs and service requirements.

1.5 ACCs have additional functions to generating and endorsing projects under RAP. ACCs were introduced in 1994 as part of a strategy to improve the responsiveness of the Commonwealth Employment Service to local employers, to improve links with regional development and to rationalise existing consultative processes. In 1998–99, the role of ACCs expanded to support government training and employment policies, and to complement the new employment services market (Job Network).

1.6 To guide its local-level activities, each ACC brings community stakeholders together to identify opportunities, priorities and growth strategies for the region. This community consultation enables each ACC to develop a three-year strategic plan for its region.

1.7 Membership of an ACC is voluntary and unpaid. The Secretary of the department appoints a leading member of the community to act as chair of the ACC. The chair and members of an ACC are drawn from the community, local business and government. The ACC chair oversees the development of the strategic directions of the ACC and is responsible for the ongoing operations of the committee. Often, the chair establishes sub-committees to enable the ACC to better serve the diverse needs of the region.

1.8 Although ACC members are not paid for their services, each ACC receives annual operational funding from the Government. These funds are provided under a contract between the ACC and the Commonwealth.

1.9 The role of ACCs in relation to RAP is to:

- promote RAP;
- encourage and seek suitable proposals from the community for funding under RAP; and
- provide advice to proponents on submission writing, required information, programmed processes, departmental requirements and funding rounds.

1.10 More detailed information on the role and functions of ACCs is at Appendix 1.

Structure of RAP

1.11 The RAP appropriation consists of the following elements:

- Community-based Projects. Community-based Projects are projects developed at the local level to further the RAP objective, and are the largest component of RAP.
- Business Incubators.⁴ Business Incubators are designed to assist new and growing businesses to become established and profitable, by providing premises, advice, services and other support.
- Indigenous Small Business Fund.⁵ The objective of the Indigenous Small Business Fund is to foster the development of businesses owned, operated and managed by indigenous people, and to promote sustained indigenous employment opportunities.
- Projects of National Significance. These projects respond to special situations, such as local economic crises or natural disasters.

1.12 The focus of this audit was on Community-based Projects and Projects of National Significance.

Dairy RAP

1.13 The Dairy Regional Assistance Programme (Dairy RAP) is a separate programme that commenced on 1 July 2000. Dairy RAP is part of the Dairy Industry Adjustment Package, and is intended to assist dairy-dependent communities following the de-regulation of the dairy industry. As a result, Dairy RAP was not included within the scope of this audit.

Role of the department in Community-based Projects

State office

1.14 The main role of the department's state or territory offices is to make recommendations to the delegate in the national office on whether Community-based Projects should be approved. State and territory office staff are responsible for ensuring high quality RAP proposal assessments.

⁴ Responsibility for managing Business Incubators was transferred to the Departments of Industry, Tourism and Resources as part of the revised Administrative Arrangements Order of 26 November 2002.

⁵ The Indigenous Small Business Fund remained with the Department of Employment and Workplace Relations as part of the revised Administrative Arrangements Order of 26 November 2002.

1.15 State offices provide the key link between national office, the ACCs and the community. Their responsibilities include:

- liaison and support of ACCs and project proponents when developing proposals;
- providing feedback to ACCs identifying issues and/or weaknesses with proposals;
- providing local intelligence and relevant regional background to national office as needed;
- liaison with state and Commonwealth agencies at state level to seek endorsement for the project where appropriate;
- liaison with ACCs and proponents to seek supplementary information where required; and
- recommending or not recommending projects for approval.

1.16 The strength of relationships with the community and the depth of regional knowledge based in state and territory offices are the principal reasons that assessment is undertaken by state and territory office staff. The recommendations of state/territory offices are crucial to the approval process. State and territory offices work with national office case managers providing the specialist knowledge developed prior to submitting the proposal to the delegate for consideration. Much of the state and territory office development work provides the basis for accountability of the decisions made by the delegate.

National office

1.17 National office staff conduct a review of state/territory office project assessments and present them to the delegate for decision. In considering whether to recommend a project for approval, staff must be mindful of:

- ministerial and delegate expectations in relation to programme policy;
- RAP programme guidelines requirements;
- a national perspective about the spread and mix of projects;
- available funds and allocations to ACCs within the overall budget; and
- ACC expectations.

1.18 To inform the delegate's deliberations on projects and to minimise any potential duplication of Commonwealth funding, consultation is undertaken at the national level with other government agencies. To this end, DEWR had developed working agreements and arrangements with other agencies, including: the Department of Education, Science and Training (DEST);

Department of Transport and Regional Services (DOTARS); Agriculture, Fisheries and Forestry Australia (AFFA); Department of Industry, Tourism and Resources (DITR); Department of Family and Community Services (FaCS); Department of Communication, Information Technology and the Arts (DOCITA); Invest Australia and Austrade.

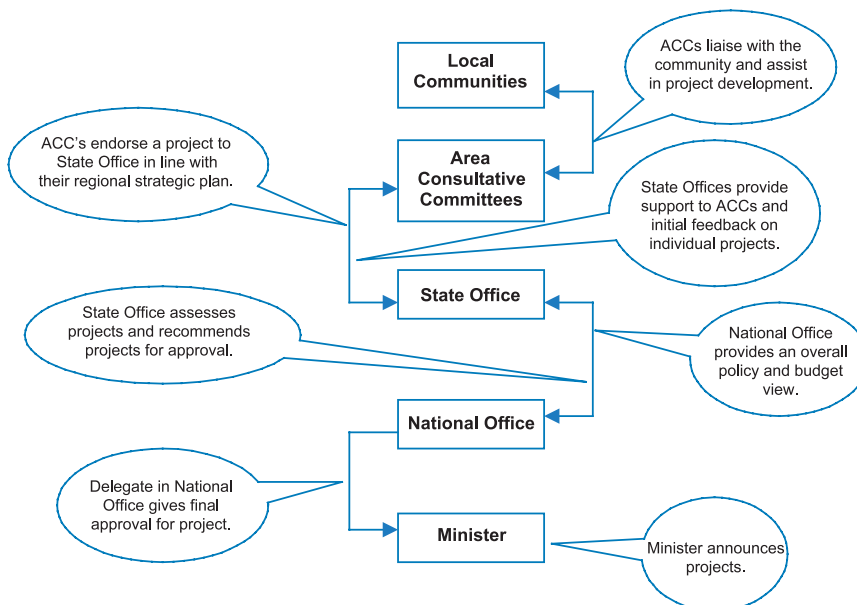
1.19 The ANAO was advised that national office, as a general rule, would not submit projects to the delegate for approval unless national office, and the relevant ACC and state/territory office, consider that the projects have been sufficiently developed and are consistent with the guidelines. Projects submitted to the delegate will not automatically be approved as, under the *Financial Management Act 1997*, the delegate must be satisfied that the recommended applications meet the guidelines and that Commonwealth funds are spent in the most efficient and effective manner. In addition, as funds are limited, not all satisfactory projects are able to be funded.

1.20 After the delegate has made the decision on whether projects should be approved, national office is responsible for forwarding the details of approved projects to the Minister for his information and so that he can announce the projects that have been approved.

Overview of RAP roles for Community-based Projects

Figure 1.1

Community-based Projects stakeholder roles



Source: ANAO Analysis

RAP guidelines and assessment criteria

1.21 ACCs are encouraged to initiate Community-based Project proposals for funding under RAP in the following areas:

- sustainable job growth;
- ongoing regional benefits supported by evidence of sustainability through alternative funding sources; and
- demonstrated commitment from other funding sources, such as local government or private businesses, to prove community commitment and increase the chance of long-term success.

1.22 Project proposals must demonstrate:

- a clear path to job outcomes; and/or
- ongoing economic or regional benefit.

1.23 Proposals could include:

- small business support and development projects;
- projects aimed at diversifying the economic base of a region, through generating new business, industry, investment or tourism activities;
- projects that support infrastructure development in local communities;
- regional skills surveys and industry profiles with clearly stated employment generation outcomes;
- projects that identify skill gaps and ways to improve links between schools, training providers and industry; and
- projects specifically addressing the employment needs of and opportunities for disadvantaged groups.

Funding

1.24 The Government made available \$54.7 million for RAP in the 2000–01 budget, and \$53 million in 2001–02. Figure 1.2 shows the components of RAP funding.

Figure 1.2
RAP Funding

	Budget Estimate 1999–00 \$m	Actual 1999–00 \$m	Budget Estimate 2000–01 ⁶ \$m	Actual 2000–01 \$m	Budget Estimate 2001–02 \$m
Community-based Projects	18.80 ⁷	23.82	22.70 ⁸	17.75	10.51
Projects of National Significance	5.00 ⁷	16.49	4.82	1.53	2.00
Business Incubators⁹	5.00 ⁷	1.53	5.00 ¹⁰	4.31	5.00
Indigenous Small Business Fund⁹	2.00 ⁷	0.17	2.17	1.14	2.00
Regional Solutions	-	-	5.00	5.00	10.00
Dairy RAP	<i>Commenced 1 July 2000</i>		15.00	7.25	23.50
RAP (less ACCs)	30.80	42.01	54.69	36.98	53.01¹¹
ACCs	10.00	10.00	16.00	24.62	16.23

Source: DEWRSB Annual Reports and Portfolio Budget Statements.

Audit objective, criteria, scope and focus

1.25 The objective of the audit was to determine whether:

- funding was being allocated in accordance with policy guidelines, and
- the department was managing RAP contracts to ensure that desired outcomes are achieved.

1.26 The ANAO examined the administrative processes that the department has in place to support the administration of RAP. Particular aspects of the Programme examined were whether:

- RAP funding is being effectively targeted and is aligned with Programme objectives;
- RAP project selection processes are conducted in accordance with Programme objectives and guidelines;

⁶ Includes adjustments from Additional Estimates October 2000.

⁷ Source: Attachment C of Brief to Minister of 8 October 1999.

⁸ This figure was later revised to \$18.7 million.

⁹ Business Incubators and the Indigenous Small Business Fund were not included in the scope of this audit.

¹⁰ Source: DEWRSB Annual Report 2000–2001.

¹¹ Source: Portfolio Budget Statements 2001–2002.

- RAP performance information is timely and relevant for measuring outcomes against objectives;
- the department has a contract management framework in place that is underpinned by appropriate guidelines and procedures;
- communication and liaison arrangements between national office, state offices, ACCs and other stakeholders are effective; and
- the department is monitoring both compliance and performance aspects of RAP projects against contractual obligations.

1.27 The following matters were not included within the scope of the audit:

- Dairy RAP;
- the Indigenous Small Business Fund;
- Business Incubators; and
- the administrative operation of individual ACCs.

Audit Methodology

1.28 The audit approach included interviews with staff in DEWRSB and the examination and analysis of records. The audit team conducted visits to three DEWRSB state offices (Perth, Sydney and Melbourne) and two district offices (Brisbane and Bendigo). The audit team:

- interviewed staff responsible for managing and implementing the Programme including senior executive and administrative staff in the national office (Canberra) and personnel, such as Programme Managers in state and national offices;
- analysed relevant documentation such as guidelines; planning documents, and contracts; and
- examined a representative sample of project applications, including an assessment of the management and operation of projects against the guidelines, conditions and procedural requirements established by the department.

