

The Auditor-General
Audit Report No.43 2012–13
Performance Audit

Establishment, Implementation and Administration of the General Component of the Local Jobs Stream of the Jobs Fund

Department of Education, Employment and Workplace Relations

Australian National Audit Office

© Commonwealth of Australia 2013

ISSN 1036-7632

ISBN 0 642 81357 4 (Print)

ISBN 0 642 81358 2 (On-line)

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Canberra ACT
12 June 2013

Dear Mr President
Dear Madam Speaker

The Australian National Audit Office has undertaken an independent performance audit in the Department of Education, Employment and Workplace Relations in accordance with the authority contained in the *Auditor-General Act 1997*. Pursuant to Senate Standing Order 166 relating to the presentation of documents when the Senate is not sitting, I present the report of this audit to the Parliament. The report is titled *Establishment, Implementation and Administration of the General Component of the Local Jobs Stream of the Jobs Fund*.

Following its presentation and receipt, 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 'Ian McPhee', is positioned above the printed name.

Ian McPhee
Auditor-General

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

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Abbreviations

ANAO	Australian National Audit Office
ARC	Assessment Review Committee
Bike path component	\$40 million of Local Jobs stream funding that was quarantined for bike path projects.
CGGs	Commonwealth Grant Guidelines
Compact	Jobs and Training Compact
DEEWR	Department of Education, Employment and Workplace Relations
Delegate	Departmental official authorised by the relevant Minister to perform the role of approver for the DEEWR-administered components of the Jobs Fund.
DEWHA	The former Department of the Environment, Water, Heritage and the Arts. In September 2010, this department became the Department of Sustainability, Environment, Water, Population and Communities which retained responsibility for administering approved heritage component projects.
DITRDLG	The former Department of Infrastructure, Transport, Regional Development and Local Government. Under the machinery of government changes that took effect on 14 September 2010, this department became the Department of Infrastructure and Transport (Infrastructure).
FAQ	Jobs Fund Frequently Asked Questions document published by DEEWR
FMA Regulations	<i>Financial Management and Accountability Regulations 1997</i>
FTE	Full time equivalent measure of employment.

GCW	Get Communities Working stream of the Jobs Fund
Heritage component	\$60 million of Local Jobs stream funding that was quarantined for heritage projects.
HIP	Home Insulation Program
IEP	Infrastructure Employment Projects stream of the Jobs Fund
JSA	Jobs Services Australia
LEC	Local Employment Coordinator
LJ	Local Jobs stream of the Jobs Fund
PEA	Priority Employment Area: 20 priority employment areas were identified between April and July 2009 based on analysis undertaken by DEEWR of a range of labour market indicators in order to identify and provide assistance to those regions across Australia with labour markets likely to experience disadvantage and deterioration as a result of the global recession.
SPBC	Strategic Priorities and Budget Committee of Cabinet

Summary and Recommendations

Summary

Introduction

1. As part of its response to the global financial crisis, on 17 March 2009 the Government agreed to the establishment of an integrated \$650 million Jobs Fund, consisting of three streams. The \$300 million Local Jobs (LJ) and \$200 million Get Communities Working (GCW) streams reflected commitments made in the context of securing passage (on 13 February 2009) of the \$42 billion Nation Building and Jobs Plan legislation. The LJ stream was to fund community infrastructure projects with a focus on the promotion of environment-friendly technology and heritage, and comprised a \$200 million general component and two quarantined components (\$60 million for heritage projects and \$40 million for bike paths).¹ In line with the stimulus objectives of the Jobs Fund, all three streams were to be completed by 30 June 2011.²
2. The Jobs Fund formed one of two major initiatives under the 'local communities' element of the Jobs and Training Compact announced by the Government in April 2009. The other major initiative was the engagement of Local Employment Coordinators in 20 Priority Employment Areas (PEAs). These had been identified based on analysis by the Department of Education, Employment and Workplace Relations (DEEWR) of a range of labour market indicators to identify those regions across Australia with labour markets likely to experience disadvantage and deterioration as a result of the global recession.
3. DEEWR was the lead agency for the Jobs Fund and was responsible for administering the GCW stream and the general component of the LJ stream. Ministers agreed to a DEEWR official undertaking the role of approver for both rounds of those Jobs Fund components. For the first round, DEEWR was also responsible for allocating applications to the most appropriate stream or component for assessment (including those administered by other departments).

¹ The GCW stream was for self-sustaining projects which created jobs and provided activities and services to improve community amenity. Projects under the \$150 million Infrastructure Employment Projects (IEP) stream were to be initiated by the Australian Government.

² The quarantined components of the LJ stream were to be completed by 30 June 2010.

First funding round

4. The Jobs Fund guidelines published in April 2009 stipulated that, to be considered under any of the three streams, projects needed to address at least one of four target areas³, and meet each of three gateway criteria that reflected the employment stimulus objective of the Fund. Specifically:

- projects must be in areas experiencing high unemployment, a significant rise in unemployment or vulnerability;
- projects must be viable and ready to start; and
- funding would not extend past 30 June 2011.

5. On 18 April 2009, a total of \$100 million was announced as being available under the first round of the LJ and GCW streams, which closed to applications on 22 May 2009.⁴ Of the more than 2600 applications received, over 1600 applications seeking nearly \$1.5 billion were considered under the two DEEWR-administered components. Applications were assessed through a single process, and allocated between the two streams as part of that process. The selection process was completed in August 2009, with \$132.3 million⁵ being approved in three tranches for 173 projects (\$50.1 million for 64 LJ projects and \$82.2 million for 109 GCW projects). By December 2009, three GCW projects had been withdrawn, with that funding being used by DEEWR to approve \$1.75 million for eight bike path projects under the general component of the LJ stream in January 2010.⁶

Re-targeting of the Jobs Fund

6. In June 2009, the Government commenced development of a whole of government strategy to build on existing initiatives to support Australian jobs, entitled 'Keep Australia Working'. On 30 September 2009, a number of measures identified through the development of the final Keep Australia Working report were agreed to by government. This included re-targeting of the remaining Jobs Fund funds, then identified as totalling \$242.8 million.

³ The four target areas were: create jobs or retain people in jobs at risk due to the downturn; build skills for the future; build community infrastructure or improve community amenity which generates local jobs; and provide seed funding for social enterprises to start up, maintain or expand services, generating jobs and improving community services.

⁴ A further \$100 million relating to the two quarantined components of the LJ stream was also allocated through the first round, and \$11 million of GCW stream funding was allocated for Temporary Financial Assistance grants that were also able to be applied for under the first call for proposals.

⁵ In August 2009, first round funding was increased to up to \$140 million (see paragraphs 3.35 to 3.38).

⁶ This issue is discussed further at paragraphs 2.30 to 2.34 and 3.75 to 3.83.

7. The Government agreed to allocate a total of \$93.3 million to a second public call for the Jobs Fund (\$51.9 million under LJ and \$41.4 million under GCW), and that tighter, separate guidelines would be developed for both streams. The remaining funding was re-allocated to a number of other targeted employment initiatives, and to support the Australian Government contribution to the Victorian bushfire recovery.

Second funding round

8. The second call for applications was announced on 5 November 2009. Revised program guidelines stated that, in the second round, the LJ stream would focus on the creation of green jobs, development of green skills, promotion of energy efficient infrastructure and development of skills in future green industries. The GCW stream was to focus on projects to build community capacity, improve community strength and amenity and provide opportunities for disadvantaged job seekers, thereby creating jobs and opportunities in communities affected by the global recession.

9. The second round was again heavily subscribed, with 970 applications seeking \$890.6 million being received by the closing date of 11 December 2009 (365 LJ applications seeking \$331.3 million and 605 GCW applications seeking \$559.3 million). In February 2010, a further \$11.5 million was re-allocated from the Jobs Fund for the Government's Insulation Worker Adjustment package. The second round was completed in March 2010, with 53 projects (five per cent of applications) being approved for amounts totalling \$39 million (\$17.5 million for 21 LJ projects and \$21.5 million for 32 GCW projects), representing a significant under-allocation compared to the available funding.

Program closure

10. In the 2010–11 Budget, the Government announced that: 'in light of revised growth forecasts for the national economy, the need for funding in the Local Jobs and the Get Communities Working streams has diminished.' Funding for the Jobs Fund was reduced by \$48.6 million over two years from 2009–10. Of the \$193 million originally available under each of the Jobs Fund components administered by DEEWR, \$69.3 million (36 per cent) was awarded under LJ, and \$112.6 million (58 per cent) was awarded under GCW. The remainder was reallocated to other measures or returned to the Budget.

11. As noted, funding for Jobs Fund projects administered by DEEWR was originally budgeted to end on 30 June 2011. However, to allow certain projects that had experienced delays to receive funding in the 2011–12 financial year

(including five of the 92 contracted LJ projects), the Jobs Fund guidelines were amended in March 2011 to extend the program end date to 30 June 2012.⁷

Audit objectives, scope and criteria

12. The objective of the audit was to assess the efficiency⁸ and effectiveness of the establishment, implementation and administration of the general component of the Local Jobs stream of the Jobs Fund, with a particular focus on the establishment of program objectives and the extent to which approved grants have demonstrably contributed to the cost-effective achievement of those objectives.

13. The focus of this audit is the two rounds of the general component of the LJ stream, including the administration of approved projects to achieve program objectives. However, reflecting the integrated approach taken by DEEWR to the selection processes for each round, the audit analysis necessarily includes reference to the concurrent conduct of the two rounds of the GCW stream. ANAO did not examine the establishment and operation of the Get Communities Working Advisory Council. The audit examined the program against relevant policy and legislative requirements for the expenditure of public money and the Commonwealth Grant Guidelines (CGGs).

Overall conclusion

14. The Jobs Fund was established to provide timely and targeted employment stimulus and opportunities in communities affected by the global recession and for disadvantaged job seekers. Consistent with this objective, DEEWR implemented the program in a short timeframe and the department was focussed on directing the available funding to those areas identified as being at greatest risk as a result of the economic downturn.⁹

⁷ In this respect, none of the Jobs Fund components were completed by the originally budgeted end dates. An amendment to the program guidelines to extend the IEP stream to 30 June 2012 took effect on 5 July 2010. The two quarantined components budgeted to end in June 2010 were both extended to June 2011 due to project delays, with this being done through the movement of funds only.

⁸ As an economic stimulus program, efficiency was assessed with particular attention to whether the selection and funding agreement processes were undertaken in a timely manner. This emphasis was consistent with the criterion adopted by the Government for the design of the stimulus packages established in response to the global financial crisis (see further at paragraph 5.1).

⁹ In total, 68 (74 per cent) of the 92 LJ projects were located in one of the 20 PEAs. A further five projects (five per cent) were located in the Victorian bushfire areas also prioritised by DEEWR. Collectively, those projects accounted for 81 per cent of contracted positions, and 86 per cent of reported actual positions.

15. Projects funded under the LJ stream contributed to the provision of employment and training opportunities in areas affected by the global economic downturn. Nevertheless, delays in establishing funding agreements for many of the first round projects and subsequent project implementation delays affected the rate of program expenditure and, consequently, the timeliness with which employment benefits were achieved.¹⁰ In addition, aspects of the methodology adopted for identifying the actual employment and training outcomes of each project reduced the reliability of DEEWR's performance information as a measure of the employment stimulus directly generated.¹¹

16. The approach taken by DEEWR to program implementation and administration was, in a number of important respects, considerably more robust than the approach taken in respect to other elements of the Jobs Fund audited by ANAO.¹² For example, DEEWR: developed a comprehensive suite of internal documentation to govern program implementation; invested considerable resources in developing and implementing a methodology for scoring applications against the published selection criteria; included expected employment and training outcomes in the funding agreements for the contracted projects; and adopted a disciplined approach to managing these funding agreements. It was also evident that DEEWR adopted some important improvements to its approach for the second round compared with the first round.

17. An important focus for any competitive grant program is to select those applications that best represent value for public money in the context of the desired objectives and outcomes of the grant program. However, aspects of the approach taken by DEEWR diminished the capacity for the documented selection processes to demonstrate that the projects approved under each round were the most meritorious in terms of the program guidelines.¹³

¹⁰ Less than a third (29 per cent) of positions had been reported to DEEWR as achieved by the end of the first year of the Jobs Fund on 30 June 2010.

¹¹ This particularly relates to the comparability of the bases on which expected and actual outcomes were measured, and the extent to which reported positions reflect a contribution to general economic activity rather than direct employment outcomes.

¹² See ANAO Audit Report No.7 2011–12, *Establishment, Implementation and Administration of the Infrastructure Employment Projects Stream of the Jobs Fund*, Canberra, 22 September 2011; ANAO Audit Report No.27 2011–12, *Establishment, Implementation and Administration of the Bike Paths Component of the Local Jobs Stream of the Jobs Fund*, Canberra, 20 March 2012; and ANAO Audit Report No.11 2012–13, *Establishment, Implementation and Administration of the Quarantined Heritage Component of the Local Jobs Stream of the Jobs Fund*, Canberra, 27 November 2012.