1.29 In order to obtain a broad understanding of the Programme, interstate fieldwork included visits to ACCs in Western Australia, New South Wales, Victoria and Queensland. Additionally, telephone interviews were conducted with ACCs in remote and regional Australia. In total, the ANAO interviewed personnel from 13 ACCs, including Tasmanian and Northern Territory ACCs.

2. RAP Funding

This chapter discusses whether RAP funding for Community-based Projects is being effectively targeted and is aligned with programme objectives.

Budget estimate

2.1 The department's original budget estimate for 2000–01 expenditure on RAP Community-based Projects was \$22.7 million. The budget was made up of approximately \$11 million for existing projects whose funding had been committed in previous years but which would not be complete by the start of 2000–2001, with the remainder available for new projects to start in 2000–2001.

2.2 The department advised the ANAO that based on previous experience, usually only 60 per cent of the funds available will be spent in the year the project is approved. The department was able to advise ACCs that projects to the value of \$18.7 million could be submitted for funding approval in 2000–2001.

2.3 This \$18.7 million was divided between the 56 Area Consultative Committees (ACCs) to provide notional allocations for each ACC, using a formula that takes account of whether the ACC is classified as either metropolitan, regional/rural or remote, and the level of unemployment in the ACC region. Notional allocations provide ACCs with an indication of a suitable level of RAP project activity for their region.

Notional allocations for Community-based Projects

2.4 The \$18.7 million for RAP Community-based Projects was notionally allocated to ACCs using a funding model approved by the Minister. The notional allocation is indicative only, and is intended to be a guide to the distribution of RAP funds between ACCs. It is possible for an ACC to receive funding for projects which is greater than the notional allocation.

2.5 The funding model deliberately biases the notional allocation toward remote and regional/rural ACCs compared with metropolitan ACCs, recognising that:

- employment growth in metropolitan labour markets is more self-generating than in regional/rural and remote areas, and
- projects in remote areas incur higher costs because of distance from major regional/metropolitan centres and (generally) geographic size.

2.6 The allocation under the funding model also takes account of the disparate levels of unemployment across ACCs. The higher the number of unemployed in the area, the higher the allocation.

2.7 The 2000–01 model operated on a base allocation of \$140 000 for metropolitan ACCs, \$180 000 for regional/rural ACCs and \$200 000 for remote ACCs. Due to amalgamations of some metropolitan ACCs, and there being only one ACC in two states and territories, the following further adjustments to the base allocations were made:

- Sydney received four times the base metropolitan allocation;
- Brisbane, Adelaide and Perth received twice the base allocation;
- Tasmania received a base allocation for metropolitan, regional/rural and remote; and
- Northern Territory received a base allocation for regional/rural and remote.

2.8 Total base allocations amounted to \$11.2 million. Supplements were then added to the base allocation for all ACCs, pro-rated to the number of unemployed within the region. The supplementation amount was calculated to achieve a total allocation of \$18.7 million (including GST). This model resulted in some ACCs receiving a higher allocation than that in the previous year and some receiving a lower allocation.

Actual allocations compared to notional allocations

2.9 Appendix 2 provides a detailed summary of notional allocations for each ACC and the actual value of projects approved during 2000–01.

2.10 In the past three years there has been some degree of variation between the allocation and distribution of RAP funding as follows:

- In 1998–99, not all the funding earmarked for Community-based Projects was distributed. The department advised that the primary reason for this was that not enough applications of a sufficient quality were received.
- In 1999–2000, amounts approved for Community-based Projects exceeded the allocated funding.
- In 2000–01, amounts approved were slightly less than the allocation.

2.11 There was also a degree of variation between the notional allocation for an ACC and the approval of funding for projects. In 1998–99 some individual ACCs generated projects of a value in excess of their notional allocation. These ACCs had their 1999–00 notional allocation maintained at the 1998–99 level. For the

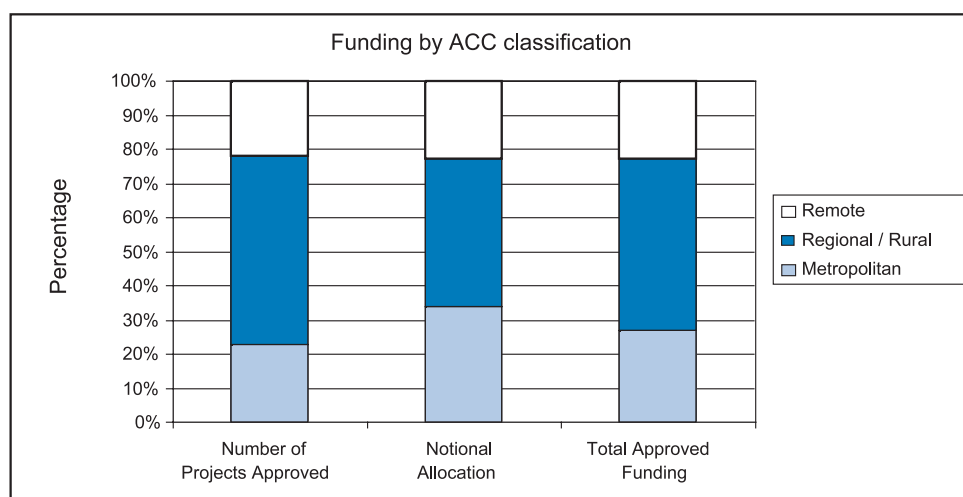
year 2000–01, approximately 46 per cent of ACCs received actual project funding above their notional allocations and 54 per cent below (see Appendix 2).

2.12 Community-based Projects are individually assessed using the RAP selection criteria without consideration of the sponsoring ACC's notional allocation. As the notional allocation is intended as a guide only, exceeding a notional allocation is not viewed by the department as a reason for not approving a project. Because of the provisional nature of notional allocations, the ANAO accepts that there will inevitably be a degree of variation between notional allocations and actual project funding.

2.13 The ANAO considers that, overall, a reasonably balanced outcome was achieved in the actual distribution of funds in 2000–01 to remote, regional and metropolitan areas (see Figure 2.1).

Figure 2.1

Approved Projects and Funding Totals 2000–01



Source: Data provided by the then DEWRSB.

Difficulties in obtaining project approval

2.14 Of the 14 ACCs classified as remote, three did not have any projects approved during 2000–01, as few or no applications for project funding were received.

2.15 The reasons for the lack of project applications vary from region to region, and although there is no single significant explanation, several themes emerged, with the two main ones cited by some ACCs as being:

- difficulties in generating co-funding; and
- lack of skills for developing suitable projects and writing applications in some communities.

Co-funding

2.16 The *Guide for ACCs and Project Proponents* states, as a general principle, that

... preference will be given to project proposals demonstrating a partnership approach involving financial and other support particularly from the private sector but also from state/territory or local government, the local community or other sources. Industry focused projects should include partnership contributions from the relevant industry;

and

... proposals of \$30 000 or more should have significant contributions from other sources.

2.17 Co-funding is considered to be an important indicator of on-going community support and commitment to a project. Co-funding also provides evidence of a link between the project and the community, which can indicate a greater chance of long-term success and sustainability for the project.

2.18 However, large geographical areas, remoteness, and small population bases can inhibit the development of synergies and partnerships, and can act as a deterrent to project proponents. To compensate for this, the department is flexible in relation to co-funding requirements, and considers a range of factors, including geographic locations and the relative capacities of communities to provide contributory funding, when assessing project applications.

2.19 During 2000–01, at least eight projects were approved with no cash co-funding. Four of these projects were classified as in remote ACCs, two in regional/rural and two in metropolitan regions. Seven of the projects had in-kind co-funding, where local government or businesses provided non-cash contributions. The project which had neither cash nor in-kind co-funding was geographically remote, had difficulties in obtaining co-funding, and was relatively low-cost.

2.20 In addition, state offices provide an analysis as part of their assessment to national office when communities have had difficulty in satisfying the co-funding requirements. State office staff also develop networks with relevant organisations within the State to source co-funding contributions where possible.

2.21 The ANAO suggests that DOTARS provides further clarification in the *Guide for ACCs and Project Proponents* in relation to the co-funding requirements. In particular, it is suggested that there be a statement that regional circumstances and economic factors will be taken into consideration when assessing co-funding for projects over \$30 000, so that potential applicants are not deterred from applying if they anticipate difficulties in generating co-funding. Clarification of what constitutes 'significant contributions' may also assist applicants.

Lack of skills

2.22 In some regions, there is a lack of people with the necessary skills for developing suitable projects and writing applications. The ANAO found that the department has some measures in place to address skills deficiencies where necessary.

2.23 ACCs can assist proponents with developing applications and in supplying relevant regional information and context. For example, they may provide details of particular disadvantage where proponents are not sufficiently skilled in grant submission writing. In addition, departmental staff assist proponents in developing projects where required. The department's approach is generally not to reject projects but to work with proponents to get proposals to an appropriate standard so they can be resubmitted and potentially approved.

Conclusion

2.24 The department allocated funds, available for RAP Community-based Projects, in 2000–01 between ACCs on a notional, or indicative, basis using a funding model approved by the then Minister. The notional allocations allowed the ACCs to plan and prioritise potential RAP projects and operated as a guide for the department to assist in the balanced distribution of RAP funds. The ANAO considers that, overall, a reasonably balanced outcome was achieved in the actual distribution of funding for 2000–01 across remote, regional and metropolitan areas.

2.25 Three of the fourteen ACCs classified as 'remote' did not have any projects approved during 2000–01. The two main reasons cited by ACCs for this were the lack of applications because of difficulties in generating co-funding¹² in remote areas, and a lack of community expertise in developing projects and writing applications. The ANAO found that the department had measures in place to address these limitations, although further clarification of the flexibility in co-funding requirements would assist potential project proponents.

¹² As a general principle, preference is given to projects which show a partnership approach through co-funding from additional sources. These sources may include the private sector, local government or the local community.

3. Project Assessment and Approval Process

This chapter comments on whether the assessment and approval process for RAP Community-based Projects is conducted in accordance with programme objectives and guidelines. It also includes comments on the Projects of National Significance component of RAP.

Introduction

3.1 A transparent and systematic assessment process against pre-determined objectives and criteria assists in informing decisions and enhances confidence in the process and programme outcomes for both programme stakeholders and the public.

3.2 The fundamental purpose of the RAP is to generate employment in metropolitan, regional and remote Australia by encouraging local community action to boost business growth and create sustainable jobs. It provides seed funding for innovative, quality projects of value to the community.

3.3 Prior to April 1999, projects submitted for funding were assessed and approved at state office level. This was a continuous process and projects could be submitted at any time. From April 1999, the delegation for approval of projects was transferred to national office. The new process meant that applications were assessed at the state office level and recommendations were forwarded to national office for consideration for funding by the delegate. At the same time, continuous assessment was replaced with regular assessment rounds.

3.4 The transfer of the delegation to national office, and regular assessment rounds, were introduced for a variety of reasons. Continuous assessment of projects by state offices had resulted in entrenched problems with:

- under-expenditure across the programme;
- persistent end of financial year peaks;
- lack of objectivity due to the triple role of states with project development, assessment and approval;
- blurring of roles between ACCs and state offices;
- low profile of RAP;
- continual project assessment detracting from contract management functions; and
- lack of centralised programme reporting and record-keeping.

3.5 Final approval by national office and regular assessment rounds were introduced to address these issues, and to increase certainty for the department and ACCs in programme planning, expenditure and promotion.

Assessment and approval process for Community-based Projects

3.6 A flow chart of the assessment and approval process is shown at Figure 3.1. The roles of key players in the assessment and approval process are:

- ACCs:
 - network within their local communities, encouraging citizens to develop and submit project applications;
 - provide the proponent with the assistance needed to develop their project in accordance with RAP guidelines and ACC strategic regional plan; and
 - prioritise project applications and forward with a written endorsement to state office for funding.
- State offices:
 - assess the project for compliance with RAP guidelines and selection criteria;
 - take into account local issues and needs;
 - if necessary, meet with the proponent and ACC to discuss further development of the project application, prior to submitting to national office; and
 - provide a written recommendation to approve or not approve, to national office.
- National office:
 - considers any Ministerial or Government priorities for regional development and employment generation;
 - consults with other government agencies to minimise any potential duplication of Commonwealth funding;
 - assesses the projects viability and suitability for funding under RAP; and
 - enables the delegate to approve the project for funding or return it to the proponent for further improvement.

3.7 Once funding has been approved, the delegate provides a list of approved projects to the Minister. The department advised that the Minister is not involved in the decisions involving project approval, but is subsequently briefed on the approved projects.

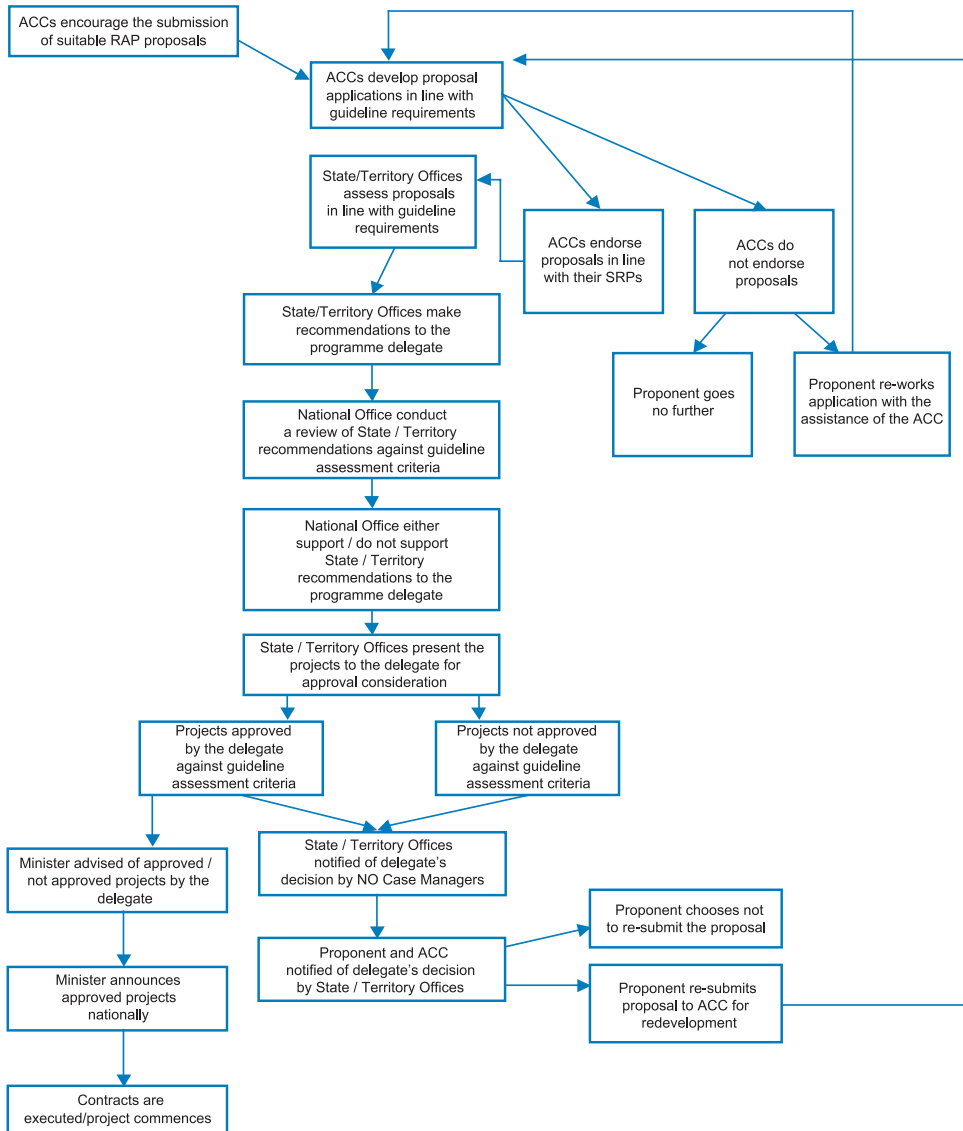
3.8 Successful projects are announced by the Minister, in conjunction with other relevant Ministers where appropriate. The Minister advises ACCs of successful projects in their region. Local Members are also notified through the Minister's office.

3.9 The department's state office then contacts the successful proponent and begins to develop a contract relevant to the needs of that project, having regard to assessed risks, programme and departmental policy. State offices are also responsible for contract management. State offices also notify unsuccessful proponents and provide feedback on the reasons for non-approval of projects.

Types of projects approved

3.10 RAP has funded a wide range of projects over the last two years. Some common themes in the types of projects funded include agribusiness, tourism, indigenous, business plans and business research, feasibility studies and skills audits, industry diversification and infrastructure.

Figure 3.1
Assessment and approval process



Source: DEWR

Communication

3.11 Communication between state and district offices and national office flows quite freely, and is generally open and effective. There are regular teleconferences and meetings involving senior staff to discuss issues and matters relevant to the programme.

3.12 In the main, relationships between proponents, ACCs and the department were also found to be open and productive. ACCs and state/ district offices felt that they shared an understanding of what type of project would be of most benefit to their regions. In a number of states, prior to a project being submitted to national office for approval, round table discussions were conducted to ensure that all those involved in developing the proposal had a common understanding. There is a high degree of goodwill on the part of most participants and the department states that it has made a concerted effort to be open and responsive in its dealings with programme stakeholders.

3.13 However, the ANAO considers that communication with stakeholders could be improved in relation to the:

- application of the selection criteria; and
- feedback to unsuccessful proponents.

Application of the selection criteria

Guidance available to ACCs and Project Proponents

3.14 The *Guide for Area Consultative Committees and Project Proponents* states, in its section on guidelines for ACCs that project proposals must demonstrate a clear path to job outcomes, and/or an ongoing economic or regional benefit. The Guide also states that all project proposals will be assessed against the RAP general principles and the following assessment criteria:

1. *Significance and benefit to the local community.*
Projects must be able to demonstrate how they will make a positive difference to the local community. Preference will be given to projects that demonstrate a capacity to provide on going employment, economic or regional benefits.
2. *Sustainable outcomes.*
Support is principally available for projects with practical outcomes that generate sustainable jobs and growth in regions.
3. *The project must demonstrate a clear path to job outcomes and/or an ongoing economic or regional benefit.*
Outcomes must be clearly articulated and supported with a statement of evidence as to how this will be achieved, including relevant stages and any links to other initiatives.
4. *Pathways for the ongoing responsibility or carriage of project outcomes beyond the RAP funding must be established up front and articulated as part of the proposal.*

5. *Good management.*

6. *Partnerships in funding.*

Preference will be given to proposals that contain financial and other support from State/Territory or local government, the private sector, the local community or other sources.

3.15 The Guide does not specify which of the criteria are considered to be the most important, although criteria 1, 3 and 4 are expressed as mandatory requirements which the project 'must' have. However, the department has advised that it considers the two component parts of the third criterion to be the most important elements in assessing a project proposal.

3.16 The ANAO considers that it is better practice for the department to not only set out the appraisal criteria to be used, but also to make clear the relative importance of the criteria. As discussed in paragraph 3.23, determining the relative importance of the criteria is important where applications exceed available funding, and the department is required to assess the relative worth of project applications.

3.17 In addition, some ACCs expressed concern that the relative importance attached to the two elements of the third criterion (clear path to job outcomes and/or ongoing economic or regional benefit) is unclear to stakeholders.

3.18 The department advised that it has purposely not weighted these two fundamental requirements, in keeping with the flexible nature of the programme, to avoid inhibiting innovative projects and to discourage unrealistic estimates of job outcomes and regional benefits.

Role of ACC in developing projects

3.19 In selecting and endorsing projects for funding under RAP, ACCs are expected to have advised and guided proponents on the development of their applications to ensure consistency with the programme objectives. This includes providing relevant regional background, realistic estimates of job outcomes, sufficient rationale for the project, a partnership approach as required and a clear path to sustainability.

Assessment of projects

3.20 In assessing projects, the department's national office uses an assessment proforma to appraise a project and, if warranted, to submit a project to the delegate for approval. The proforma provides a mechanism to ensure that applications are assessed against the same key criteria across Australia. It also provides a facility for recording the information necessary for the delegate to make a decision

based on the selection criteria and guidelines. It allows for consistent information to be collected on each proposal which can then be entered into the department's Regional Assistance Management Information System.

3.21 The proforma used by the department reflects the six programme assessment criteria set out in the *Guide to ACCs and Project Proponents*. However the proforma does not explicitly assign a greater weight to the third criterion, although as indicated earlier the department considers that this criterion is the most important.

3.22 The ANAO examined 164 selected project applications and found that the projects were assessed against the published assessment criteria. Although one criterion was given more weight in the assessment than the others, the assessment was in accordance with the programme objective, namely to generate employment by encouraging local community action to boost business growth and promote sustainable jobs.

3.23 The ANAO considers it would be better practice to clarify the relative importance of criteria or considerations taken into account in deciding the relative worth of applications. The department has advised that RAP is a competitive, submission-based programme, which has limited funding, and as a result there is no guarantee that all projects that are deemed suitable against programme guidelines will be funded. Clarifying the relative importance of criteria would address the risk which exists when the department receives more applications than the funding available, and therefore relative merits have to be determined for project approval. These should be advised to applicants to ensure transparency of process and to ensure greater efficiency by avoiding the submission of incomplete or unsuitable applications.

Recommendation No.1

3.24 The ANAO recommends that DOTARS makes clear, in guidelines to potential applicants, the assessment criteria and their relative importance as a basis for evaluating applications.

Agency response

3.25 Agreed with qualification.

3.26 The guide for RAP applicants clearly spells out the criteria against which all applications will be assessed.

3.27 One size does not fit all and care needs to be taken in indicating the relative importance of the assessment criteria as this could lead to a distorted outcome. It is important that there is sufficient flexibility to allow the program to take account of the needs and circumstances in regional and remote locations.

3.28 However, consideration will be given to the order of the assessment criteria when the RAP guidelines are reissued. The department will continue to advise unsuccessful applicants in writing of the reasons for the decision, detailed against the assessment criteria.

Perceptions of policy changes

3.29 Programme guidelines identify the types of projects that can be funded, and the department advised that the guidelines are deliberately flexible to enable innovative projects to be funded. On occasions, the department has provided additional advice to stakeholders in relation to the types of projects that can be funded. For example there have been papers developed by the department to cover issues such as infrastructure projects, which was a new inclusion under RAP in 1999. The *Guide* was amended to reflect this policy change.