¹³ See further at paragraph 36 in respect to the approach taken by the Assessment Review Committee.

In particular, the recorded assessment of the merits of competing applications in terms of the published criteria was not a strong indicator of the projects that would be selected for funding.¹⁴ In addition, despite the Jobs Fund being a nationally competitive grant program:

- funding decisions were taken for the first round in respect to some projects before all applications had been considered (and in some cases assessed); and
- for both rounds, the potential geographic distribution of funded projects, including in relation to the 20 defined PEAs, influenced the selection deliberations in a manner that had not been provided for in the published program guidelines.

18. Against this background, ANAO has made one recommendation relating to the design of the program guidelines and selection processes to be applied by DEEWR in future competitive grant programs.

19. In response to the global financial crisis, a series of stimulus measures were announced by the Government in late 2008 and early 2009 with the objective of providing a timely, targeted and temporary boost to economic activity. The experience with the LJ stream, the other elements of the Jobs Fund audited by ANAO and audits of other economic stimulus programs has highlighted that, although funding infrastructure projects that were not already proceeding can offer long-term community benefits, for economic stimulus purposes there are challenges which are commonly underestimated in having infrastructure projects delivered in the desired timeframe¹⁵ with clearly identifiable employment benefits. In this context, the audits by the ANAO, and other reviews of the implementation of particular economic stimulus programs, should provide useful lessons in future circumstances where fiscal stimulus is being considered to support employment and promote economic activity.

¹⁴ Subsequent conclusions reached by the Assessment Review Committee in relation to each project were determinative as to whether each project was recommended for funding, rather than the moderated and quality assured scored assessments against the published criteria being relied upon as the basis for identifying a project's relative merit.

¹⁵ This relates to both projects commencing on time (for example, for the LJ stream, payments by March 2010 fell 45 per cent short of the amount contracted to have been paid) and projects progressing as planned (for the LJ stream, reflecting project delays, less than a third of positions reported to DEEWR as being achieved had been delivered by the end of the first year of the planned two year duration of the Jobs Fund). This situation was reflected in funding being redirected (see Appendix 1) as well as the program funding allocated through the second round being significantly less than was available (as the need for stimulus had reduced, as outlined in Chapter 4 of this report).

Key findings by chapter

Program establishment (chapter 2)

20. For both rounds of the Jobs Fund, DEEWR developed a comprehensive suite of internal documentation. However, particularly in the first round, the originally documented procedures were not fully implemented. Revised program documentation to reflect the actual processes applied was developed during, and subsequent to, the selection process. In that respect, the departmental procedural guides were not established and maintained in a manner that enabled the date of effect of the original version, and of any subsequent revisions to authorised procedures, to be readily identified. The accountability of DEEWR's administration of future grant programs would be enhanced if:

- the roles and procedures actually undertaken reflected the procedural guides established to govern the conduct of the selection process; and
- the date of effect of any revisions to the documented procedures was clearly identifiable such that the actions taken are able to be compared to the approved procedures at the relevant point in time.

21. The significant response to the first call for proposals gave rise to a number of challenges for DEEWR in maintaining an orderly process for receipting and registering applications, and allocating projects to the most appropriate Jobs Fund component for assessment. The request that applications be submitted via both email and in hard copy increased the volume of material to be handled and the complexity of identifying the population of compliant applications that were to be assessed. Various aspects of the approach taken to completing the register of proposals diminished its capacity to provide an accurate and complete record of applications received. In addition, the originally documented procedures for registering and assessing proposals were not fully implemented, particularly for those received via email.

22. In this respect, it had been anticipated from the outset that there would be more than one funding round under the Jobs Fund. The program guidelines had also stated that proposals could be submitted at any time from 1 July 2009, suggesting an open-ended submission process. That advice was contradictory to the closed round approach identified in the public announcement of the first round and subsequently applied in the selection process. However, it influenced the approach DEEWR adopted to administering some proposals, in

that the department operated on an expectation that projects not considered in the first round selection process could be considered in a subsequent round.

23. As a result of these various factors, a number of errors and anomalies arose that impacted upon whether certain applications submitted in response to the first call for applications were considered through the same processes (and at the same time) as other projects competing for the available funding. Specifically, more than 260 applications (some 10 per cent) were not assessed until after the outcome of the competitive selection processes for the relevant Jobs Fund components had been finalised. This situation significantly impacted upon the capacity for those applications to receive funding consideration in the same manner afforded other applications submitted in response to the first call for proposals.¹⁶

24. For the second round, DEEWR adopted various measures to address issues that had arisen in the application process for the first round and to provide enhanced transparency and accountability over the management of late and non-conforming proposals. Collectively, these measures significantly improved the accuracy, efficiency and effectiveness of the application process and helped to largely eliminate the anomalies that had arisen in relation to the first round. One area in which the equity and effectiveness of the application process could have been further improved was in relation to the format in which applications were able to be submitted. In this respect, applicants were limited to submitting applications in a specific spreadsheet format, via email. This resulted in some applicants experiencing difficulties in completing and lodging applications by the required date and time.

First round selection processes (chapter 3)

25. The targeted stimulus objective of the Jobs Fund was reflected in the three gateway criteria and four target areas set out in the program guidelines as the criteria on which projects would be selected (see paragraph 4). Projects would also be subject to due diligence and risk assessment, including that applications would need to demonstrate that the project represented value for money for the Australian Government. The program guidelines stated that each proposal would be assessed on its merits, and in comparison to other proposals submitted at the same time or previously.

¹⁶ This issue is discussed further at paragraphs 28 and 3.63 to 3.83.

26. Projects were assessed and scored against the gateway criteria and target areas. To be eligible for funding consideration, a project needed to achieve at least the minimum identified pass score against each of the three gateway criteria and at least one of the four target areas. However, the selection methodology did not seek to encapsulate within the assessment scores all factors that would be taken into account in selecting projects for approval. In particular, there was no provision for an assessment of the value for money factors identified in the published program guidelines to be incorporated into the scores assigned to each project. These aspects were to be considered as part of the deliberations of the Assessment Review Committee (ARC) (a committee of senior DEEWR officials established to provide funding recommendations to the departmental approval delegate). As it eventuated, 173 (43 per cent) of the 405 projects that achieved eligible scores were approved (64 under LJ stream and 109 under GCW).

27. The ARC deliberative process involved a significant resource commitment at a senior level and was generally well documented. The committee members exhibited awareness of the need to consider overall merit in making decisions in relation to individual projects. However, aspects of the approach taken diminished the capacity for the documented selection process to demonstrate that the 173 approved projects were the most meritorious (in terms of the published program guidelines) of the more than 1600 applications considered. This included that, despite the Jobs Fund being conducted as a nationally competitive grant program:

- the applications received were not considered as a single, ranked population based on their respective scores against the selection criteria. The deliberative process involved 25 meetings over seven weeks, with decisions being taken on a project by project basis (with projects being considered in groups based upon the PEA in which they were located). That process did not seek to explicitly demonstrate, prior to decisions being taken, the merits of each proposal relative to all competing proposals. A mechanism for incorporating the ARC's conclusions regarding each project's claims against the program guidelines, including in relation to value for money, into a final score or rating was not established. Eligible projects were not ranked on a national basis (either overall or within each stream) at the conclusion of the ARC process; and
- projects were approved in three tranches, with some being approved before all competing applications had been considered (or, in some

cases, assessed). The first two tranches were based entirely on projects that were located in the 20 PEAs and Victorian bushfire area to the exclusion of other projects, regardless of their respective selection criteria scores. A first tranche of 13 projects in four areas prioritised for consideration due to upcoming Jobs Expos was approved on 10 July 2009, at which time the ARC had considered only 15 per cent of applications. On 31 July 2009, \$107.61 million was approved for 125 projects located in a PEA, including the 13 first tranche projects. This more than exhausted the available funding, such that the merits of non-PEA projects had not been considered. The then Minister for Employment Participation subsequently agreed to allocate up to a further \$40 million to the first round, with the Minister asking for projects to be re-assessed on a national basis. The ARC then considered the merits of 120 projects not located in a PEA, more than a third of which (41, 34 per cent) were approved on 14 August 2009. A further seven PEA projects were also approved, resulting in a final first round outcome of 173 projects approved for funding totalling \$132.3 million.

28. Subsequent to the conclusion of the first round of the LJ and GCW streams, assessment processes were applied by DEEWR in respect to at least 226 projects incorrectly excluded from the competitive selection process as a result of various errors and anomalies (as discussed in chapter 2 of this report). Similar to the approach taken in respect to the substantive first round selection process, DEEWR did not seek to establish, through a consistent assessment and deliberative process, the merit of each of those projects relative to the overall population of proposals received in response to the first call for applications. In particular, DEEWR considered those additional proposals in separate tranches, including a final tranche involving 33 bike path projects that had not been appropriately referred to the quarantined bike path component prior to that component's funding being exhausted. In agreeing to apply funds that had become available from previously approved GCW and LJ projects to approve (under the general component of the LJ stream) all eight of those bike path projects that achieved at least the minimum scores required for funding consideration, DEEWR did not seek to establish whether those projects were the most meritorious of all of the as yet unfunded first round applications in terms the program objectives and guidelines.

29. Having regard for the context in which the Jobs Fund was established, the department's focus on ensuring funding was directed to the areas identified as being at greatest risk as a result of the economic downturn (that

is, the PEAs) was reasonable. Indeed, the selection approach adopted by DEEWR had considerably greater regard for this key aspect of the program than did the selection processes undertaken in respect to the other Jobs Fund components that have been examined by ANAO.¹⁷

30. However, care needed to be taken to ensure the implementation of that policy intention remained consistent with the principles of sound grants administration. In particular, it is inconsistent with the effective conduct of a nationally competitive grant program to take funding decisions before all applications have been assessed. The guidelines also made no reference to the defined PEAs, instead including as the first gateway criterion the broader requirement for projects to be in an area experiencing high or increasing unemployment or vulnerability (with a project being located in a PEA representing one way this criterion could be assessed as being met). An assessment of the extent to which that criterion had been met also involved consideration of the nature of the employment stimulus that would be generated in the relevant area of disadvantage. Based on the assessment methodology adopted by DEEWR, the extent to which each project satisfied the program priorities relative to other projects should have been reflected in the scored assessments.

31. In that context, despite the processes applied by DEEWR to promote the quality and consistency of the scored assessment process, the final scores assigned to competing projects did not prove to be a strong indicator of the projects that would be selected. The inclusion of a mechanism to establish a final merit ranking of all competing projects incorporating relevant ARC deliberations would have significantly enhanced the capacity to demonstrate that the funded projects represented the most meritorious in terms of the published program guidelines. It would also have provided a means of reconciling the assessment criteria scores allocated to each project with the selection process outcome in a manner that the brief qualitative comments recorded by the ARC in relation to individual projects had a limited capacity to do. In that respect, at the conclusion of the selection process, there were nearly the same number of unapproved projects with eligible gateway scores of 10 or

¹⁷ Specifically, ANAO's audits of the IEP stream and the quarantined bike path and heritage components of the LJ stream identified that, in each case, the selection processes adopted had not resulted in funding being appropriately targeted at projects that had demonstrably satisfied the requirement to be in an area of high or increasing unemployment or vulnerability (see ANAO Audit Report No. 7 2011–12, op. cit.; ANAO Audit Report No.27 2011–12, op. cit.; and ANAO Audit Report No.11 2012–13, op. cit).

more out of the maximum score of 15 (144 projects), as there were approved projects with the minimum pass score of nine (145 projects).¹⁸

Second round selection processes (chapter 4)

32. The approach initially adopted for presenting applications for ARC consideration in the second rounds of the LJ and GCW streams of the Jobs Fund represented a significant improvement over that taken in the first round. Specifically, the assessment of applications against the selection criteria was largely completed prior to the ARC commencing its deliberations. Projects needed to achieve the minimum identified pass score for each of the five selection criteria to be eligible for funding consideration. Based on the scores allocated, a national merit ranking and recommended funding cut off score for each stream was prepared, having regard for the funding available.

33. However, proposals were not considered by the ARC in the order of their respective national ranking, but rather on a state by state basis. In that context, the available evidence is that some projects under both streams that had scores below the relevant funding cut-off score first came to be specifically considered by the ARC having regard for the potential geographic distribution of recommended projects in terms of both jurisdictions and PEAs. Such an approach had not been provided for in the program guidelines.