3.30 However, some stakeholders have stated that ‘the goal posts keep changing’ and ‘we never know the flavour of the month.’ These comments may be due to a lack of awareness on the part of stakeholders of some of the considerations made at the national level.

3.31 At a national level, as well as ranking projects according to how well they meet the selection criteria, approval considerations take account of specific issues not focussed on at a state office level. These include national priorities, national coordination comments, the spread and mix of projects nationally and the balance of project funding across regions. The department advised that the role of the delegate is to take all relevant factors into account in making a decision on expenditure of Commonwealth funds, including national policy issues.

3.32 These considerations may result in a state office recommendation being overturned by the delegate at national office. In 2000–01, only 15 of the 297 cases recommended by a state office were not approved by the delegate in national office.

3.33 The ANAO considers that the department should communicate to stakeholders any approval considerations which are additional to those outlined in programme guidelines, and which may influence the way the assessment criteria are applied.

Feedback mechanisms to unsuccessful proponents

3.34 In addition to a lack of visibility of national considerations to project proponents, the feedback given to unsuccessful proponents is not always sufficiently detailed to convey the level of assessment given to the project.

3.35 The department has the following mechanisms in place to advise proponents that their applications have not been successful:

- national office provides state offices with feedback on projects that are not approved by the delegate;
- the department liaises with ACCs and project proponents to provide feedback and discuss possible redevelopment of proposals; and
- state offices write to proponents and may provide further advice and encourage re-working of a project proposal if appropriate.

3.36 At a local level, state offices and ACCs have agreed to share this role in different ways.

3.37 The ANAO found that on some occasions, feedback on why projects were not approved was not satisfactory. Although the assessment process involved consideration of the project against the full range of criteria, this level of consideration was not always reflected in the feedback given to project proponents. There were numerous instances where the reason provided by the department for why a project was rejected was that the project 'did not meet the criteria' or was 'not value for money'. Applicants invest significant time and effort in project applications and should receive meaningful feedback against the assessment criteria.

3.38 The department has advised the ANAO that it has put measures in place which have improved the quality of the feedback provided to proponents, including:

- state offices holding discussions with the delegate to gain a greater understanding of the reasons for not approving projects; and
- national office drafting reasons for non-approved projects in consultation with state offices.

3.39 However, the ANAO considers that the procedure for providing feedback to project proponents should be formalised and that minimum standards for feedback be documented in the *Guide for Area Consultative Committees and Project Proponents*. This would ensure that stakeholders have a better understanding of the standards of feedback that can be expected in relation to those projects not approved.

Recommendation No.2

3.40 The ANAO recommends that DOTARS, in conjunction with ACCs, develops and documents minimum standards for providing feedback on projects that are not approved.

Agency response

3.41 Agreed.

3.42 This has been in place for some time. Since the last approval round in 2000–2001, the department has introduced new standards for providing feedback on projects that are not approved. Proponents of the projects that are not approved in writing receive advice in writing of the reasons that their proposal did not succeed. Advice is provided against each of the assessment criteria that the application did not satisfy.

3.43 When the RAP guidelines are reissued, consideration will be given to including a statement to the effect that unsuccessful applicants will be advised in writing of the reasons for the decision, detailed against the assessment criteria.

Delegation for Community-based Projects

3.44 Within DEWR, the Secretary, the Group Manager Community Business Support, and the Assistant Secretary Regional Programmes Branch held the delegation for approving Community-based Projects. These delegates approved all Community-based Projects. As outlined earlier, the assessment process is intensive, normally involving two different layers of assessment within the department.

3.45 Currently, all projects are subject to the same formal assessment process regardless of the size of the project. However, there are differences in approach to certain aspects of projects depending on the size; for example the assessment of financial viability, the requirement for co-funding and the level of analysis of the project. Although applications for a \$10 000 project or a \$300 000 project are assessed against the RAP assessment guidelines, the department advised that a risk based approach is used so that the intensity of assessment and the degree of scrutiny of applications for applications seeking a low level of funding is nowhere near that used for applications for major projects.

3.46 The issue of delegations has been considered in the past by the department and relevant Ministers. The department has identified potential disadvantages in state offices holding delegations. These include possible inconsistency of approach to project approvals across the department; increased administrative workload in maintaining two separate approval processes, and possible funding duplication.

3.47 The ANAO suggests that DOTARS considers reviewing the level of delegation, to determine whether the current delegations are still appropriate in light of the maturity of the programme.

Frequency of rounds

3.48 Currently projects are assessed in rounds, with dates set by national office. There were three rounds during 2000–01 and four rounds in the previous year. Prior to July 1999, there was a continuous approval process.

3.49 RAP also offers out-of-round approval to accommodate urgent regional requirements and ACC priorities. More than 35 projects have been approved out of round. Generally these projects meet a specific strategic need in a region or provide a quick response to an issue. Out-of-round approvals are often projects that have been resubmitted from previous rounds where they have not met the assessment criteria and have had to be reworked.

3.50 A significant effect of moving to three or four rounds per year is that it creates large peaks and troughs in workloads. There is a risk that day-to-day contract management tasks and monitoring of projects is neglected during assessment periods, because of intensive demands on the department staff time. The ANAO found that state offices varied in their ability to manage workloads.

3.51 Other issues associated with the number of rounds include:

- changing the round dates and /or delays in the notification of round dates can cause significant planning and administrative problems for stakeholders, particularly ACCs;
- in some regions in Australia, round dates across the summer months may be impractical as, during this time, community activities slow down substantially; and
- the turnaround time for assessing and approving projects may be significantly reduced if projects were assessed on a more regular basis than they are at present. This would also reduce the need to submit proposals out of round.

Recommendation No.3

3.52 The ANAO recommends that DOTARS, in conjunction with stakeholders, considers:

- the efficiencies of moving to more frequent assessment rounds; and /or
- establishing regular known cut-off dates for the submission of applications.

Agency response

3.53 Agreed. The department has considered these issues in the past, and is doing so again now.

Projects of National Significance

3.54 The Projects of National Significance component of RAP commenced in 1998–99. It was formerly known as the National Initiatives and Emergencies component of RAP. Projects of National Significance have a separate notional allocation of approximately \$5 million per year.

3.55 Projects are approved on a case-by-case basis, depending on the project either by the Minister or the Cabinet, in response to situations such as local economic crises, natural disasters or projects which are of national significance. The department provides advice to the government in relation to such events and issues.

3.56 There are no specific guidelines or assessment criteria for Projects of National Significance. Projects of National Significance are not covered by the same objectives or guidelines as the community-based element of RAP. The department's Administrative Handbook for RAP states that the guiding principles of RAP will apply to Projects of National Significance. However, these projects do not go through the same layers of assessment used in relation to Community-based Projects, with decisions made by either the Minister or the Cabinet.

Projects approved

3.57 Four projects have been approved under the Projects of National Significance category since its inception. Some details are provided in Table 3.1.

Table 3.1

Name of project	Amount from budgeted RAP funds	Amount provided from other sources	Purpose of funding
Oakdale Colliery	\$30,500	-	Skills training for retrenched workers.
Cyclone Rosita	\$25,525	-	Post-cyclone advertising campaign.
Visy Industries	\$5,000,000	\$11,500,000 [#]	Skills training and infrastructure.
National Textiles	\$1,835,000	\$2,165,000 ^{**}	Payment of employee entitlements.
National Textiles – Retraining	\$416,996* (reimbursed)		Skills training.

From Infrastructure Borrowings Tax Offset Scheme.
* \$2 000 000 from RAP was originally allocated for retraining on the understanding that this money would be reimbursed by the Department of Industry Science and Resources (DISR) when the full costs of the training were known. On 27 November 2001, DEWR received \$416 996 from DISR as reimbursement for funds paid through RAP for retraining of former National Textiles employees.
** \$165 000 was drawn from the Federal Government's Employee Entitlements Support Scheme. The NSW government also contributed \$2 000 000

Assessment process

3.58 The Projects of National Significance component of the programme is intended to assist with a diverse range of situations (local economic crises, natural disasters or projects which are of national significance), making it difficult to define assessment criteria tightly.

3.59 In each of the projects funded under the programme, the Minister or Cabinet set out supporting reasons. The strength of the linkage between the reasons given and the guiding principles of RAP, which are intended to guide decisions, varies among the projects. For instance, the Visy proposal was supported by cost-benefit studies which linked directly to programme purposes; on the other hand, the support for National Textiles, largely in the form of payments for employee entitlements, which in the view of the ANAO, did not link as closely.

3.60 The variation in projects and linkage to the programme objectives may be explained by the nature of this component of the programme. However, the greater the rigour that can be applied to project assessments, and the closer the link between projects and the purpose of the programme, the more confidence Government, Parliament and the general community are likely to have that the greatest benefit will be obtained from the expenditure of the public funds involved. The ANAO has reported¹³ previously on the tensions that can sometimes arise in government decision-making and the importance of transparent and systematic approach to the delivery of sound and equitable outcomes.

Conclusion

3.61 The ANAO found that, in general, Community-based Projects were assessed against the published assessment criteria. However, the ANAO considers it would be better practice to clarify transparently the relative importance of any criteria and any other considerations taken into account in deciding the relative worth of applications.

3.62 There is one component of RAP, Projects of National Significance, where projects are approved by the Minister or the Cabinet. The ANAO suggests that in the interest of consistent decision-making and public accountability, further attention be given to documenting the reasons for decisions in approving particular Projects of National Significance. The assessment process should be sufficiently rigorous to provide reasonable assurance that the projects selected are consistent with the guiding principles of RAP.

¹³ Auditor-General Report No.11, *Administration of the Federation Fund Programme*, (2001–2002).

3.63 In the main, communication and relationships between proponents, ACCs and the department were found to be open and productive, with a high degree of goodwill on the part of most participants. ACCs and state/ district offices felt that they shared an understanding of what type of project would be of most benefit to their regions.

3.64 However, the ANAO found that in some cases ACCs and project proponents felt that the reasons provided as to why certain projects were not approved were not adequate. The ANAO considers that communication with stakeholders should be improved in further explaining the application of the selection criteria used for assessing projects, and in providing feedback to unsuccessful proponents. In particular, the ANAO considers that the department should fully communicate to stakeholders any approval considerations that are additional to those outlined in programme guidelines, and which may influence the way the assessment criteria are applied.

4. Performance Information and Programme Evaluation

This chapter examines the performance information framework that the department has established to monitor Programme performance. This includes longer term evaluations that are necessary to make an overall assessment of the effectiveness of the Programme.

Introduction

4.1 Performance information provides the basis for internal management and reporting and decision-making, and the means by which external accountability is achieved. This includes longer term evaluations, which allow the department to make an overall assessment of the effectiveness of RAP.

4.2 The ANAO examined the RAP's performance information to date to determine whether in related to the objectives and strategies of the Programme, and whether performance indicators were measurable and appropriately reported.

Programme evaluation¹⁴

4.3 Programme evaluation is a systematic, objective assessment of the appropriateness, effectiveness and efficiency of a programme. Evaluations and on-going performance monitoring and review are complementary tools for managing programme performance.

4.4 Agency management of performance information, measurement, evaluation and reporting is guided by a set of good practice principles. A consolidated form of these Performance Management Principles can be found in Appendix 3.