34. Following consideration of comments from the departmental approval delegate on 65 projects identified as recommended or possible across the two streams, the ARC recommended 50 projects for approval. Those projects were approved by the delegate on 18 March 2010. Some days later, the delegate approved a further three projects, taking total approved funding to \$39 million. This represented a significant under-allocation compared to the \$81 million available, with the approved projects representing just five per cent of applications received. In that context, it is reasonable to expect there to be a high degree of correlation between the projects that had achieved the highest scores against the selection criteria and those that were recommended for approval. However, this was not the case.

35. The conclusions by the ARC as to whether a project represented 'value for money' were determinative as to whether it was successful. Many highly scored projects were not funded despite the significant under-allocation of

¹⁸ See further in Table 3.4.

available funding, while other lower scored projects were approved. In that context, the documented ARC process reflected the department's awareness of the need to direct funding to projects that would provide value for money and minimise risk. It is apparent that ARC members went to considerable effort in their deliberations and made a range of appropriate inquiries in order to satisfy themselves that recommended projects would not represent an undue risk in terms of the public money involved. However, as with the first round, those deliberations were not undertaken within a framework that sought to reconcile the range of scores achieved by each of the eligibly scored projects with the committee's reasons for deciding whether they respectively merited funding. Instead, the judgements brought to bear by the ARC were expressed in qualitative terms.

36. The transparency of the ARC decision-making process would have greatly benefited from the committee directly relating its decisions as to whether each project was suitable for funding to the selection criteria set out in the program guidelines, and the relative merits of competing projects. However, the ARC did not seek to recalibrate the national ranking in order to provide an objective measure of the final assessed relative merits of competing projects within each stream. This significantly diminished the utility of applying a robust quantitative ranking methodology.

Program outcomes (chapter 5)

37. Through financial stimulus, the primary objective of the Jobs Fund was to support and create jobs and employment opportunities in communities affected by the global recession and for disadvantaged job seekers. For the LJ stream, this was to be achieved through projects focussed on also providing community and environmental benefits. In this respect, expected employment and training outcomes were included in funding agreements as milestone requirements to be achieved in order for the funding recipient to receive the associated payment. This was a significant improvement over the approach adopted in relation to the other components of the Local Jobs stream.¹⁹

¹⁹ Neither of the departments responsible for administering the quarantined components included employment outcomes within the contracted project outcomes or milestone requirements (see ANAO Audit Report No.27 2011–12, op. cit., pp. 143–145 and ANAO Audit Report No.11 2012–13, op. cit., p.153).

38. DEEWR's administration of the 92 contracted LJ stream projects was effective in terms of aligning the payment of grant funds with the demonstrated achievement of project milestones and outcomes. This included a prudent risk management approach to structuring contracted grant payments. DEEWR actively monitored project progress and, where projects experienced significant delays, generally took proactive steps to develop remedial strategies that would assist in maximising the delivery of the project within the required timeframe, while appropriately managing risk.

39. The establishment of funding agreements for a number of the 64 first round projects approved in August 2009 and the seven bike path projects approved in January 2010 that were ultimately contracted was somewhat delayed. Further, as a consequence of projects' inability to progress at the rate anticipated (despite having been approved on the basis they met the requirement to be ready to start), program expenditure was delayed compared to the expectations established by the 92 funding agreements. By the end of March 2010 (12 months after the Jobs Fund was agreed to as a measure to provide immediate employment stimulus, and more than seven months after the first round selection process had been completed), actual payments totalled \$12.2 million. This fell \$9.8 million (45 per cent) short of the \$22 million contracted to have been paid from September 2009 (when funding agreements were first signed) to 31 March 2010.

40. A number of projects subsequently experienced further delays in meeting contracted project milestones, with this being reflected in the rate at which further payments were able to be made. There was a strong focus on the need to effectively manage outstanding projects in the lead up to the budgeted program end-date of 30 June 2011, which was largely successful in enabling projects to be finalised to the department's satisfaction by that time. However, in March 2011, the end-date for the Jobs Fund was extended from 30 June 2011 to 30 June 2012 to allow for completion of projects disrupted by floods and other delays, in order to enable the expected community benefits to come to fruition. Funding of \$14.5 million was moved into the 2011–12 financial year, including \$1.43 million for five LJ projects (five per cent of contracted LJ projects). The last payment for those five projects was made in June 2012.

41. DEEWR has undertaken a range of evaluation activities in relation to the Jobs Fund and the broader Jobs and Training Compact. In this context, in terms of employment stimulus, more than half (51 projects, 55 per cent) of the 92 LJ projects reported that they had achieved paid employment outcomes greater than those originally contracted; and 72 (78 per cent) reported

over-achievement in terms of unpaid work experience positions. However, reflecting the project delays that affected the rate of program expenditure, less than a third (29 per cent) of positions had been reported to DEEWR as achieved by the end of the first year of the Jobs Fund on 30 June 2010.

42. In addition, aspects of the methodology adopted for identifying the actual employment and training outcomes of each project indicate that DEEWR's performance information for individual projects, and the program as a whole, needs to be treated with some caution as a reliable measure of the employment stimulus directly generated by funded projects. This particularly relates to the comparability of the bases on which expected and actual outcomes were measured, and the extent to which reported positions reflect a contribution to general economic activity rather than direct employment outcomes. In terms of the achievement of targeted employment stimulus, 68 (74 per cent) of the 92 LJ projects were located in one of the 20 identified PEAs. A further five projects (five per cent) were located in the Victorian bushfire areas also prioritised by DEEWR. Collectively, those projects accounted for 81 per cent of contracted positions, and 86 per cent of reported actual positions. However, there is not a reliable measure of the extent to which the participants engaged in the reported positions had been drawn from the targeted areas and groups of job seekers.

Agency response to the proposed audit report

43. DEEWR's response to the proposed audit report is provided below.

The Auditor-General's report acknowledges that projects funded under the general component of the Local Jobs Stream administered by the Department of Education, Employment and Workplace Relations made a substantial contribution to the provision of employment and training opportunities in areas affected by the global economic downturn.

The Jobs Fund was set up to create jobs, and to develop skilled workers through projects that build community and social infrastructure. It was established to help communities most affected by the global economic downturn. It supported the building of community facilities, improvements to training and community amenities and establishment of social enterprises, creating almost 10 500 jobs, more than 2800 traineeships and over 5600 work experience positions.

Reflecting its economic stimulus objective, the Jobs Fund was implemented within a relatively short timeframe for a competitive grant program, and the report notes the continued improvements implemented by the Department during the assessment process, with the approach adapted in the second round for the approval of applications a significant improvement over the first round. The Auditor-General's report also notes DEEWR's administration of the Local Jobs Stream was effective in terms of aligning payments of grant funds with demonstrated achievement of project milestones and outcomes.

Recommendations

Recommendation No.1

Para 4.94

ANAO recommends that, for future competitive grant programs, the Department of Education, Employment and Workplace Relations incorporates within the design of the program guidelines and selection methodology:

- (a) criteria and an associated scoring or rating approach that encapsulates all matters considered relevant to identifying the most meritorious projects, having regard for the program objectives and the obligations applying to decisions to approve grants of public money; and
- (b) the process by which the final score or rating assigned to each project will reflect the matters considered in the selection deliberations and be used to drive the compilation of the merit list of eligible applications.

DEEWR response: Agreed.

Audit Findings

1. Introduction

This chapter provides an overview of the Jobs Fund as an economic stimulus measure. It also outlines the audit objective, scope and criteria.

Background

1.1 As part of the Australian Government's response to the global financial crisis, on 17 March 2009 the Strategic Priorities and Budget Committee (SPBC) of Cabinet agreed to the establishment of an integrated \$650 million Jobs Fund that would operate for two years (from 1 July 2009 to 30 June 2011), and be targeted to areas of high unemployment and projects that were ready to start immediately. The Jobs Fund was to give priority to: supporting and creating jobs; building skills for the future; building sustainable infrastructure for the future; and new and existing social enterprises, and was comprised of the:

- \$150 million Infrastructure Employment Projects (IEP) stream;
- \$200 million Get Communities Working (GCW) stream; and
- \$300 million Local Jobs (LJ) stream.

1.2 The LJ stream related to the delivery of a commitment made to the Australian Greens in the context of securing passage (on 13 February 2009) of the \$42 billion Nation Building and Jobs Plan legislation.²⁰ Specifically, the Government had agreed to establish a \$300 million fund to provide one-off grants for projects that provided:

- employment opportunities for local unemployed or under-employed people through innovative social projects such as recycling and home maintenance programs;
- directly generated local jobs for people suffering labour market disadvantage through the construction of local infrastructure which improved community amenity; and
- helped to seed not-for-profit labour hire and other initiatives which provided opportunities for people with severe barriers to participation, including the homeless.

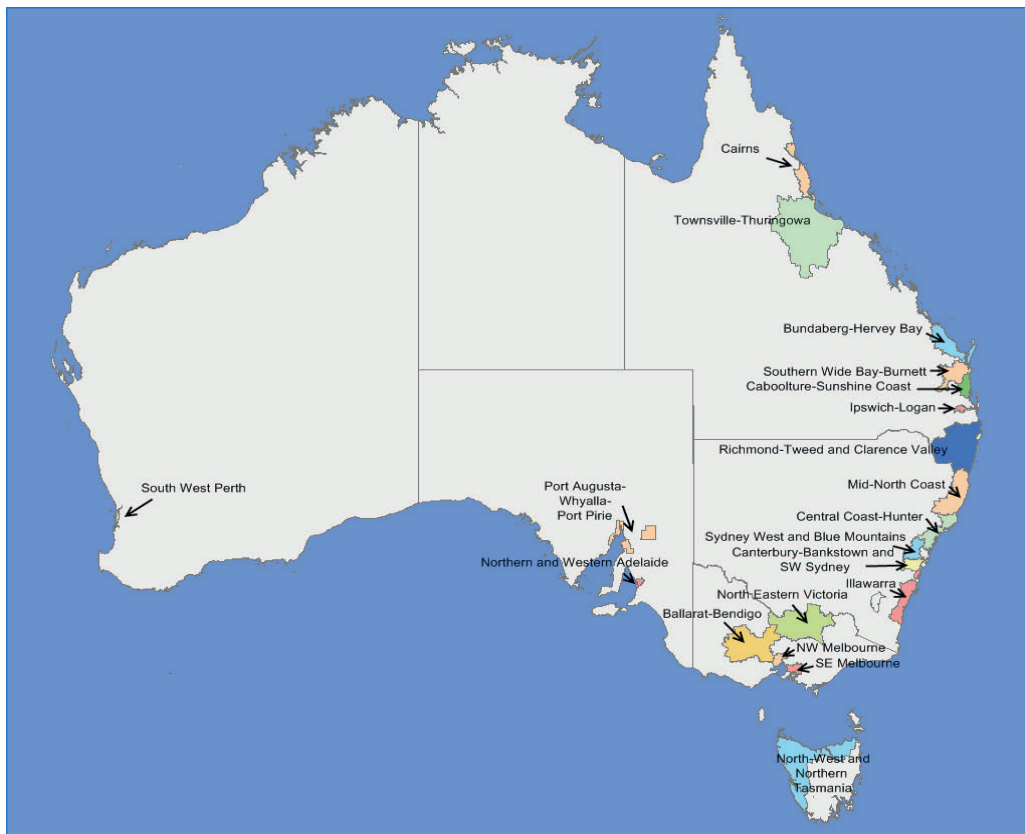
²⁰ The GCW stream similarly related to commitments made to the then Family First Senator for Victoria.

1.3 Reflecting specific elements of that commitment, \$100 million of the LJ stream was to be quarantined—\$60 million for heritage-related projects and \$40 million for the construction of bike paths. The remaining \$200 million was to be available through a general component of the LJ stream.

1.4 The Jobs Fund was announced on 5 April 2009 as part of a Jobs and Training Compact (the Compact) with Australians affected by the global recession that promised training, support and local initiatives to help them get back to work. The Compact was announced as representing the next step in the Government's response to the global recession and had three elements, including a compact with local communities. The Jobs Fund formed one of two major initiatives under the compact with local communities. The other major initiative was the engagement of Local Employment Coordinators (LECs) in 20 Priority Employment Areas (PEA) (see Figure 1.1).

Figure 1.1

Location of Priority Employment Areas



Source: Department of Education, Employment and Workplace Relations.

1.5 The first seven PEAs were announced on 5 April 2009. A further two were announced on 28 May 2009, with the remainder being announced on 8 July 2009. The PEAs were identified based on analysis undertaken by the Department of Education, Employment and Workplace Relations (DEEWR) of a range of labour market indicators to identify those regions across Australia with labour markets likely to experience disadvantage and deterioration as a result of the global recession.

Administering agencies

1.6 Administration of the Jobs Fund was shared across agencies. DEEWR was the lead agency and was also responsible for administering the GCW stream and general component of the LJ stream. At the time selection processes were conducted for both rounds of the Jobs Fund, the other agencies were:

- for the heritage component, the then Department of the Environment, Water, Heritage and the Arts (DEWHA); and
- for the bike paths component and the IEP stream, the then Department of Infrastructure, Transport, Regional Development and Local Government (DITRD LG).