4.5 RAP has been subject to two reviews recently, and a two-phase evaluation process for RAP projects is being proposed. The department has advised that RAP is scheduled for program evaluation in 2002–03.

A review of Area Consultative Committees and the Regional Assistance Programme

4.6 In November 1997, the Minister asked the Parliamentary Advisory Committee on Area Consultative Committees to review ACCs and RAP. The Committee was asked to consider how these two initiatives could be refocused to better support government policy, particularly in regional Australia, and to

¹⁴ *Doing Evaluations, A practical guide*, Department of Finance, Commonwealth of Australia, 1994.

ensure ACC activities and RAP projects lead to improved job and training opportunities.¹⁵

4.7 The Committee made its report in January 1998. The report focussed on the role of the ACCs, but also made recommendations relating to the role of the department. Since the report the RAP and the role of the ACCs have undergone significant changes.

A study of Regional Assistance Programme projects

4.8 In 2000, the Taverner Research Company prepared a report for the department. The report analysed a representative sample of RAP projects that were carried out prior to 1999.¹⁶ The study assessed projects in terms of:

- job outcomes;
- business growth; and
- regional and economic benefits.

4.9 The Taverner report was qualitative in nature, relying on telephone interviews with departmental staff, ACCs and proponents of the sampled projects. The report stated that it was difficult to make an objective assessment of the projects, and recommended establishing measurable objectives.

A proposed two- phase evaluation process for RAP projects

4.10 In addition to these two reviews, a two-stage evaluation process for RAP projects has been developed. Stage one is an evaluation of projects four weeks after completion, and stage two is an evaluation of projects six to 12 months after completion.

4.11 Stage one of the evaluation is intended to measure:¹⁷

- the job outcomes achieved by RAP projects—a comparison between actual and expected number of jobs created by the project and, where possible, the sustainability of employment;
- the economic and regional impact of projects—based on an examination of the expected impact of the project on the local region and drawing on the ACC's perception of the actual impact of the project;

¹⁵ *A Partnership for Regional Prosperity: Strengthening Area Consultative Committees*, A Report to the Hon David Kemp MP, Minister for Employment, Education, Training and Youth Affairs.

¹⁶ *A Study of Regional Assistance Programme Projects*, A report on interviews with the key stakeholders of 83 RAP funded projects.

¹⁷ Strategy for the Evaluation of the Regional Assistance Programme.

- the effect of RAP on business growth;
- for relevant projects, training and skills development of RAP participants and links to job outcomes; and
- funding of RAP projects, focussing on the extent to which projects access non-RAP funds, for example from community organisations, local or state government or the private sector, for their operation.

4.12 Stage two of the evaluation is intended to measure:

- the community benefits of RAP projects, as evidenced by increased community awareness of RAP, and its functions, the significance of the project in the local community and the project's impact on local business;
- the role of the ACCs in the operation of RAP; and
- the sustainability of both the employment and economic outcomes of RAP projects.

4.13 The department, in conjunction with ACCs, piloted stage one in the States in October 2000. The pilot used a sample of projects funded and completed after 1 July 1999.

Evaluation findings

Evaluation planning

4.14 The ANAO found that, although the department has a plan to evaluate individual projects, it has not developed an evaluation plan for evaluating the performance of RAP as a whole. The department is aware that more work needs to be undertaken in relation to this area of programme administration and, prior to the transfer of responsibility for RAP to DOTARS, was in the process of establishing a Regional Improvements Business Working Party and a Monitoring and Evaluation Working Group. The Working Group was to comprise state and national office representatives, and map out an evaluation plan for the programme to be implemented next financial year.

Proposed evaluation process

The proposed two-stage evaluation process does not have clear links from the evaluation of the individual projects to the overall objective of the RAP. The criteria to measure the indicators have not been defined. Although the indicators are ostensibly quantitative in nature, there is considerable difficulty in precisely measuring the indicators, and in particular the level to which any changes can

be attributed to the project. These difficulties have been recognised by the department, and the tiered nature of the process is intended to measure both the immediate outcomes and the sustainability of the project.

Performance Information¹⁸

4.16 Evaluations and ongoing monitoring of program performance rely on accurate and reliable performance information.

4.17 Performance information is evidence about programme performance. Its purpose is to assist stakeholders to draw well-informed conclusions about programme performance and to allow programme managers to determine whether resources are being directed towards the achievement of the programme objectives in the most efficient and effective manner.

4.18 Good performance information is based on both qualitative and quantitative data, and is targeted specifically towards the achievement of the objective.¹⁹ On-going collection, monitoring and review of information is necessary to accurately report on a programme's performance.

Performance information for RAP

4.19 In order to form an opinion on the adequacy of the RAP performance information, the ANAO:

- assessed the performance information for RAP, as set out in the department's 1999–2000 and 2000–2001 Annual Reports and Portfolio Budget Statements 2001–2002,²⁰ against better practice principles;
- interviewed staff at national office;
- interviewed state office staff from Sydney, Brisbane, Melbourne and Perth; and
- examined a selection of files at National, state and district offices.

4.20 The stated objective of RAP is to generate employment in metropolitan, regional and remote Australia by encouraging local community action to boost business growth and create sustainable jobs. In assessing the performance information which measures this objective, it is necessary to look at both the

¹⁸ ANAO BPG, 1996, *Performance Information Principles*.

¹⁹ There are a number of sources of information on better practice in performance information. These include publications by the Department of Finance and Administration, the Management Advisory Board and the ANAO.

²⁰ *Portfolio Budget Statements 2001-02*, Department of Employment, Workplace Relations and Small Business, Commonwealth of Australia, 2001, Performance information for departmental outputs, p. 49.

type of indicators used to collect information, and the reporting of that information.

Indicators

4.21 The indicators which are to be used in measuring RAP and ACC outputs are provided in the Portfolio Budget Statements (PBS).

4.22 For the ACCs (Output 1.2.6) and the RAP (Output 1.2.7), performance is measured against two sets of indicators, grouped under 'Quality' and 'Quantity' (see table 4.1):

Table 4.1
Indicators

	Indicators for the ACCs	Indicators for the RAP
Quality	<ul style="list-style-type: none"> • Level of satisfaction of Ministers with the role played by ACCs. • Conformance of both ACCs and DEWR with national ACC administrative arrangements. • Level of satisfaction of Ministers and other stakeholders with the impact of the information, education and communication activities. 	<ul style="list-style-type: none"> • Level of satisfaction of Ministers with the quality of proposals put forward. • Level of projects that are consistent with appropriate regional and national strategic priorities, determined by Government and ACCs.
Quantity	<ul style="list-style-type: none"> • Number of ACCs accessing financial and other support for the dissemination of government initiatives. • Level of use of the Regional Assistance Programme funding for projects endorsed by ACCs to address identified priorities for generating employment opportunities. 	<ul style="list-style-type: none"> • Number of Regional Assistance Programme (RAP) projects managed. • Proportion of RAP projects attracting non-Commonwealth contributions.

Source: DEWRSB Portfolio Budget Statements 2001–2002.

4.23 These indicators do not clearly identify the means by which RAP's objective will be achieved. The programme objective has not been broken down into specific outputs which can be easily measured. It is not clear from the indicators how levels of satisfaction will be measured.

Reporting

4.24 RAP reports on its performance in the Annual Report. The 1999–2000 and 2000–2001 Annual Reports Outputs tables provide information about actual performance against planned performance for DEWR's outputs as specified in the PBS. The 2000–2001 Outputs tables are at tables 4.2 and 4.3.

Table 4.2**Key performance indicators and actual performance for Output 1.2.6**

Quality	Performance indicator	Actual performance
	<ul style="list-style-type: none"> • Level of satisfaction of Ministers with the role played by ACCs. • Conformance of both ACCs and DEWR with national ACC administrative arrangements. • Level of satisfaction of Ministers and other stakeholders with the impact of the information, education and communication activities. 	<ul style="list-style-type: none"> • The Ministers have expressed their satisfaction with the role played by the ACCs in terms of their efforts in building a constructive partnership with government, business and the local community to create jobs and boost business. • To ensure accountability of Commonwealth funds, ACCs were subject to internal Quality Assurance Assessments to assess the effectiveness of their administrative and operational arrangements. The results of the QAA process were encouraging with all 56 ACCs being assessed as having satisfactory administrative and operational arrangements. • The ACCs are provided with Core Function Statements on their major stakeholders' expectations. A survey of the stakeholders showed that their level of satisfaction with the ACCs varied. Overall 67 per cent of stakeholders believed the ACCs satisfactorily met the expectations articulated in the Core Function Statements.
	<ul style="list-style-type: none"> • Number of ACCs accessing financial and other support for the dissemination of government initiatives. • Level of use of the Regional Assistance Programme funding for projects endorsed by ACCs to address identified priorities for generating employment opportunities. 	<ul style="list-style-type: none"> • All ACCs accessed financial and other support for the dissemination of government initiatives. • The ACCs work within their communities to identify needs and priorities that could be met by projects funded under RAP. • All of the successful projects were endorsed by the relevant ACC as consistent with the ACC's strategic plan for the region. • 283 RAP proposals and 116 Dairy RAP projects put forward by ACCs were approved which brought projects to the value of \$17.75m and \$18.78m respectively, into their communities.

Source: DEWR's 2000–01 Annual Report.

Table 4.3

Key performance indicators and actual performance for Output 1.2.7

	Performance indicator	Actual performance
Quality	<ul style="list-style-type: none"> Level of satisfaction of Ministers with the quality of proposals put forward. Level of projects that are consistent with appropriate regional and national strategic priorities, determined by Government and ACCs. 	<ul style="list-style-type: none"> The relevant Ministers made national announcements for approved projects as follows: <ul style="list-style-type: none"> Announcements under three rounds for the 283 RAP projects Announcements under four rounds for the 116 Dairy RAP projects The delegate of the approved projects advises the relevant Minister during each approval round. The Ministers' satisfaction with the quality of proposals is maintained by the application of a rigorous assessment process which ensures that project objectives relating to employment growth and economic development can be achieved at the local level. All community-based RAP projects funded were developed by proponents with the local ACC in the context of the ACC's strategic regional plan, which outlines the broad strategies proposed for employment and skills development in the region.
Quantity	<ul style="list-style-type: none"> Number of Regional Assistance Programme (RAP) projects managed. Proportion of RAP projects attracting non-Commonwealth contributions. 	<ul style="list-style-type: none"> 283 projects were approved. Proportion of projects attracting cash contributions from non-Commonwealth contributors – 91% Proportion of projects attracting in-kind contributions from non-Commonwealth contributors – 92%. This includes both cash and in-kind co-funding contributions from industry, State and Local governments.

Source: DEWRSB's 2000–01 Annual Report.

4.25 The performance information contained in DEWRSB's 2000–01 Annual Report was assessed against better practice guidelines, including the ANAO/ Department of Finance *Performance Information Principles Better Practice Guide*²¹ and MAB MIAC's *Performance Information and the Management Cycle*.²²

4.26 In relation to RAP, the ANAO examined whether the performance information currently collected:

- provides an effective mechanism for assessing and reporting on the extent to which the programme's objective is being achieved;
- covers both quantitative and qualitative measurement and assessment;
- measures quality of services provided and stakeholder satisfaction;
- provides performance information consistent with Commonwealth access and equity strategies;²³ and

²¹ Better Practice Guide 1996, *Performance Information Principles*, Australian National Audit Office and Department of Finance, Commonwealth of Australia, 1996.