1.7 For the first round of the Jobs Fund, DEEWR was the central point for the submission of applications and was responsible for allocating applications to the appropriate component for assessment by the responsible department. The second round only applied to the components administered by DEEWR.

1.8 Following the announcement of the \$650 million Jobs Fund, it was decided that departmental costs to administer the program would be met from the total funding allocation. Of the \$400 million initially allocated to the components DEEWR was to administer, \$14.1 million (3.5 per cent) was set aside for departmental costs. The remaining \$385.9 million was available over two years to 30 June 2011 to fund projects through the general component of the LJ stream and the GCW stream, with that funding being evenly split between the two streams.

Program implementation

1.9 There were two public calls for applications to the Jobs Fund. The first opened on April 2009 and closed on 22 May 2009, with funding decisions for the components administered by DEEWR being completed in August 2009. The second round opened on 5 November 2009 and closed on 11 December

2009, with funding decisions being finalised in March 2010. Ministers agreed to a DEEWR official undertaking the role of approver for both rounds of the Jobs Fund components administered by that department.

First funding round

1.10 Although the three streams of the Jobs Fund had their own particular focus, in each case the primary objective was supporting and creating jobs and employment opportunities in communities affected by the global recession and for disadvantaged job seekers. This was reflected in one initial set of program guidelines encapsulating all three streams being published in April 2009, which identified a common program objective as follows:

The Jobs Fund will support and create jobs and skill development through projects that build community infrastructure and social capital in local communities... The aim of the Jobs Fund is to produce long-term improvements in communities affected by the economic downturn.

1.11 A total of \$100 million was announced as being available under the LJ and GCW streams in the first round. Separate funding amounts were not identified for each stream. Although not identified in the relevant public announcements, the \$100 million announced as available through the first round did not include the \$60 million heritage component and \$40 million bike paths component, both of which were also allocated through the first round.

1.12 There was a significant response to the first call for proposals, with over 1600 applications seeking nearly \$1.5 billion being considered under the two DEEWR-administered components. Applications were assessed through a single process, and allocated between the two streams by DEEWR as part of that process. The selection process was completed on 14 August 2009, with a total of \$132.3 million²¹ being approved for 173 projects, comprising \$50.1 million for 64 LJ projects and \$82.2 million for 109 GCW projects.

1.13 By December 2009, three of the projects approved under GCW had been withdrawn. In January 2010, the funding that had become available as a result of these processes was used by DEEWR to approve eight additional projects under the LJ stream for a total of \$1.75 million.²²

²¹ In August 2009, funding for the first round was increased to \$140 million (see paragraphs 3.35 to 3.38).

²² This issue is discussed further at paragraphs 2.30 to 2.45 and 3.75 to 3.83.

Re-targeting of the Jobs Fund

1.14 On 14 June 2009, the then Deputy Prime Minister asked the then Minister for Employment Participation and the then Parliamentary Secretary for Employment to develop a whole of government strategy to build on existing initiatives to support Australian jobs. The strategy was entitled 'Keep Australia Working'. An interim report released in July 2009 made a number of recommendations to enhance government action in the areas of greatest immediate need, including considering how in the future to best focus the Jobs Fund on projects in PEAs that would produce jobs for local people, training and apprenticeships and pathways to long-term employment.

Allocation of remaining Jobs Fund funding

1.15 On 30 September 2009, the SPBC agreed to a number of measures that had been identified through the development of the final Keep Australia Working report in order to maximise local jobs and training opportunities. This included re-targeting the remaining uncommitted Jobs Fund funds, identified at that time as totalling \$242.8 million. The SPBC was advised that the first round had attracted a large number of proposals that were not competitive or well focussed and that there was a need for tighter guidelines to be developed for future rounds of both streams. The SPBC agreed that a total of \$93.3 million would be allocated to a second public call, as follows:

- \$51.9 million of the \$142.9 million remaining under LJ for a second round focussed more specifically on the creation of jobs and skills, especially in green jobs; and
- \$41.4 million of the \$99.9 million remaining under GCW stream for a second round with a strong focus on intermediate labour market models of social enterprise in disadvantaged areas.

1.16 The SPBC also agreed to re-allocate the remaining funding under both streams to a number of targeted employment initiatives, as follows:

- \$10 million from LJ to support the building or redevelopment of five youth focused arts, business and community centres in priority employment regions as part of the Strategy for Young Australians;
- \$20 million from GCW as seed funding for a social enterprise development and investment fund;
- \$4.1 million from GCW to enable Centrelink to stage additional Jobs Expos in priority regions; and

- \$100 million (\$70 million from LJ and \$30 million from GCW) for an Apprenticeship Kickstart package (\$5.5 million of which was for departmental administrative costs).

1.17 A total of \$16.9 million (\$11 million from LJ, \$4.4 million from GCW and \$1.5 million from the IEP stream) was also re-allocated to support the Australian Government contribution to the Victorian bushfire recovery.

Final Keep Australia Working report

1.18 A program of action to address future challenges as the economy recovered was outlined in the final Keep Australia Working report released on 16 October 2009 and reflected the decisions taken by the SPBC on 30 September 2009. The report concluded that the Jobs Fund had been effective in establishing projects which supported the development needs of local communities while at the same time creating job opportunities, and that:

The very competitive nature in the first round of funding requires that the Government give stronger direction on the nature of projects expected to be funded in Round Two to assist proponents in shaping their application. It is also important to ensure that Jobs Fund projects achieve sustainable employment and training opportunities for the most disadvantaged Australians.²³

1.19 The report stated that a second funding round should proceed quickly and with a clear focus on supporting specific objectives that would assist with economic recovery. It should be targeted to more sustainable employment and training opportunities for the most disadvantaged Australians by promoting green jobs (LJ stream) and more effective intermediate labour market models of social enterprise (GCW stream), and that new guidelines for the second round of each stream would help to meet those needs.

Second funding round

1.20 The second call for applications was announced on 5 November 2009. Separate, revised guidelines issued for each stream reflected the re-targeting agreed by the SPBC and recommended by the Keep Australia Working report, stating respectively that in the second round:

²³ Senator the Hon Mark Arbib, Minister for Employment Participation and The Hon Jason Clare MP, Parliamentary Secretary for Employment, *Keep Australia Working* Final Report, October 2009, p. 19.

- the LJ stream would focus on the creation of green jobs, development of green skills, promotion of energy efficient infrastructure and development of skills in future green industries; and
- the GCW stream would focus on the delivery of projects to build community capacity, improve community strength and amenity and provide opportunities for disadvantaged job seekers; and that ultimately this stream and its associated projects would link people with training and employment by creating jobs and opportunities in communities affected by the global recession.

1.21 The second round was again heavily subscribed, with 970 applications seeking \$890.6 million being received by the closing date of 11 December 2009.²⁴ In February 2010, the Government announced the Insulation Worker Adjustment package to assist workers affected by the closure of the Home Insulation Program. Funding for two elements of that package (a \$10 million Insulation Workers Adjustment Fund and \$1.5 million for Insulation Employment Coordinators) was re-allocated from the funding available under the second Jobs Fund round. Subsequently, the selection process for the second round was completed in March 2010, with 53 projects (5.4 per cent) being approved for amounts totalling \$39 million (\$17.5 million for 21 LJ projects and \$21.5 million for 32 GCW projects).

Program closure

1.22 In the 2010–11 Budget, the Government announced that: ‘in light of revised growth forecasts for the national economy, the need for funding in the Local Jobs and the Get Communities Working streams has diminished.’ Funding for the Jobs Fund was reduced by \$48.6 million over two years from 2009–10.²⁵ Of the \$193 million originally available under the general component of the LJ stream, \$69.3 million (36 per cent) was awarded; and of the \$193 million originally available under the GCW stream, \$112.6 million (58 per cent) was awarded. The changes made to the funding allocation for the Jobs Fund streams administered by DEEWR as a result of government decisions and the outcome of the two funding rounds are set out in Appendix 1.

²⁴ This comprised 365 LJ applications seeking \$331.3 million and 605 GCW applications seeking \$559.3 million.

²⁵ The \$14.1 million allocated for departmental costs was retained by DEEWR, with \$8.5 million being attributed to the Jobs Fund and the remainder to administering initiatives to which Jobs Fund funding was re-allocated.

1.23 Funding for Jobs Fund projects administered by DEEWR was originally budgeted to end on 30 June 2011. However, to allow certain projects that had experienced delays to receive funding in the 2011–12 financial year (including five of the 92 contracted LJ stream projects), the Jobs Fund guidelines were amended by explanatory note on 24 March 2011 to extend the program end date to 30 June 2012.²⁶

Audit objective, scope and criteria

1.24 The objective of this audit was to assess the efficiency²⁷ and effectiveness of the establishment, implementation and administration of the general component of the Local Jobs stream of the Jobs Fund, with a particular focus on the establishment of program objectives and the extent to which approved grants have demonstrably contributed to the cost-effective achievement of those objectives.

1.25 The audit examined the program against relevant policy and legislative requirements for the expenditure of public money and the Commonwealth Grant Guidelines (CGGs). Particular emphasis was given to examining whether the program was achieving its stated objectives and providing value for public money, including through consideration of whether:

- projects were identified, assessed and approved in accordance with the program guidelines, the *Financial Management and Accountability Regulations 1997* (FMA Regulations) and the CGGs; and
- appropriate oversight arrangements were established with funding recipients, and approved projects have been monitored and delivered in accordance with the terms and conditions of funding.

1.26 The focus of this audit is the two funding rounds conducted for the general component of the LJ stream, including the administration of approved projects to achieve program objectives. However, reflecting the integrated approach taken by DEEWR to the application, assessment and approval

²⁶ In this respect, none of the Jobs Fund components were completed by the originally budgeted end dates. An extension to 30 June 2012 of the IEP stream (which had also been budgeted to end in June 2011) took effect on 5 July 2010, also by way of explanatory note. The two quarantined components were both budgeted to end in June 2010 but were extended to June 2011 due to project delays. For those two components, this was done through the movement of funds only.

²⁷ As an economic stimulus program, efficiency was assessed with particular attention to whether the selection and funding agreement processes were undertaken in a timely manner. This emphasis was consistent with the criterion adopted by the Government for the design of the stimulus packages established in response to the global financial crisis (see further at paragraph 5.1).

processes for each round, the audit analysis necessarily includes reference to the concurrent conduct of the two rounds of the GCW stream. ANAO did not examine the establishment and operation of the Get Communities Working Advisory Council.

1.27 Performance audits of the IEP stream and the quarantined bike paths and heritage components of the LJ stream were tabled in the Parliament, respectively, in September 2011, March 2012 and November 2012.²⁸ Given the various agencies involved in the administration of the Jobs Fund, the audit was undertaken under section 18 of the *Auditor-General Act 1997*. The audit was conducted in accordance with ANAO auditing standards at a cost to the ANAO of \$224 580.

Report structure

1.28 The audit findings are reported in the following chapters.

Chapter	Chapter Overview
2. Program Establishment	Examines the approach taken by DEEWR to establishing, implementing and maintaining procedural documentation to govern the conduct of the Jobs Fund, and to seeking and receiving applications to each of the two funding rounds.
3. First Round Selection Processes	Examines the assessment and selection processes undertaken by DEEWR in respect to the first round of the Jobs Fund.
4. Second Round Selection Processes	Examines the assessment and selection processes undertaken by DEEWR in respect to the second round of the Jobs Fund.
5. Program Outcomes	Examines the administration of Local Jobs projects, with a focus on the extent to which the program demonstrably delivered economic stimulus outcomes.

²⁸ See ANAO Audit Report No.7 2011–12, *Establishment, Implementation and Administration of the Infrastructure Employment Projects Stream of the Jobs Fund*, Canberra, 22 September 2011; ANAO Audit Report No.27 2011–12, *Establishment, Implementation and Administration of the Bike Paths Component of the Local Jobs Stream of the Jobs Fund*, Canberra, 20 March 2012; and ANAO Audit Report No.11 2012–13, *Establishment, Implementation and Administration of the Quarantined Heritage Component of the Local Jobs Stream of the Jobs Fund*, Canberra, 27 November 2012.

2. Program Establishment

This chapter examines the approach taken by DEEWR to establishing, implementing and maintaining procedural documentation to govern the conduct of the Jobs Fund, and to seeking and receiving applications to each of the two funding rounds.

Introduction

2.1 The CCGs emphasise that agencies should develop such policies, procedures and guidelines as are necessary for the sound administration of grants. It is important that the procedures to be adopted in conducting a competitive grant program are established prior to the selection process commencing, and that the authorised procedures are subject to appropriate review and maintenance over the course of the program. In particular, an important element in the effective administration of a competitive grant program is the clarity with which the requirements to be fulfilled in submitting applications are advised to potential applicants and administered by the responsible agency. In this context, ANAO examined the processes employed by DEEWR in:

- establishing and maintaining documentation to guide the conduct of the two rounds of the Jobs Fund as a competitive grant program;
- receiving and recording applications submitted in response to the two public calls for proposals; and
- particularly for the first round, allocating proposals to the various streams for assessment.

Establishing procedural documentation

2.2 For both rounds of the Jobs Fund, DEEWR developed a comprehensive suite of internal documentation. In developing the documentation for the second round, DEEWR had regard to recommendations contained in a November 2009 report from an external firm engaged to examine the department's conduct of the program from a probity perspective.²⁹

²⁹ Although described as a probity audit, neither the plan of procedures agreed with the department or the final report identified any auditing standard under which the engagement had been conducted. The sample base was very small (four projects) and, in some cases, relied upon the department identifying and providing relevant examples.

Timeliness in establishing program documentation

2.3 Reflecting its economic stimulus objective, the Jobs Fund was initially implemented within a relatively short timeframe. Four weeks elapsed between the SPBC's 17 March 2009 decision to establish the Fund and the first call for applications being announced on 18 April 2009, with applications closing five weeks later on 22 May 2009. Despite the short timeframe, DEEWR observed good practice in having assessment guidelines (which incorporated procedures relating to the receipt and registration of applications), assessment templates and registration checklists in place, and the training of assessors undertaken, prior to applications closing. However, a process of formal endorsement of those procedural guides by a nominated authority was not established until the development of revised guides commenced in July 2009.

2.4 Terms of reference and draft guidelines setting out the procedures to be followed by the Assessment Review Committee (ARC) established to formulate funding recommendations were presented to the committee's first meeting on 25 June 2009. The terms of reference were endorsed at that meeting. Formal endorsement of the associated guidelines was not recorded.

2.5 The finalisation of documented procedures was not as timely for the second round that closed on 11 December 2009. A suite of draft guides, including registration and assessment procedures, was circulated for review on 22 January 2010. The ARC endorsed final versions of the guides on 28 January 2010, by which time the assessment of applications against the selection criteria was largely complete.

Documenting revisions to internal procedures

2.6 As noted, procedural documentation for the first round was established within a short timeframe. However, the actual processes subsequently applied to receipting, assessing and selecting projects did not reflect the originally documented procedures. This arose partly in response to the volume of applications received and also as a result of reconsideration of impracticalities and/or methodological flaws in the procedures originally set out.

2.7 In this respect, as noted, the assessment guidelines established in May 2009 incorporated procedures for receiving and registering applications. Departmental records indicate that development of a separate document entitled Registration and Conformance Guidelines (registration guidelines) commenced on or around 11 July 2009 (some seven weeks after applications had closed on 22 May 2009). On the same date, development of a significantly

revised version of the assessment guidelines was also initiated. Versions of these documents were provided to the probity reviewer on 22 July 2009 as representing the authoritative program documentation. Neither document included any reference to replacing earlier versions, nor was there evidence of DEEWR providing the reviewer with the original guidelines.

2.8 The first round selection process was completed on 14 August 2009, with the outcome being announced on 3 September 2009. On 15 September 2009, the probity reviewer advised DEEWR of two probity issues it considered the department should address, one of which related to the process applied in assessing applications having departed from that set out in the documented procedures (as provided to the external reviewer).³⁰ Internal advice on the same day was that the department was in the process of updating its assessment guidelines and other documentation 'to reflect actual practice'. On 6 October 2009, DEEWR provided the probity reviewer with further revised registration³¹ and assessment guides, together with two additional guides relating to project selection and approval and applicant debriefings.³²

2.9 The probity reviewer's November 2009 final report noted that, since providing its initial advice, the reviewer had been provided with 'revised internal Program guidance which reflect the assessment process that has to date actually been adopted.' The probity reviewer expressed the view that the issues with the initial internal program guidance may have arisen because of the time pressures the department was under to implement the program and because the documentation was adapted from departmental standard tender templates, which were not clearly fit for a grant funding program.

2.10 Regardless of the time pressures that may impact on the administration of a grant program, retrospectively amending the documentation governing the conduct of the selection exercise in order to align the authorised procedures with processes already undertaken does not represent good practice. This is particularly the case where the revised document is not clearly

³⁰ The second issue, relating to the setting aside of applications received via email only, is discussed further at paragraphs 2.25 to 2.34 and 3.63 to 3.83.

³¹ The processes applied to receiving first round applications are discussed at paragraphs 2.25 to 2.45.

³² Development of the project selection and approval guidelines commenced in July 2009 and was finalised in September 2009. As with the other revised procedural guides developed during and subsequent to the first round being completed, it was expressed in prospective terms. For example, the guide stated that: 'An indicative timetable for the Jobs Fund project assessment and selection process for Round 1 is at Attachment A.' The 'indicative' timetable attached to the guide differed significantly from the one that had been developed at the outset of the assessment process because it identified the actual dates on which key events had occurred, including the first meeting of the ARC on 25 June 2009, the delegate's final approval on 14 August 2009 and the Minister's 3 September 2009 announcement of the outcome.

identifiable on its face as having been prepared subsequent to the completion of the processes it purports to direct.

2.11 In that respect, a common feature of the procedural documentation developed by DEEWR for both rounds of the Jobs Fund was that it was not established and maintained as controlled documents. The procedural guides, which were held on a shared computer drive, did not carry any reference to the date and manner of approval. Subsequent revisions were not issued as numbered versions of the original document, or with an associated log of changes in order to provide a clear record of the changes made in each version and the date they took effect.³³ Each revised version was presented in prospective terms that identified the procedures set out the guide as those that the department ‘will apply’, even though the relevant processes had already been completed. In that context:

- as noted, it is important that the procedures to be adopted in conducting a competitive grant program are established prior to the selection process commencing, with those procedures and their date of effect being subject to approval by a nominated authority;
- where it is proposed to depart from the authorised procedures, it is better practice for each such departure to be documented and approved prior to the revised procedures being implemented; and
- where it is determined subsequent to processes being undertaken that there has been a departure from the authorised procedures, it is important that any revisions then made to the program documentation are undertaken in a manner that maintains a clear audit trail to enable the processes undertaken to be compared to the approved procedures current at the time the relevant actions were taken.

Clarity of roles and responsibilities

2.12 The CGGs advise that granting activity should be underpinned by solid governance structures and clear lines of accountability. In that context, there were aspects of the Jobs Fund selection process that would have benefited from being more clearly articulated in the program documentation.

³³ Some guides carried a warning that printed versions may be out of date, but an authoritative basis for identifying which version of the document a printed copy may represent was not established.

Inter-departmental committee

2.13 An unusual aspect of the design of the first round was that, while the Jobs Fund comprised a number of streams, applicants were not able to nominate the component they were applying to. Rather, applications were to be submitted to DEEWR in the first instance, with the Jobs Fund guidelines stating that a joint committee from the administering departments would determine a project's suitability for funding under the LJ or GCW streams and direct it to the appropriate department for assessment.

2.14 This role for the inter-departmental committee was also set out in the ARC guidelines considered on 25 June 2009 (one month after applications had closed), and in all subsequent versions of the ARC guidelines and the registration guidelines. In practice, however, DEEWR undertook the role of allocating projects to streams for assessment.³⁴ The procedures to be followed in undertaking that role were not documented.³⁵

2.15 The terms of reference for the inter-departmental committee agreed on 28 July 2009 did not refer to the role set out in the program guidelines published for the first funding round. The only documented consideration of how the committee had fulfilled that role occurred on 20 April 2010 (following the conclusion of the second round), at which it was agreed that the process undertaken to give effect to the provision in the program guidelines was that departments had undertaken assessments of those applications referred to them by DEEWR 'on behalf of' the committee.³⁶

³⁴ DEEWR advice to ANAO was that: 'Given the [joint committee] included senior staff (SES Band 1 and 2) from DEEWR, [DITRD LG] and DEWHA, it was not appropriate for the Committee to individually allocate in excess of 2000 applications...to a stream for assessment. Senior staff from DEEWR decided which stream a project should be considered under. Some projects were sent to the other departments only to be later returned as the other department decided it would be better suited under (*the general streams for which DEEWR was responsible*).' See ANAO Audit Report No.7 2011–12, op. cit., p. 76.

³⁵ DEEWR advised ANAO that: 'The decision to not have a section in the application form where applicants could specify which stream they wished to apply for was a deliberate attempt to provide flexibility in the assessment process and give all projects the best chance to receive funding under either stream (where they were eligible). Given that there were significant similarities and cross over between the LJ and GCW streams in Round One, it was decided that all applications should be submitted without identifying a particular stream and assessors would determine if the project was suitable under one or both streams. In addition, given the cross-over between the two streams in Round One, requiring applicants to identify which stream they were applying to would have created confusion and lead to inefficiencies at a time when receipt and processing of applications needed to happen as quickly as possible in order to implement the Government's stimulus response and create employment.'

³⁶ The committee further agreed that, where Departments identified projects that had been incorrectly allocated, these were returned to DEEWR for consideration under the appropriate stream.

Roles of the ARC and DEEWR decision-maker

First funding round

2.16 The April 2009 program guidelines stated that recommendations to fund projects under the DEEWR-administered components would be made by DEEWR to 'the Deputy Prime Minister or their Delegate'. DEEWR's May 2009 assessment guidelines had stated that the projects to be recommended would be identified by the inter-departmental committee³⁷, however the ARC was subsequently formed to formulate funding recommendations in relation to the components DEEWR was responsible for administering. The DEEWR assessment guidelines were not revised to reflect that role until development of the significantly revised program documentation commenced in July 2009.

2.17 As at 18 June 2009, draft ARC guidelines and terms of reference had been developed for tabling at the committee's first meeting on 25 June 2009. On 22 June 2009, DEEWR recommended to the then Deputy Prime Minister that she agree to authorise a nominated Deputy Secretary to undertake the role of approver. The ARC's first meeting occurred after the department had submitted its brief, but before Ministerial agreement had been received. On 25 June 2009, the ARC agreed to terms of reference which made it clear it was the role of the ARC to provide recommendations, but that the delegate (approver) would make the final decisions (see Figure 2.1).

³⁷ Specifically, the May 2009 assessment guidelines stated that: 'The assessment report and the comparative assessment ranking will be provided to the Interdepartmental Committee. The committee will review the assessment, scores assigned and recommendations of the assessment teams, and take into account issues such as value for money, geographic location, funding amount requested and proposed outcomes. The committee will recommend the projects for funding under each stream, the funding amount and any special terms and conditions that should be attached to the project. Recommendations for funding under Local Jobs (excluding national heritage and bike paths) from the IDC will be put forward by DEEWR to the DEEWR Jobs Fund delegate.'

Figure 2.1**ARC Terms of Reference—Jobs Fund Round 1**

The [Assessment] Review Committee is:

- Responsible for considering the capability and capacity of applicants to undertake projects in accordance with the Jobs Fund guidelines and for making recommendations to the Delegate on suitable proposals for funding under the Jobs Fund.

The Terms of Reference for the Jobs Fund [Assessment] Review Committee are to:

- Consider matters relating to the assessment of proposals for funding under the Jobs Fund.
- Provide recommendations to the Delegate with respect to all applications for funding under the Jobs Fund.
- Ensure that the assessment process is conducted in a consistent and objective manner in line with Commonwealth Grant Guidelines and Commonwealth Grant Approval Processes and with regard to probity considerations.

While informed by ARC advice, the Delegate will make the final decisions.

Source: Minutes of ARC meeting 25 June 2009 and endorsed ARC terms of reference.

2.18 The terms of reference did not identify who the delegate was, but the ARC guidelines considered at the same meeting stated that the then Deputy Prime Minister would undertake that role. The terms of reference identified as chair of the ARC the same official that DEEWR had nominated to undertake the role of approver or ‘delegate’, with the ARC noting that:

... in line with other practice in the Department, the Departmental Delegate could also chair meetings of ARC.

2.19 On 6 July 2009, the then Deputy Prime Minister agreed to assign decision-making authority to the nominated official. However, the ARC’s terms of reference and guidelines were not amended to reflect this change. Accordingly, the documented procedures did not identify how the Deputy Secretary’s role as chair of the committee that was to provide recommendations to the decision-maker would be separated from the same official’s role as the decision-maker. The ARC’s recommendations for the first round were communicated to the delegate through that official’s participation

in the ARC meetings that decided which projects should be recommended for approval.³⁸ In this respect, DEEWR advised ANAO that:

There was no potential for a conflict of interest to arise here because the ARC was not involved in the actual assessment process. The role of the ARC was to consider the recommendations made by independent assessors. ARC deliberations, which the Delegate participated in, focused on considering the recommendations, not reviewing the assessments that had already been completed.³⁹

Second funding round

2.20 The ARC's terms of reference for the second round were the same as for the first round (see Figure 2.1), with the addition that the matters the ARC was to consider included eligibility of proponents. The program documentation endorsed by the ARC on 28 January 2010 stated that the then Minister for Employment Participation would be the approver, but that this was yet to be confirmed. The ARC guidelines further noted that, should the Minister decide not to be the approver, relevant provisions would be reviewed.