²² Management Advisory Board and Management Improvement Advisory Committee 1993, *Performance Information and the Management Cycle*.

²³ See Appendix 4.

- provides valid, reliable and accurate data for measuring performance against performance indicators.

Performance Information Findings

4.27 The ANAO found that the performance information obtained by the department did not directly relate to the quality of the programme's outputs, nor whether the stakeholders considered they were receiving a satisfactory level of service.

4.28 Once the required performance information has been defined, the raw data required to measure that aspect of performance can be collected and analysed. The ANAO found that it was not apparent how the performance indicators identified in the report for each outcome were to be measured. It was not apparent whether targets, standards or benchmarks had been identified, and if so, what they were.

4.29 The collected data should be of sufficient quality and nature to make a definitive measurement of performance. The ANAO found that to accurately assess 'quality' requires an assessment of the level of satisfaction of Ministers *and other stakeholders* with the administration of RAP. The Minister's level of satisfaction was used as an indicator, but no other stakeholders were identified, nor were indicators given which related to service provision to stakeholders. There was subsequently no assessment in the Annual Report of the satisfaction of other stakeholders. There were also no indicators that were consistent with Commonwealth access and equity strategies.

4.30 To be useful, performance information must be regularly collated and reported. The ANAO found that, in its reporting, the department provided text under both qualitative and quantitative headings. However, much of this information was not presented in such a way that reasonable judgements could be made about the adequacy of programme performance. For example, the data used to draw conclusions against 'planned performance' and 'targets' were not included in the information.

The department's proposed strategies for measuring performance

4.31 Prior to the transfer of responsibility for RAP to DOTARS, the department had been developing strategies to improve its collection and assessment of performance information. The establishment of a Regional Improvements Business Working Party was agreed in March 2001. It was proposed that the working party consist of members from national office and every state/territory.

This working party was to provide strategic directions for:

- providing performance indicators and measurements;
- monitoring procedures; and
- programme evaluation.

4.32 DEWR had also established an Evaluation and Monitoring Working Group within national office.

Draft performance report

4.33 The ANAO found that the department had in place a draft performance report (2001). The draft report contains effectiveness measures and key achievements for DEWR's Outcome 1, and a performance report for each sub-outcome. The effectiveness indicator for the outcome of regional employment programmes is:

Regional employment programmes are targeted to areas of need and structures to maximise local community involvement in generating employment growth.

4.34 This effectiveness indicator focuses on the targeting and structuring of the projects, rather than the results of the projects.

4.35 There is also a report against each specific output. The actual performance of the RAP is measured against performance indicators. These indicators are the same as those in the Annual Report listed above.

Recommendation No. 4

4.36 The ANAO recommends that DOTARS refines the national performance indicators, to ensure that the information provided reports adequately on the objectives and outcomes established for the programme.

4.37 In implementing this recommendation, the ANAO suggests that DOTARS be guided by current better practice guidelines and frameworks, and ensures data is collected to report against these indicators.

Agency response

4.38 Agreed

4.39 The department recognises that further work on the national performance indicators is required to ensure that more meaningful information on the outcomes of the programme can be reported.

Recommendation No. 5

4.40 The ANAO recommends that DOTARS develops, in conjunction with relevant stakeholders, a strategy for the systematic evaluation of the Regional Assistance Programme.

4.41 In implementing this recommendation, the ANAO suggests that the strategy includes processes for evaluating the performance of departmental activities and specific aspects of RAP against the programme objective and:

- clearly and concisely addresses the priority issues and accountability requirements of DOTARS and Government;
- identifies what data needs to be collected at the start of each project;
- provides timely and accurate performance information;
- contains conclusions and recommendations that can be understood and used by decision makers and other stakeholders; and
- includes implementation plans for all recommendations.

Agency response

4.42 Agreed.

4.43 This is a key priority for next financial year.

Conclusion

4.44 The ANAO found that the specified outputs for RAP did not clearly identify the means by which the programme objective would be achieved. Although performance indicators were identified for each outcome, the department had not determined how these indicators were to be measured.

4.45 The performance information provided by the department in its reporting did not relate directly to the quality of the outputs. Where the department reported its performance, the information was not presented in such a way that reasonable judgements could be made about the adequacy of programme performance.

4.46 The ANAO found that the department does not have a plan for evaluating RAP. Although there are mechanisms in place for the project approval and management process to help ensure outcomes are achieved, these are not part of a strategy for assessing the performance of the programme as a whole.

5. Contract Management

This chapter describes the contract management framework including guidance material, the roles and responsibilities of state and district office staff, and the monitoring and review of project proponent compliance with the contract.

Introduction

5.1 The ANAO examined the contract management framework and whether it is underpinned by appropriate contract management guidelines and procedures. The ANAO also examined the efficiency and effectiveness of the arrangements for monitoring and review of projects approved in the years 1998–1999, 1999–2000 and 2000–2001. This included a brief assessment of the conduct of visits and associated monitoring and review reports.

5.2 The ANAO visited five DEWR state and district offices. Together, these offices are responsible for the management of approximately 81 per cent of projects approved under RAP for the three financial years 1998–2001. The ANAO examined a sample of approximately 30 per cent of these projects.

Contractual framework

5.3 The Commonwealth provides funds for projects under contract. Once projects are approved by national office, responsibility for drawing up contracts, and the management of those contracts, rests with DEWR staff in the state and district offices. The project application forms an attachment to the contract. Funding does not commence until the contract is signed by both parties. The timing and amount of project payments is included in the project contract.

5.4 The standard form RAP Funding Contract is currently being revised by the department. In its present form, the contract protects the Commonwealth's confidential information by prohibiting disclosure of confidential information by the contractor without prior Commonwealth approval. The contract allows the Commonwealth to disclose the contractor's confidential information in certain circumstances, for example when requested by the Parliament. The contract also obliges the contractor to provide the Privacy Commissioner and the Auditor-General with access to contractors' premises and records.

5.5 The contract has a reasonably broad definition of 'confidential information', including information which is 'by its nature confidential'. The ANAO suggests that the department should, during the contract negotiation stage, determine what contractual information, if any, should be treated as confidential, and ensure that the contract explicitly identifies the information

that both parties have agreed as being confidential. Contractors should also be made aware that the claim of confidentiality does not prevent parliamentary committees having access to the information.²⁴

Guidelines

5.6 The main document, other than the contract itself, that provides guidance to departmental staff on the roles, rights, responsibilities and obligations of the various parties involved in delivering RAP projects is the *Administrative Handbook (January 2000)*. The Handbook provides guidance on the development and assessment of project proposals, project management, payments and contractual obligations, and the monitoring and evaluation process for projects.

5.7 The department has also produced a *Guide for Area Consultative Committees and Project Proponents* (August 2000). The Guide sets out the basis on which project proposals will be considered, assessed and evaluated. It includes an outline of the general principles that will apply to proposals for RAP funding, the application process and assessment criteria.

5.8 In addition, the department releases information from time to time on specific issues, such as the GST.

Project acquittal and evaluation

5.9 The available guidance specifies expected outcomes, and applications must demonstrate how the proposal will achieve those outcomes. The guidance also requires proponents to build appropriate evaluation mechanisms into the project. A detailed evaluation process, demonstrating how the agreed project outcomes will be met is part of this mechanism.

5.10 Project proponents are required to acquit projects by submitting a completed evaluation form, including audited financial statements, in a form determined by the department, at the conclusion of the project or at the conclusion of each stage of the project.

5.11 The evaluation form asks proponents to report against the outcomes for the project, in particular against the general assessment criteria (see Appendix 5). The department, in consultation with the relevant ACC, will also evaluate the project in accordance with these criteria. Evidence that the project was completed in the specified manner must also be provided.

²⁴ ANAO Auditor-General Report No.38 2000–01, *The Use of Confidentiality Provisions in Commonwealth Contracts*, Chapter 5.

Monitoring and review

5.12 The purpose of monitoring and reviewing the progress of projects is to ensure that:

- projects are proceeding in accordance with the terms and conditions of the contract and with the programme objectives and guidelines; and
- financial management, audit and accountability requirements are being met. The department's state offices undertake the monitoring and review of contracted projects. Project proponents are required to submit progress reports at regular intervals, and the department's program managers use these reports to monitor and review the progress of a project against stated milestones in the project plan (part of the contractual agreement).

5.13 In addition to desk-based monitoring and review, contract managers conduct visits depending on the nature of the project. Some projects can be effectively monitored and reviewed without a site visit, particularly where the output of a project is, for example, a feasibility study, business plan or skills audit.

5.14 The ANAO found that desk based monitoring and review in most state and district offices visited was of a high standard. However, the ANAO considers that there is some variation in the frequency and quality of project visits undertaken by state offices. The frequency and depth of monitoring and review visits appears to be contingent on the workloads of contract management staff, and, in some instances is regarded as a lower priority.

Monitoring and review strategy

5.15 The ANAO considers that there are risks in some states where monitoring and review visits are not undertaken at appropriate intervals to check on the progress of projects. In addition, there is no formal strategy in place to monitor and review the progress of projects.

5.16 As resources are limited, a risk based approach to monitoring and review activities would ensure that those projects with a higher possibility of non-compliance are more closely monitored and reviewed.

5.17 Some of the factors that could be used to prioritise project monitoring and review visits are:

- whether the project proponent is a new participant in RAP;
- the size (dollar value) of the project;
- the level of confidence that state office has in the ACC that endorsed/monitors the project;

- quality of progress reports; and
- the project's history, including the number and types of issues arising from progress reports and previous visits.

5.18 The ANAO found that the record keeping in relation to monitoring and review varied in quality and completeness from state to state. Clear records should be kept of when visits are conducted, to whom and why (for example a standard visit, a response to ACC recommending a visit or a response to an inadequate progress report).

5.19 Prior to the transfer of responsibility for RAP to DOTARS, the Evaluation and Monitoring Working Group was identifying a set of national principles and examples of best practice to assist the department develop monitoring and evaluation capacity.²⁵ The department was seeking to incorporate an articulated nationally consistent risk management approach into national practice.

5.20 Some states, such as Western Australia, have adopted a risk based approach to monitoring and review which works well given the limited resources available to undertake this work.

Recommendation No. 6

5.21 The ANAO recommends that DOTARS develops a national monitoring and review strategy for individual projects, which incorporates a risk based approach.

Agency response

5.22 Agreed.

5.23 The department has already adopted a risk-based approach for monitoring and reviewing projects.

5.24 A risk assessment of each project, and the project proponent, is undertaken as part of the assessment of an application for funding under RAP. Credentials checks are undertaken if the project proponent is unknown to the department or if there are any doubts about the proponent organisation.

5.25 The results of the risk assessment and credentials checks are taken into account by the delegate when considering whether a project application should be approved, and whether any caveats should be included in the contract, for example, to include risk treatments.

5.26 The monitoring and review strategy adopted for each project draws on the risk assessments of the project and of the proponent. If medium or

²⁵ DEWR response to Emerging Issues 26 September 2001.

high-level risks are identified, appropriate treatment strategies are discussed with the proponent and are often included in the contract for the project. The contracts for each project are managed through the regional office network, enabling close monitoring of any risky projects and allowing staff to use their local knowledge to deal with potential project problems before they escalate.