2.21 DEEWR's then Associate Secretary had chaired the ARC's 21 December 2009 meeting and taken over the previous chair's role as approver for the first round, including the approval of eight additional projects on 7 January 2010.⁴⁰ On 4 January 2010, internal advice was circulated advising that the Associate Secretary had decided that:

- irrespective of the Minister's decision in relation to the role of approver, the Associate Secretary did not want direct involvement in the assessment process, and that the assessment and ranking process should be determined by other senior officials; and

³⁸ Further in this respect, projects were approved in three tranches. In each case, the approval was to be documented through an approval instrument, with an attached schedule identifying the relevant projects and funding. For the first tranche of 13 projects approved on 10 July 2009 (of which eight were publically announced in July 2009), DEEWR was unable to provide ANAO with a signed approval instrument, advising that it had not been returned from the approver's office. The department referred ANAO to the same official's position as contact point on a brief advising the Minister of the approvals as providing confirmation the approval had been given. This is not an appropriate form in which to satisfy relevant obligations in relation to recording the approval of grants (as set out in FMA Regulation 12). For the second tranche of 125 projects approved on 31 July 2009 (incorporating re-approval of the original 13 projects), the department was able to provide a signed copy of the approval instrument but the relevant schedule was not attached. DEEWR referred ANAO to an attachment to a 4 August 2009 brief to the Minister, advising that it listed of the same projects and funding as had been included in the relevant schedule. Again, this was inadequate in terms of fulfilling the requirements of Regulation 12. The third approval instrument and schedule of 173 projects (incorporating the 125 projects previously approved, but with corrected funding amounts) signed on 14 August 2009 was held in DEEWR records.

³⁹ The ARC and decision-making process for the first round is discussed at Chapter 3 of this report.

⁴⁰ See further at paragraphs 3.75 to 3.83.

- he only required the opportunity to consider the recommendations in briefings at appropriate stages of the process.

2.22 The then Associate Secretary's office subsequently advised that it had been decided that a nominated Deputy Secretary⁴¹ would chair the ARC, but that the Associate Secretary would have:

... an overarching interest (hence the briefing requests) ... [*the Associate Secretary*] would also need to be free of the committee in case the [*Minister's Office*] refers anything back to DEEWR for an independent review.

2.23 This approach was reflected in the ARC guidelines endorsed on 28 January 2010. It was not clear from the endorsed guidelines as to the capacity in which the then Associate Secretary would be receiving such briefings when not a member of the ARC, given the role of the ARC to make recommendations to the decision-maker on suitable proposals (with the decision-maker still being identified at that time as the then Minister).

2.24 Internal departmental advice circulated on 19 January 2010 advised that it was now expected that the then Associate Secretary would be the approver. The advice also confirmed the Associate Secretary's earlier decision that he did not want to chair the ARC. Instead, he only wanted one meeting where the ARC would present its recommendations for sign off. This proposed approach provided for greater separation between the respective roles of the ARC and the program decision-maker than the arrangements for the first round had provided. It was subsequently confirmed that the Minister had agreed to the then Associate Secretary performing the role of approver, with the program documentation being amended to reflect that change.⁴²

Receiving applications to the first funding round

2.25 The announcement of the first funding round stated that applications would close at 4:30pm EST on Friday, 22 May 2009. However, the program guidelines published the same day provided contradictory advice suggesting the Jobs Fund would be conducted through an open-ended selection process. Specifically, the program guidelines stated that: 'The Australian Government will seek submissions for projects from May 2009. From 1 July 2009, proponents may submit proposals at any time.' The guidelines further stated:

⁴¹ This position had replaced the position of the previous ARC chair and delegate for the first round.

⁴² The ARC and decision-making process for the second round is discussed in Chapter 4 of this report.

Electronic copies are preferred, accompanied by one complete hard copy with a signed Legal Authorisation Form which is included in Part A of the Proposal for Funding Form.

2.26 The application form provided the same advice and further advised that: 'Proposals not submitted in this format may not be considered. Proposals not consistent with the guidelines may be rejected.'

2.27 There was a significant response to the first call, with over 2800 proposals ultimately being accounted for in DEEWR's records. As noted at paragraph 2.3, DEEWR exhibited good practice in establishing, prior to applications closing, internal guidelines relating to the procedures to be followed in registering applications. DEEWR established a spreadsheet register to track applications and the stream each had been allocated to for assessment. In order to facilitate registration, the spreadsheet was a shared document able to be accessed by multiple registering officials simultaneously.

Acceptable form of application

2.28 DEEWR's originally documented registration procedures were based upon an expectation that applications would be received via email, as had been requested in the program guidelines. Collectively, the documented procedures provided that all proposals submitted to the Jobs Fund email address by the closing date and time would be registered and provided to the relevant department for assessment. However, if a hard copy of an application submitted electronically had not been received, it would be requested by DEEWR, and the project would not be recommended until it was received.

2.29 However, that approach was not implemented by the department. Instead, applications were generally registered only upon receipt of a hard copy, with the Jobs Fund email inbox being searched at that time for any equivalent application. Only once that process had been completed was attention focussed on ensuring all applications received by email had been identified, with this latter process not commencing until July 2009.

Decision not to assess applications received via email only

2.30 As noted, the May 2009 assessment guidelines incorporated procedures for the registration of applications. As further noted (see paragraph 2.7), the development of a revised and separate registration guidelines document (and revised assessment guidelines) commenced in July 2009. Draft registration guidelines proposed to be considered by the ARC on 16 July 2009 retained the same provisions relating to the registration and assessment of all proposals

submitted to the Jobs Fund email address by the closing date and time as had been set out in the original program documentation.

2.31 The revised guidelines were not considered at the 16 July 2009 meeting, with ARC members to review the documents out of session for further consideration at the next meeting. A paper submitted to the subsequent meeting on 20 July 2009 (two months after applications closed) recommended that the ARC note the process that was being followed for applications received in electronic format only. The ARC was advised that all hardcopy proposals received had been checked to identify if they had an accompanying electronic copy. Following that process, examination of remaining emails had resulted in some further proposals (at that time, 30) being identified that had only been received via email. The ARC was advised that that it would be necessary to contact the applicants and ask them to submit a hard copy. The committee was advised that, given the deadline to complete all assessments, assessment of these new proposals had commenced, but that any recommendation for funding by the ARC would be subject to receiving the signed legal authorisation from the applicant. At that meeting, the ARC decided that:

- applications received in electronic form only would not be assessed⁴³; and
- affected applicants were to be contacted to request a hard copy and to be advised that, should a hard copy be received, it would be considered in the second round of the Jobs Fund.⁴⁴

2.32 At the same meeting, ARC members agreed to provide out of session comments regarding the draft revised registration and assessment guidelines. There is no further record of ARC members' consideration of the guidelines or when the two documents were considered to have been finalised. However, the registration guidelines were subsequently further amended to reflect the approach taken, in which registration was generally initiated upon receipt of a

⁴³ The projects that had been added to the Jobs Fund first round register of applications as a result of this process were subsequently removed from the register. A separate register of applications received via email only was later established in September 2009 (see paragraph 2.34).

⁴⁴ The affected applications included examples in which the application submitted via email consisted of a scanned pdf document which included a signed legal authorisation form. There is no evidence of DEEWR considering, or seeking advice in relation to, whether this form of signature was acceptable.

hard copy.⁴⁵ The ARC decision regarding electronic applications was closed on 22 July 2009 as 'Action underway', but affected applicants were not ultimately contacted until October 2009 (see further at paragraphs 3.67 to 3.74).

2.33 Following the conclusion of the first funding round, the probity reviewer identified the setting aside of applications received in electronic form only as an issue DEEWR should address. This was on the basis that the published program guidelines did not clearly indicate that electronic only applications would be excluded. This advice was initially raised in discussions, with further written advice on 15 September 2009.

2.34 The department subsequently compiled a separate register of affected applications which ultimately involved some 235 applications relating to all competitive components of the Jobs Fund.⁴⁶ Assessment of those applications was undertaken subsequent to the completion of the relevant selection processes (see further at paragraphs 3.63 to 3.83).

Closing date for lodgement of applications

2.35 As discussed, the announced closing date for applications to the first round was 4:30pm on Friday, 22 May 2009. An extension to 29 May 2009 was subsequently made available upon request for applicants in locations affected by natural disasters occurring at the time.

2.36 The DEEWR register of proposals included a field entitled 'date proposal received'. As at 15 June 2009⁴⁷, the register identified 2598 individual applications. Only 491 (19 per cent) of those were recorded as having been received by 22 May 2009. The date of receipt was recorded as 24 May 2009 or later for 2098 applications (81 per cent) and was blank for a further nine applications. However, less than two per cent of projects were marked as not being accepted into the first round. A reference to whether an exemption had been provided was recorded in the register in respect to 46 projects, of which four were identified as not having received an exemption. A further 21 projects registered with receipt dates of between 9 and 11 June 2009 were identified as

⁴⁵ Specifically, the further revised guide now stated that all hard copy proposals received at the DEEWR surface mail address by the closing date and time would be registered. In this respect, for the majority of applications the hard copy had been received after 22 May 2009, with the relevant applicants having submitted the application via email in order to meet the closing date—see paragraphs 2.35 to 2.39.

⁴⁶ A further 19 applications received via email only were identified as relating to the non-competitive IEP stream for which applications were not accepted (see further at paragraphs 2.42 to 2.43).

⁴⁷ Applications received post-15 June 2009 were not included in the first round register (see further at paragraphs 2.40 to 2.41).

having been accepted by the then DEWHA for consideration in the quarantined heritage component.⁴⁸

2.37 This situation arose as a result of the date entered in the 'date proposal received' field not reflecting the actual date on which an application had been first received. The majority of applications had been submitted via email on or before 22 May 2009⁴⁹, with a hard copy being dispatched by surface mail. Neither the guidelines nor any other program documentation stipulated the date by which the requested hard copy was to be received. The Frequently Asked Questions (FAQ) document published by DEEWR on 19 May 2009 advised potential applicants that:

All applicants must ensure their proposal is received by the Department of Education, Employment and Workplace Relations, in its entirety, by 4.30pm on 22 May 2009.

- if sending hard copy only, this must be received by the closing date and time
- if sending in electronic form, this must be received by the closing date and time, **and your signed hard copy should be posted/sent no later than 22 May 2009.** [*ANAO emphasis*]

2.38 This latter advice was not included in the program guidelines or application form. Nor was a methodology for demonstrating compliance with the provisions set out in the FAQ document incorporated into the registration procedures. DEEWR advice to ANAO in this respect was as follows:

As the Round One Guidelines required that all applications be received in hard copy format, this was the date used for recording purposes. The majority of applications were received and registered as hardcopy applications, so the date in the registry is when DEEWR received the hardcopy application via Australia Post. The email received, if one was received, may have been sent before or after the hardcopy and accessed at a different time.

Where applications were only received in electronic format, against the requirements of the Guidelines, these applications were registered after those that were correctly sent in hardcopy format. As a result some applications

⁴⁸ Applications to the heritage component were received through both the public call and a targeted call, the latter with an extended deadline of 12 June 2009. However, there was a lack of clarity regarding how that aspect was to be administered—see ANAO Audit Report No.11 2012–13, op. cit., pp. 86–88.

⁴⁹ The large volume of applications received via email on 22 May 2009 meant that a number of applications were not retrieved from the inbox until some days later.

which were only received electronically, although received at an earlier date, may not have been accessed for a period of time.

2.39 This approach considerably reduced the utility of the register as a record of the proposals received by the due date, which is an integral part of the function proposal registers are expected to fulfil for a competitive grant program.⁵⁰ In addition, the applicants that had sought an extension, and the acceptance or otherwise of that request, was not clearly recorded in the register. In this respect, ANAO noted various anomalies in relation to the determination of whether particular applications would be accepted.

Clearly stating closing dates for the submission of applications

2.40 As discussed (see paragraph 2.25), the program guidelines published on 18 April 2009 stated that applications could be submitted at any time from 1 July 2009. DEEWR did not seek to provide any alternative advice to potential applicants in relation to whether this remained to be the case until the second call for applications was announced on 5 November 2009.

2.41 As a result, a number of organisations invested resources in developing and submitting applications after the first round had closed, in the apparent expectation their applications would be considered in due course. For DEEWR, this included 20 applications submitted between the SPBC's 30 September 2009 decision to conduct a second round involving revised guidelines and the day the second round was announced on 5 November 2009. DEEWR notified at least 114 applicants on 5 November 2009 that, given revised guidelines had been issued, applicants who had submitted proposals after 22 May 2009 would need to resubmit their applications if they wished to be considered.

Allocation of applications to the appropriate stream

2.42 As discussed, DEEWR was responsible for allocating applications to the most appropriate stream for assessment. As part of that process, a total of 232 applications were deemed ineligible for consideration under the LJ and GCW streams⁵¹ because, based on the proposal register, they had been

⁵⁰ In the absence of a register that reliably records the actual date of receipt, it would be expected that the individual file for each application would include contemporaneous documentation identifying the date of receipt. However, this was not the case. The registration checklist asked the registration officer to confirm the form in which the application had been received and whether certain elements had been completed, but did not require the registration officer to record or validate the date of receipt.

⁵¹ This included 19 projects allocated to the IEP stream as part of the actions taken in July and September 2009 with respect to projects submitted via email that had not previously been registered (see footnote 46).

identified as seeking more than the \$2 million maximum grant available under those streams. Where those applications were infrastructure related, they were allocated to the IEP stream, for which there was no financial limit on individual grants. However, all such applications were deemed to be unsuccessful without being assessed on the basis the guidelines had stated that the Australian Government would initiate projects under the IEP stream.⁵²

2.43 In September 2009, DEEWR sent letters to those 232 applicants advising that their application was ineligible under the LJ and GCW streams due to the amount sought and there was no application process for the IEP stream. Following queries from a number of applicants, it was discovered that 48 (21 per cent) of the 232 applications had not, in fact, sought funding exceeding \$2 million on a GST exclusive basis and had been incorrectly excluded from consideration under the relevant competitive components of the Jobs Fund.⁵³ Those applications were assessed between October and December 2009, after the relevant first round selection processes had been completed.⁵⁴

2.44 Other anomalies in the allocation of applications to the most appropriate component for assessment related to the quarantined heritage component, for which specific criteria were required to be addressed through a dedicated section of the application form. Examples included:

- at least three projects for which the applicant had completed the heritage-specific section, but which were not allocated to the heritage component for assessment until September 2009 or later (by which time the funding available had been exhausted); and
- two applications that were allocated to the heritage component despite the heritage-related part of the application form not being completed and which, therefore, had not addressed the heritage-specific criteria.

⁵² See further at ANAO Audit Report No.7, 2011–12, op. cit., pp. 70–75 and 118–135.

⁵³ Grants were awarded on a GST exclusive basis, with any GST payable being funded through a separate appropriation. In relation to errors in the register relating to the amount of funding being sought by applicants, DEEWR's advice to ANAO was as follows: 'Due to the time constraints on the development time for Round One, no data base or electronic means of registering applications was developed. The information had to be entered manually into Excel for the large amount of applications received. The tight time constraints also meant that there were multiple people contributing to the registration spreadsheet, so initially human errors were hard to pick up. As incorrect information was found, it was corrected. However as the registry spreadsheet was not being used as an assessment tool, merely a tool to keep track of the application in the initial stages of the process, it was not a priority to check that all the dollar values were correct. The errors in the spreadsheet had no impact on the assessment process.'

⁵⁴ See further at paragraphs 3.63 to 3.74.

After being advised they were unsuccessful under the heritage component, both applicants submitted complaints.⁵⁵

2.45 The various errors and anomalies that arose in relation to the receipting of applications submitted in response to the first call for proposals resulted in applications being incorrectly excluded from the first round selection processes for the relevant competitive components of the Jobs Fund.⁵⁶ As is discussed further at paragraphs 3.63 to 3.83, assessment processes of various types were subsequently undertaken in respect to more than 260 projects (ten per cent of first round applications), but this did not have a positive outcome for most affected applications. This situation highlights the importance of grant program guidelines clearly articulating the process by which applications are to be submitted to a competitive grant program. A methodology for transparently and consistently determining whether each proposal will be accepted also needs to be documented and implemented at the time applications close in order to ensure all compliant applications are afforded the same opportunity to participate in the competitive selection process.

Receiving applications to the second funding round

2.46 For the second funding round, DEEWR took a number of measures to address the issues that had arisen under the first round application process. In particular, the program guidelines clearly identified both the closing date for applications and the form in which they were to be submitted.

Compliant form of application

2.47 Separate application forms were developed for the second rounds of the GCW and LJ streams respectively. This was necessary because the first of the selection criteria established for the second round differed between the two

⁵⁵ Both complaints highlighted that, as they were aware their project was not likely to be eligible under the heritage component, the projects had been directed to the GCW stream and that this approach had been based on advice from the relevant department and/or LEC. One applicant submitted the complaint to the then DEWHA and no further action was taken. The other applicant submitted the complaint to DEEWR, including through representations made by the local Federal Member, and the project was ultimately assessed under the second round of the GCW stream (see footnote 133).

⁵⁶ This issue was also identified in ANAO's earlier audits of the IEP stream and the two quarantined components of the Local Jobs stream—see ANAO Audit Report No.7 2011–12, op. cit., pp. 73-75; ANAO Audit Report No.27 2011–12, op. cit., p. 4; and ANAO Audit Report No.11 2012–13, op. cit., pp. 84-90.

streams, in order to reflect their respective focus. As a result, applicants were able to apply to the stream they wished their proposal to be assessed under.⁵⁷

2.48 The other significant change in relation to the form of application was that proposals were required to be submitted via email, with the guidelines stating paper or faxed copies would not be accepted. The SPBC had decided on 30 September 2009 that revised guidelines were to be brought forward by mid-October 2009. In providing draft guidelines to the then Minister for Employment Participation on 15 October 2009, DEEWR advised that:

The draft guidelines currently require proponents to submit two hard copies of their proposal, based on experience from Round 1. However, the Department is currently looking into an electronic submission and upload system which may eliminate the need for hard copies.⁵⁸

2.49 Departmental records indicate the system being examined was software used to manage tender evaluations, which was found to be unsuitable for use in the grants environment. Given the short timeframe available for finalising the program guidelines, DEEWR adapted the application forms to an Excel spreadsheet format that was to be submitted via email. Although these arrangements resulted in a significantly less complex application process from the department's perspective⁵⁹, there were some unintended consequences in terms of the capacity for applicants to lodge applications. In this respect, the August 2010 report of an internal audit of the second round stated that:

... program management advised Internal Audit that they were aware of the limitations of using *Microsoft Excel 2003* for such purposes. For example, some of the formatting and functionality of the application forms was lost when applicants accessed the forms using earlier versions of Microsoft Excel. Applicants had advised program management during the application period of significant problems with the proposal forms, such as the inability to view all of their responses to each assessment criteria and some limitations of previous versions of Microsoft Excel.

2.50 The application approach adopted by DEEWR was directed at avoiding the complexities and other issues that had arisen as a result of asking

⁵⁷ ANAO noted one anomaly in this respect. A GCW application was approved under the LJ stream, but an assessment against the different LJ criterion was not undertaken—see paragraph 4.30.

⁵⁸ This advice reflected an approach under which applications would be received in one form only, with the draft guidelines attached to this brief stating that electronic or faxed copies would not be accepted.

⁵⁹ The use of macros to extract data from applications for assessment purposes also assisted the department in improving the accuracy and cost-effectiveness of the data entry process.

applicants to submit applications in two forms. However, having regard for the known limitations of the electronic format being considered, an alternative approach may have been to promote the submission of applications electronically without the need to also submit a hard copy, while not excluding the option for applicants to submit their application in hard copy only. In this respect, another limitation of the approach adopted was that there was no alternative application form available for use by people that were limited in their capacity to utilise spreadsheets or access online facilities.⁶⁰

2.51 The internal audit identified that other areas within the department had developed online application forms for use in a number of grant programs, utilising ‘smart form’ technology developed by another department. It was noted that this technology provided a number of advantages over spreadsheets and did not require extensive timeframes for the development of an online application process tailored to the program in question. In response to the internal audit report, the department agreed to review this aspect of the guidance provided within its grants manual and indicated that it was then in the process of evaluating an IT project dealing with online grant application processes. In April 2013, DEEWR advised ANAO that:

In financial year 2010–11, DEEWR engaged with [a] consulting firm to document the various approaches and IT support systems for procurement and grant activities across the department and provide recommendations on better ways of working for these processes where possible. In-line with recommendations made in the initial report, a scoping study was commissioned to continue this investigation. The purpose of the scoping study was to explore possibilities for an integrated and coordinated approach to redeveloping DEEWR’s procurement systems and related workflows to enhance efficiency, compliance and reporting including key elements of grant administration. This scoping study was considered at DEEWR’s Business Management Committee where they supported further exploration into internal solutions as well as seek to better understand Commercial-Off-The-Shelf (COTS) offerings.

The department approached market for a COTS grants management solution using a two stage process; call for Expressions of Interest and then a Select

⁶⁰ The internal audit report noted that the approach adopted was inconsistent with the DEEWR Grants Manual that had been released in August 2009, which stated that application forms should be made available in both forms. The report considered that, given the tight timeframes, the requirement to lodge electronically in a common format was acceptable, and further commented that, in light of the increasing use of online application processes and to improve DEEWR’s operational efficiency, there may be merit in reviewing the Grants Manual requirement. The report did not refer to equity of access considerations.

Tender with shortlisted applicants. However, the department recently cancelled its approach to market for a grants management solution. This decision was made in-light of a stocktake, which was initiated following the most recent Machinery of Government change. This stocktake concluded that there is an opportunity for only a small number of programs to move to an automated grant management system which did not represent a sufficient value for money proposition to award a contract.

The department is exploring the Microsoft Dynamics CRM Grants Accelerator (MS CRM) solution which exists within DEEWR as opportunities arise.

Late and non-conforming applications

2.52 In contrast to the approach adopted for the first round, a formal process was established for the management of proposals not submitted in accordance with the second round program guidelines.⁶¹ Specifically, a meeting of the ARC convened on 17 December 2009 (six days after applications closed) was asked to agree to recommendations to accept or reject non-conforming applications in a variety of categories.⁶² The ARC agreed that internal legal advice should be obtained as to the extent of its discretion in deciding whether to accept the conforming proposals, and proponents were to be contacted to seek an explanation, noting some had already indicated they had experienced difficulties submitting the application through their internet service provider.

2.53 At the subsequent ARC meeting on 21 December 2009, a number of decisions were documented regarding the actions that were to be taken in relation to the various cohorts of non-conforming proposals. Based on the outcome of those inquiries and further internal legal and probity advice, the ARC agreed to accept a number of projects.⁶³

Conclusion

2.54 For both rounds of the Jobs Fund, DEEWR developed a comprehensive suite of internal documentation. However, particularly in the first round, the

⁶¹ Registration guidelines for the second round were not finalised prior to applications closing on 11 December 2009. The final version held in DEEWR electronic records dated 19 January 2010 (some five weeks after applications closed) was presented to the ARC for endorsement on 28 January 2010.

⁶² This included: applications received after the closing time and date due to size limitations and/or restrictions applied by applicants' Internet Service Provider (ISP); submitted after the closing time with no apparent ISP issues; submitted on the first round application form or in PDF format; for which the applicant was seeking an extension due to technical difficulties; and resubmitted, revised proposals.

⁶³ A further project was accepted on 2 February 2010, after it was identified that the application had not been received due to being blocked by the applicant's internet service provider.

originally documented procedures were not fully implemented. Revised program documentation to reflect the actual processes applied was developed during, and subsequent to, the selection process. In that context, the departmental procedural guides were not established and maintained in a manner that enabled the date of effect of the original version, and of any subsequent revisions to authorised procedures, to be readily identified. The accountability of DEEWR's administration of future grant programs would be enhanced if:

- the roles and procedures actually undertaken reflected the procedural guides established to govern the conduct of the selection process; and
- the date of effect of any revisions to the documented procedures was clearly identifiable such that the actions taken are able to be compared to the approved procedures at the relevant point in time.

2.55 The significant response to the first call for proposals gave rise to a number of challenges for DEEWR in maintaining an orderly process for receipting and registering applications, and allocating projects to the most appropriate Jobs Fund component for assessment. The request that applications be submitted via both email and in hard copy increased the volume of material to be handled and the complexity of identifying the population of compliant applications that were to be assessed. Various aspects of the approach taken to completing the register of proposals diminished its capacity to provide an accurate and complete record of applications received. In addition, the originally documented procedures for registering and assessing proposals were not fully implemented, particularly for those received via email.

2.56 In this respect, it had been anticipated from the outset that there would be more than one funding round under the Jobs Fund. The program guidelines had also stated that proposals could be submitted at any time from 1 July 2009, suggesting an open-ended submission process. That advice was contradictory to the closed round approach identified in the public announcement of the first round and subsequently applied in the selection process. However, it influenced the approach DEEWR adopted to administering some proposals, in that the department operated on an expectation that projects not considered in the first round selection process could be considered in a subsequent round.