Regional Assistance Management Information System

5.27 The absence of consistent and accurate programme records was a major issue with RAP in its early stages. Regional Assistance Management Information System (RAMIS) was developed to address this deficiency and improve accountability of the programme. The system was developed using a working group comprising staff from state and national offices and has evolved to cater for all regional programmes administered by the Branch.

5.28 From Round One 2000–2001, RAMIS became the unified mechanism for recording and reporting project information. This has streamlined processes and offers an automated reporting process for programme stakeholders. It has also added value to the decision-making processes.

5.29 The department inputs relevant assessment information about a project on RAMIS including approval date for all projects. National and state office assessment comments are included in each project assessment on RAMIS.

5.30 RAMIS provides the facility for a complete project record for each project. This includes assessment information, reporting facility, monitoring and contract management data. The system also has the facility to attach any document to a project record for future reference—this includes applications, related emails, comments from other agencies, media articles and photographs.

5.31 Project information from 1999 is stored in RAMIS and a process is currently in hand to download data into RAMIS for all RAP projects since the commencement of the programme in 1997.

5.32 Viewing access to approved projects on RAMIS was provided to ACCs in April 2001. This provides ACCs with information on the range of projects funded across the country.

5.33 User manuals were developed and provided on-line to all programme staff. A guide was developed for ACC users. Draft guidance on RAMIS entry for assessment of projects has been provided to state staff and this will shortly be finalised.

Conclusion

5.34 The ANAO found that the department has a good contract management framework that is underpinned by appropriate guidelines and procedures. Contract management staff in state and district offices generally practise good record management, and have adequate systems for monitoring events such as progress reports and contract variations. However, the ANAO found that there is some variation in the frequency and quality of project monitoring and review visits undertaken by state offices. The frequency and depth of monitoring and review visits appear to be contingent on the workloads of contract management staff, and, in some instances, are regarded as a lower priority.

5.35 The ANAO considers that there are risks in some states where visits are not undertaken at appropriate intervals to check on the progress of projects. In addition, there is no formal national strategy in place to monitor and review the progress of projects. A risk based approach to monitoring and review activities would ensure that those projects with a higher possibility of non-compliance are more closely monitored and reviewed as necessary.

Canberra ACT
10 May 2002



P. J. Barrett
Auditor-General

Appendices

Appendix 1

Area Consultative Committees

History

Area Consultative Committees (ACCs) were originally introduced in 1994 as part of a strategy to improve the responsiveness of the Commonwealth Employment Service to local employers, to improve links with regional development and to rationalise existing consultative processes.

In 1998–1999 the role of ACCs expanded to refocus their activities to support government training and employment policies and to complement the new employment services market (Job Network).

Membership

The Secretary to the Department of Employment and Workplace Relations appoints a leading member of the community to act as chair of the ACC. The chair and every member of an ACC are drawn from the community, local business and government. Membership is voluntary and unpaid. The ACC chair oversees the development of the strategic directions of the ACC and is responsible for the ongoing operations of the committee. The chair often establishes sub-committees to enable the ACC to better serve the diverse needs of the region.

Role

ACCs form a key regional network for the Commonwealth and act as a vital link between the community and the Commonwealth. There are 56 ACCs across Australia; serving metropolitan, regional, rural and remote areas of all states and Territories. ACCs act as a communication channel between government, business and the community as well as providing a vehicle for the government to communicate information on policies and programmes to business and the community. ACCs are also a community voice to Government, and relevant departments, providing advice and feedback on community needs and service requirements.

Operation

Each ACC works within the priority areas identified in the charter for the National Network of ACCs²⁶ and in accordance with a Statement of Priorities

²⁶ <www.acc.gov.au>

issued on behalf of the Government by the Minister for Employment and Workplace Relations.

Ministerial Statement of Priorities

The Minister has issued a statement of priorities to provide a nationally consistent direction to ACC strategies and activities. The priority given by an ACC to its local activities must reflect this statement.

The Minister's Statement identified the following four key areas of priority for ACCs in 2001–2002:

- the identification and ongoing monitoring of suitable projects under RAP;
- a readiness to respond flexibly to specific Government priorities;
- promoting the Government's policies and programmes to small business; and
- marketing the Indigenous Employment Policy and establishing better links with local indigenous organisations.

To guide its local-level activities, each ACC brings community stakeholders together to identify opportunities, priorities and growth strategies for the region. This community consultation enables each ACC to develop a three-year Strategic Plan for its region.

ACCs endorse Community-based Projects under RAP, prior to approval by the department, as being consistent with the ACCs strategic regional and business plans.

Funding

Although ACC members are not paid for their services, each ACC receives annual operational funding from the Government. These funds are provided under a contract between the ACC and the Commonwealth. In the 2000–2001 financial year the Government provided \$13 million for ACC operational activity. The ACC uses this funding to employ appropriately qualified staff to undertake administrative operations and assist the ACC in implementing both the National Charter and its Strategic Regional Plan.

ACC Charter

The Commonwealth defines the role and functions of ACCs through its Charter for the National Network of ACCs. The Charter, together with the Statement of Ministerial Priorities, forms the basis for the Annual Operational Funding

contract between the ACC and the Commonwealth. ACCs are required to use their funds to achieve the stated outcomes and perform the defined functions. It is against these outcomes and performance of the functions that the success of ACCs is measured.

The ACC Charter comprises five priority areas. Every activity, which an ACC undertakes in its region, is directed towards the achievement of one or more priority area. The five priority areas are:

1. **Working together in partnerships**
 - Work to maintain constructive alliances with government, business and the community.
2. **Local solutions to local problems**
 - Provide community leadership and work to assist in building community capacity.
 - Foster an environment for communities to identify their needs and find new ways to address these needs.
 - Assist/guide project proponents seeking funding to complete administrative requirements associated with programmes.
3. **Economic growth through jobs creation and small business success**
 - Contribute to regional economic growth by identifying current and future trends and using this information to work with the region and government to harness opportunities for jobs creation, skills development and small business success.
 - Focus on projects which will improve the job prospects of Indigenous Australians, particularly in private sector jobs.
4. **Informing the community, business and Government**
 - Establish and maintain an effective communication channel between the Commonwealth Government, business and the community.
 - Promote and disseminate information on Government policies and programmes for the benefit of business and the communities. In particular, business and employment initiatives.
 - Inform Government of the impact of policies and programmes on business and the community and provide constructive advice on community needs and service requirements.
5. **Professional Behaviour**
 - Act with honesty, integrity and in accord with relevant legal obligations. ACCs will practice sound corporate governance, recognising the need to be accountable for their actions and the use of Commonwealth Government monies.

Appendix 2

RAP Project Funding by ACC 2000–01

ACC	Classification	Notional Project Funding (incl GST) (\$)	Actual Funding Approved (\$)	% of Notional Funding
ACT				
Capital region – Kingston	Regional / Rural	318 378	27 060	8
NSW				
Broken Hill Region	Remote	229 555	199 430	87
Central Coast – Gosford	Regional / Rural	276 856	301 400	109
Central West –Bathurst	Regional / Rural	241 082	166 100	69
GROW Employment Council	Metro	1 580 591	1 071 360	68
Holiday Coast - Port Macquarie	Regional / Rural	299 024	346 211	116
Hunter – Kotara	Regional / Rural	421 613	316 250	75
Illawarra – Wollongong	Regional / Rural	276 134	156 886	57
New England North West	Regional / Rural	253 524	90 940	36
Northern Rivers - Tweed Heads	Regional / Rural	315 400	479 332	152
Orana – Dubbo	Remote	242 484	268 510	111
Riverina – Griffith	Regional / Rural	239 765	179 630	75
Shoalhaven – Nowra	Regional / Rural	233 034	168 300	72
South East NSW – Bega	Regional / Rural	235 497	254 624	108
Total NSW		4 844 559	3 998 973	83
Victoria				
Albury Wodonga – Albury	Regional / Rural	233 323	239 300	103
Central Highlands – Ballarat	Regional / Rural	256 132	411 950	161
Central Murray – Echuca	Regional / Rural	223 561	265 154	119
Bendigo	Regional / Rural	262 646	208 908	80
Geelong – Geelong	Regional / Rural	274 817	680 307	248
Gippsland – Morwell	Regional / Rural	271 650	312 867	115
Melbourne East	Metro	396 424	624 473	158
Melbourne West – Yarraville	Metro	371 928	168 520	45
Melbourne Central & Southern	Metro	344 780	246 085	71
North East Victoria – Shepparton	Regional / Rural	264 775	742 522	280
North Melbourne	Metro	442 710	374 000	84
Sunraysia – Mildura	Regional / Rural	219 519	147 928	67
Western Port	Regional / Rural	361 902	175 752	49
Greater Green Triangle - Ararat	Regional / Rural	250 402	119 768	48
Total Victoria		4 174 569	4 717 534	113
Queensland				
Central Qld – Rockhampton	Remote	320 492	527 647	165
Far North Qld – Cairns	Remote	302 637	440 743	146
Gold Coast and Region – Nerang	Metro	316 323	316 606	100

ACC	Classification	Notional Project Funding (incl GST) (\$)	Actual Funding Approved (\$)	% of Notional Funding
<i>Queensland continued</i>				
Greater Brisbane – Clayfield	Metro	733 075	124 195	17
Ipswich	Metro	220 559	330 000	150
Mackay Region – Mackay	Regional / Rural	260 138	330 425	127
Moreton Bay Coast and Country	Metro	253 211	158 608	63
Southern Inland – Toowoomba	Regional / Rural	260 002	514 735	198
Sunshine Coast	Regional / Rural	324 874	98 320	30
Torres Strait	Remote	222 337		0
Wide Bay Burnett - Maryborough	Regional / Rural	315 707	357 000	113
North Qld – Townsville	Remote	316 270	286 000	90
Total Queensland		3 845 625	3484 189	91
Western Australia				
Great Southern – Albany	Regional / Rural	215 657	409 090	190
Kimberley – Broome	Remote	234 481		0
Metropolitan Perth – Belmont	Metro	749 424	1 111 687	148
Mid West Gascoyne – Geraldton	Remote	244 776	525 397	215
Pilbara - Karratha	Remote	230 890		0
South West – Bunbury	Regional / Rural	237 257	389 920	164
Wheatbelt	Remote	234 129	543 312	232
Goldfields Esperance	Remote	236 304	198 000	84
Peel ACC	Metro	221 001	184 476	83
Total WA		2 603 919	3 361 252	129
South Australia				
Adelaide Metropolitan	Metro	671 100	382 265	57
Barossa Riverland Mid-North	Regional / Rural	228 297	328 052	144
Flinders Region – Whyalla	Remote	275 037	418 141	152
South Central Region – Stirling	Regional / Rural	301 785	39 160	13
South East - Mt. Gambier	Regional / Rural	217 173	153 370	71
Total SA		1 693 392	1 320 988	78
Tasmania				
Employment Advisory Council	Remote	755 544	594 500	79
Total		755 544	594 500	79
Northern Territory				
Northern Territory – Darwin	Remote	464 015	312 188	67
Total		464 015	312 188	67
Total		18 700 000	17 816 684	95

Appendix 3

Performance Management Principles²⁷

Purpose

These performance management principles are intended as a guide to Commonwealth departments and agencies on performance reporting and its uses for both external and internal purposes.

- External reporting focuses on foreshadowing performance for a particular year through Portfolio Budget Statements, and within eighteen months, reporting of actual performance for that year through annual reports.
- Internal reporting is more frequent for management purposes, including monitoring performance of outputs and administered items within a year. Where an agency's measures are aligned with employees' performance agreements, the performance measures can be used to provide feedback to staff on their contribution to the management of outputs and administered items.

Performance information must be structured in ways which show how an agency's outputs and administered items contribute to the achievement of the outcomes sought by the government.

- Its purpose is to assist stakeholders and management to draw well-informed conclusions about performance in published and internal documentation, and to contribute to sound decision-making. Candour in disclosure and action on performance information will add to credibility.

Balance and clarity

Performance information will be useful where it is pitched to provide a comprehensive and balanced coverage of a particular outcome, output or administered item through a concise basket of performance indicators which can be understood, are well-defined, and are cost-effective to collect, store and manage.

- Performance information is most effective and meaningful where it is integrated with internal management processes and accountabilities within an agency, and can be utilised to meet external requirements.

²⁷ Consolidated Performance Management Principles, Department of Finance and Administration, 1997 (Attachment A to *Program Performance Reporting and Evaluation in Australia*, Presentation to the International Seminar on Program Evaluation, Brasilia, 15-19 October 2001, Mark Nizette DOFA).

Strategic focus of published information

Published performance information provides a top-level strategic overview. It is a core set of information which meets external accountability needs but also acts as an early warning to management of areas requiring attention.

- Published performance information should be supported by more detailed internal management information enabling diagnosis and continuous improvement.

Targets

Performance information is most effective if current performance can be compared qualitatively or quantitatively against specific benchmarks, targets or activity levels, where appropriate.

- In a context of continuous improvement, it is desirable that targets be of a stretching nature where possible, with the extent of 'stretch' identified explicitly. Activity levels should be realistic.

Outcomes

Outcomes performance information relates to the specific impact that an agency's outputs and administered items have had on the community relative to those planned by the government. Outcomes are often long-term in nature, and performance information in this area must focus on effectiveness.

- Outcomes performance information needs to achieve a balance between addressing progress against milestones and ultimate long-term impacts.
- Outcomes performance information may be enhanced by inclusion of the results of performance audits, reviews or evaluations.

Outputs

In addition to reporting on effectiveness in achieving outcomes, output performance information relates to the quality, quantity and price of agency outputs (i.e. goods and services produced by an agency).

- The aim is to demonstrate that an agency has addressed the government's purchase requirements in an efficient way, demonstrating overall value for the community.

Administered items

In addition to reporting on effectiveness in achieving outcomes, administered items performance information addresses the quality, quantity and price associated with third party outputs (such as from states, Territories and non-government organisations) and transfer payments.

- Administered items performance information will derive from legislation, inter-governmental agreements, other contractual arrangements, or other expressions of government policy which establish the third party outputs and transfer payments.

Continuous improvement of performance information

Performance reporting is most effective where trends can be compared over time.

- However, the reporting of agency outcomes and outputs, and performance information structures, can be expected to evolve with experience, changing needs, and the availability of more relevant or more reliable information.
- Performance information should be regularly assessed for appropriateness, including through systematic review and evaluation of agency outputs and administered items and, where necessary, of the Government outcomes they support.

Appendix 4

Access and Equity

The Commonwealth's Access and Equity strategy is designed to remove barriers which people from different language and cultural backgrounds can face in accessing government services and getting results from them. The strategy primarily targets barriers faced by people from diverse cultural and linguistic backgrounds, Aboriginal, Torres Strait Islander and Australian South Sea Islander backgrounds. It also requires agencies to be aware of a possible double disadvantage that may be faced by women, older persons and disabled people from these groups when seeking access to government services.

By promoting measures such as interpreting services and multilingual information, it seeks to ensure that programme design and delivery arrangements adequately reflect their diverse client base. The strategy extends to policy development as well as programme and service delivery, and covers Commonwealth funded programmes managed by state, territory or local Governments and non-Government organisations.

The following checklist, prepared by the then Department of Immigration and Multicultural Affairs, is intended to assist Australian Public Service audit and evaluation staff in considering Access and Equity issues while conducting audits and providing advice to programme areas planning or undertaking evaluations. It is equally relevant to performance information. It is based on the *Charter of Government Service in a Culturally Diverse Society*. The *Charter* summarises seven principles which provide a framework for the design, delivery, monitoring, evaluation and reporting of quality government services in a culturally diverse society: these are access, equity, communication, responsiveness, effectiveness, efficiency, and accountability.

Access

Government services should be available to everyone who is entitled to them and should be free of any form of discrimination on the basis of a person's country of birth, language, culture, race or religion.

- *Is accurate data available to establish whether the ethnicity/language/gender/age composition of the client group broadly reflects the ethnicity/language/gender/age composition of the general eligible community at national, regional and/or local level?*
- *Has a profile of potential and existing clients and their needs been established to assist in designing programs?*

Equity

Government services should be delivered on the basis of fair treatment of different individuals or groups of people who are eligible to receive them.

- *Are measures in place such as decision-support desks to ensure consistency in decision making across offices?*
- *Are statistics collected on client groups with unsuccessful outcomes and the reasons for the decisions, to help determine whether equitable decisions are being made?*

Communication

Government service providers should use information strategies that make the full range of existing and potential clients aware of services and their entitlements and how they can obtain them. Providers should also consult with the community regularly about the adequacy, design and standard of government services.

- *Are profiles of existing and potential clients used in formulating information strategies to ensure that all client groups are reached?*
- *Is the effectiveness of information strategies measured? (for example, increase in awareness of programs following introduction of strategies)*
- *Have relevant groups been consulted in formulating information strategies?*
- *Are key groups represented on decision-making/advisory bodies?*
- *Is the provision of information continually monitored to keep up with changes in client populations as well as legislative changes?*
- *Is information on this particular programme/service consistent with information on related services?*

Responsiveness

Government services should be sensitive to the needs and requirements of different communities, and responsive to the particular circumstances of individuals.

- *Are measures in place to ensure staff are able to deal effectively with clients from different cultural or linguistic backgrounds? (for example, cross cultural training, maintenance of staff language skills)*
- *Do services cater for different client needs, especially those from priority groups?*
- *Are the services of appropriately trained interpreters offered and available when needed?*

Effectiveness

Government service providers should be 'results oriented', focussed on meeting the needs of clients from all backgrounds.

- *Is feedback obtained from clients on the quality and timeliness of services?*
- *Is this data from client in Access and Equity priority groups compared with the data for the general population outside these groups?*
- *Are measures in place to best utilise staff with linguistic skills, cultural knowledge and community contacts?*
- *Have findings from previous evaluations/reviews been incorporated into the programme?*

Efficiency

Government service providers should optimise the use of public resources through a user-responsive approach to service delivery which meets client needs.

- *Are performance indicators in place to measure programme efficiency? (for example timeliness of service)*
- *Have possibilities been explored for greater efficiencies such as inter-service co-operation?*

Accountability

Government service providers should have a reporting mechanism in place which ensures they are accountable for implementing access and equity objectives for clients (for example, by reporting on this in annual reports or other types of report).

- *Do annual reports and other reporting mechanisms include information on programme outcomes for access and equity priority groups, and on grievance mechanisms?*
- *Do funding guidelines and conditions (including where programs/services have been delivered via an intermediary) include access and equity accountabilities?*

Appendix 5

Summary of RAP Guidelines

Area Consultative Committees (ACCs) are encouraged to initiate Community-based Project proposals for funding under RAP in the following areas:

- sustainable jobs growth as demonstrated by clear paths to jobs;
- ongoing regional benefits supported by evidence of sustainability through alternative funding sources; and
- demonstrated commitment from other sources to prove community commitment and increase the chance of long-term success.

Project proposals must demonstrate:

- a clear path to job outcomes; and/or
- ongoing economic or regional benefit.

Proposals could include:

- small business support and development projects;
- projects aimed at diversifying the economic base of a region, through generating new business, industry, investment or tourism activities;
- projects that support infrastructure development in local communities;
- regional skills surveys and industry profiles with clearly stated employment generation outcomes;
- projects that identify skill gaps and ways to improve links between schools, training providers and industry; and
- projects specifically addressing the employment needs of and opportunities for disadvantaged groups

Proposals should not include:

- projects aimed at developing submission writing or grant application skills;
- projects seeking funding to develop an application for further funding;
- funding for capital assets including computers and other electrical/ office equipment or vehicles;
- projects seeking funding that will result in a competitive advantage to an individual organisation or an association without majority coverage within an industry;
- one-off consultancies for feasibility studies that have little chance of implementation or would exclusively depend on further Commonwealth Government funding; and
- funding for one-off conferences, seminars, competitions, expos or festivals that do not have a clear path to employment, economic or regional benefit.

Restrictions on items funded under RAP include:

- overseas travel;
- venture capital; and
- assets—any asset purchased wholly or partly with RAP funding will remain the property of the department unless the Commonwealth determines otherwise. Contractual conditions will apply in relation to assets purchased with RAP funding.

General Principles and Project Assessment

All project proposals are assessed against RAP general principles and assessment criteria.

General Principles

- Proposals must demonstrate clear paths to the next stage of development and longer term, to sustainable job outcomes in the local community.
- Proposals must include an evaluation process to ensure they meet their agreed project outcomes.
- RAP is generally sought for seed funding (up to 12 months) but can be sought for periods up to three years.
- RAP will not provide funding for the same project year after year.
- Project proposals will not be approved where RAP funding could be perceived as substituting or duplicating funding from the responsible Commonwealth, state/territory or local government agency.
- Projects must demonstrate value for money.
- RAP projects must not advantage any individual Job Network member of New Apprenticeship Centres or Work for the Dole sponsor.
- Project proponents will usually be not-for-profit organisations.
- RAP funding is not available to cover enterprise/business costs or to support operational, overheads or administrative costs not directly and specifically related to the project.
- No double funding should occur under RAP. Proponents must declare any grants or payments for similar activities received from any source including Commonwealth, state and local governments.
- RAP is not a general source of funds. Where a Commonwealth, state or local government programme exists to meet a specific need, funding should be accessed through that programme.

- Projects aimed at small business should be considered for funding under RAP, the Small Business Enterprise Culture programme (SBECP) or the Indigenous Small Business Fund (ISBF) through the department as appropriate.
- Projects should not establish positions, which involve one to one vacancy canvassing, or one to one promotion of government programs to employers which duplicate roles funded under other Commonwealth mechanisms.

General assessment criteria

- significance and benefit to the local community;
- sustainable outcomes;
- demonstrated clear path to job outcomes and/or an ongoing economic or regional benefit;
- clear pathways for the ongoing responsibility or carriage of project outcomes beyond RAP funding;
- applicants should provide evidence of:
 - realistic budgeting for the project;
 - the financial and project management capacity of the proponent;
 - achievable outcomes;
 - project completion within a three year (maximum) period; and
 - where relevant, evidence that arrangements are in place, or there is a reasonable expectation that they will be in place, to ensure the continuation of the project and/or ongoing viability of the project outcome;
- preference is given to proposals that contain financial and other support from state/territory or local government, the private sector, the local community or other sources.

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