2.57 As a result of these various factors, a number of errors and anomalies arose that impacted upon whether certain applications submitted in response to the first call for applications were considered through the same processes

(and at the same time) as other projects competing for the available funding. Specifically, more than 260 applications (some 10 per cent) were not assessed until after the outcome of the competitive selection processes for the relevant Jobs Fund components had been finalised. This situation significantly impacted upon the capacity for those applications to receive funding consideration in the same manner afforded other applications submitted in response to the first call for proposals.⁶⁴

2.58 For the second round, DEEWR adopted various measures to address issues that had arisen in the application process for the first round and to provide enhanced transparency and accountability over the management of late and non-conforming proposals. Collectively, these measures significantly improved the accuracy, efficiency and effectiveness of the application process and helped to largely eliminate the anomalies that had arisen in relation to the first round. One area in which the equity and effectiveness of the application process could have been further improved was in relation to the format in which applications were able to be submitted. In this respect, applicants were limited to submitting applications in a specific spreadsheet format, via email. This resulted in some applicants experiencing difficulties in completing and lodging applications by the required date and time.

⁶⁴ This issue is discussed further at paragraphs 3.63 to 3.83.

3. First Round Selection Processes

This chapter examines the assessment and selection processes undertaken by DEEWR in respect to the first round of the Jobs Fund.

Introduction

3.1 The first round of the Jobs Fund was a competitive selection process. The guiding principle for an appropriately conducted competitive, merit-based selection process is for all eligible, compliant applications to be assessed in the same manner against the same criteria, and then ranked in priority order for advice to the decision-maker. In that context, ANAO examined the processes applied under the first round in relation to:

- assessing proposals against the published selection criteria; and
- formulating funding recommendations based upon proposals' relative merit in terms of the program guidelines and objectives.

3.2 Applications were assessed through a single process and allocated to one of the two streams as part of that process. Accordingly, although the LJ stream was the focus of this performance audit, the analysis in this chapter is necessarily based on the collective selection process undertaken by DEEWR.

Assessing proposals against published selection criteria

3.3 The targeted stimulus objective of the Jobs Fund was reflected in the program guidelines stipulating that, to be considered, a project needed to meet each of three gateway criteria and address at least one of four target areas, as set out in Table 3.1. Projects would also be subject to due diligence and risk assessment 'as appropriate'. The guidelines stated that each proposal would be assessed on its merits, and in comparison to other proposals submitted at the same time or previously. To guide the assessment process, DEEWR established a suite of documentation. This included an assessment template that was comprised of three parts, two of which involved a scoring methodology.

Scored assessment elements

3.4 Assessments against the gateway criteria and target areas were scored as set out in Table 3.1.

Table 3.1**Scoring methodology applied in the first funding round**

Criteria set out in program guidelines	Scoring scale
Projects must meet each of three gateway criteria:	
1. Projects are in areas experiencing high unemployment, a significant rise in unemployment or vulnerability.	Projects allocated a score of between zero and five against each criterion based on ratings of: <ul style="list-style-type: none">• Very strong = 5• Strong = 4• Suitable/Adequate = 3 -----Criterion pass threshold <ul style="list-style-type: none">• Weak = 2• Very poor = 1• Did not address = 0 Scores aggregated to maximum total score of 15.
2. Projects must be viable and ready to start.	
3. Funding will not extend past 2010–11. Projects will be expected to be self-sufficient and/or not require Australian Government funding beyond 30 June 2011.	
Projects must address at least one of the following four target areas:	
A. Create jobs or retain people in jobs at risk due to the downturn.	Projects allocated a score of between zero and three against each target area based on ratings of: <ul style="list-style-type: none">• Strong = 3• Average = 2 -----Target area pass threshold <ul style="list-style-type: none">• Poor = 1• None = 0 Scores not aggregated. Minimum of one pass score required.
B. Build skills for the future.	
C. Build community infrastructure or improve community amenity which generates local jobs.	
D. Provide seed funding for social enterprises to start up, maintain or expand services, generating jobs and improving community services.	
Minimum assessment outcome required to be eligible for funding consideration	A score of 3 against each of the gateway criterion and a score of 2 against at least one target area.

Source: DEEWR assessment methodology for the first funding round of the Jobs Fund.

Gateway criteria assessments

3.5 The three gateway criteria were identified in the template as assessment criteria, with the matters the program guidelines had advised applicants to address against each criterion being applied as sub-criteria. Assessors were provided with guidance to support consistency in evaluating claims against a criterion, and were advised to specifically focus on:

- for the first criterion, whether the project's location was particularly impacted by the current economic and labour conditions; the claimed number of jobs, traineeships and work experience places was realistic; and the applicant had outlined a strategy for achieving those claims;

- for the second criterion, whether the applicant had demonstrated that it had, or the capacity to recruit, staff with the appropriate skill set; and the services to be provided through the project were additional to those that would have occurred in the absence of funding; and
- for the third criterion, whether the project would continue beyond 30 June 2011 and proposed funding arrangements beyond that date were realistic and sustainable. In particular, assessors were advised that a high rating should be given to projects that continued past 2010–11 and had evidence to indicate they would be self-sustaining, had an ongoing impact on the community, and would not require Commonwealth funding beyond 30 June 2011.

Target area assessments

3.6 The ‘project eligibility’ section of the assessment template related to scoring projects against each of the four target areas. Although the target areas were set out under the heading ‘project eligibility’ in the program guidelines, the guidelines also stated that preference would be given within each area to projects that demonstrated one or more of 13 characteristics (see Table 3.2).

Table 3.2

Preferred project characteristics listed in Round 1 Jobs Fund guidelines

Within each of these four target areas preference will be given to projects which demonstrate one or more of the following:

- are ready-to-start immediately.
- support, create or retain jobs.
- assist a greater number of disadvantaged job seekers including Indigenous job seekers and have a greater likelihood of achieving outcomes for those jobs seekers.
- are in locations that have entrenched disadvantage or are vulnerable to the economic downturn.
- involve place-based initiatives which strengthen the community.
- provide job seekers with additional skills through training which maintains a connection with the labour market or develops connections to the community .
- assist apprentices/trainees who have been made redundant to complete their apprenticeships.
- have the potential to be sustainable and provide long-term employment opportunities for job seekers in areas of high unemployment.
- provide jobs for local businesses and communities and provide opportunities for youth, while also delivering positive environmental, heritage and social outcomes.
- involve well negotiated partnerships with employment services providers, local community organisations and relevant stakeholders needed to assist job seekers.
- demonstrate stakeholder consultation and work with the local community in designing and running projects.
- include a contribution of funds, or in kind contributions to supplement the amount sought in the project proposal.
- revitalise or create new infrastructure assets for community needs or have the potential to contribute to economically viable regions.

Source: Jobs Fund Guidelines, 18 April 2009, p. 3.

3.7 In large part, the factors the assessment template advised assessors to consider in determining a project's capacity to address each target area reflected one or more of these preferred characteristics. Some of the characteristics were only considered relevant to one target area, whereas others were identified as being relevant to up to three target areas. The first two of the preferred characteristics (see Table 3.2) were not included in the factors to be considered in relation to any target area as they duplicated matters taken into account in relation to the gateway criteria.⁶⁵

Unscored assessment elements

3.8 The remaining part of the assessment template related to the due diligence and risk assessment section of the published program guidelines. The guidelines stated that aspects that 'may be considered' in relation to overall viability included cost effectiveness. In this latter respect, the guidelines stated:

Applications will need to demonstrate that the project represents value for money for the Australian Government. In assessing value for money, Departments will look at the outcomes of the project in light of the amount of funding being sought. For example, Departments could consider:

- The number of long term and short term jobs being created,
- Number of persons being trained, or
- The number of users of a facility being built.

Departments will take into consideration local community factors and project variables in making this assessment.

3.9 Other aspects identified in the program guidelines as potentially being examined as part of the due diligence and risk assessment included ability to complete the project on time and in budget, financial viability and sustainability (with applicants to demonstrate how community benefits would be maintained into the future).

3.10 The due diligence and risk assessment section of the assessment template addressed some of the factors listed in the equivalent section of the program guidelines. Specifically, assessors were to consider a project's:

⁶⁵ A further duplication arose in relation to Target Area A, with the assessment template advising assessors to refer to the response provided in relation to the first gateway criterion for the information to be used in assessing whether applications addressed this target area.

- budget (including the extent of co-funding);
- project plan (particularly capacity to complete the project in the necessary timeframe);
- business plan (including the extent to which a business case had been demonstrated and consistency with the program objectives); and
- project linkages (including whether the project involved well negotiated partnerships with organisations needed to assist job seekers and/or stakeholder consultation and had local community support).

3.11 While the template required assessors to describe a project's strengths and weaknesses against each element, it did not provide for scores to be assigned, or for these aspects of each application to be otherwise rated using a consistent scale. However, the training material provided to assessors advised that the template would guide an analysis of these elements and that this would then help assessors to make judgements in scoring against the gateway criteria and target areas. In some cases, the due diligence and risk assessment section was not completed, other than to state that the four areas had been considered and taken into account in making an assessment against the criteria.

3.12 There was no provision for assessors to explicitly consider the other aspects identified in the program guidelines as relating to due diligence and risk assessment. In particular, the template did not provide for an assessment of value for money, including cost effectiveness, to be incorporated into the scores assigned to each project.

Overall merit assessment

3.13 The documented assessment methodology provided for the gateway and target area scores to be added to provide a total score⁶⁶, with all criteria equally weighted. The assessment identified whether the project was supported or not. In general, projects that achieved at least the minimum pass score against the criteria (see Table 3.1) were 'supported'. The assessment also identified which of the DEEWR-administered components the project related to (that is, the GCW stream or the general component of the LJ stream).

⁶⁶ This aspect of the methodology was subsequently revised—see paragraphs 3.39 to 3.41.

3.14 DEEWR adopted a number of measures to promote the quality and consistency of the assessments undertaken. In addition to the development of assessment guidelines and templates and associated training, moderators were responsible for overseeing the consistency and quality of assessments. A quality assurance team was responsible for reviewing a sample of assessments to ensure all relevant criteria were appropriately assessed.

ARC deliberative process

3.15 Following the moderated assessment process, projects were considered by the ARC to determine which would be recommended for approval. Projects were not submitted to the ARC for decision in a single, ranked list based on the outcome of the assessment process. Instead, the ARC deliberative process involved a series of 25 formal meetings conducted over the seven week period from 25 June 2009 to 13 August 2009. Projects were considered in groups at each meeting based upon the PEA they were located in. The projects considered at each meeting were listed in order of their respective aggregate gateway criteria scores, with the ARC then making decisions in relation to each project as to whether it merited funding. The ARC had access to the assessment spreadsheet identifying the scores of all applications assessed to date, but the ranked presentation of projects for consideration at a meeting did not include reference to how the scores of the projects being considered compared to the rest of the competing projects.

3.16 A process was also implemented by which the ARC could request a review of a project's scores. The May 2009 assessment guidelines had not referred to the ARC or provided for this score review process, but the revised version developed in July 2009 (see paragraph 2.7) incorporated reference to the ARC, together with new sections setting out roles for 'adjudication teams' and 'review teams'. Adjudication was to occur when the assessment team and moderator could not agree, or at the request of assessment manager or the ARC; and reviews were to occur at the express request of the ARC.⁶⁷ In a number of cases, the ARC initially identified projects as a possibility for funding subject to further clarification and/or a score review, with subsequent

⁶⁷ The role of the adjudication team was to determine the point of disagreement between the assessment team and moderator and reassess the application if required. The role of the review team was to determine the point of inconsistency between the assessment of the application to be reviewed and that of other applications. In undertaking their respective roles, these teams were to consider whether: the assessment had considered all relevant material and been conducted in accordance with the guidelines; the decision had been justified appropriately; and was consistent with assessment of other applications.

meetings reaching a final conclusion as to whether the project should be recommended. The capacity to seek score reviews was primarily utilised in respect to projects the ARC saw as meritorious, but which had not received the necessary pass scores, or which the ARC had agreed to recommend subject to confirmation they had met the minimum thresholds.⁶⁸

3.17 The ARC deliberative process was generally well documented, with agenda papers and minutes being maintained in relation to each meeting, and associated action items or communications with applicants being undertaken in accordance with appropriate protocols. The minutes of each ARC meeting incorporated a brief statement of the reason for decision made in respect to individual projects. The department also maintained a spreadsheet recording the projects considered at each meeting.

Ranking of competing projects

3.18 The first round of the Jobs Fund was significantly oversubscribed, with applications seeking \$1.5 billion being assessed by DEEWR. However, the general quality of applications in addressing the program guidelines, as reflected in the assessments, was not high. Specifically, following the application of all score adjustments resulting from reviews and adjudications sought by the ARC, final assessment scores were recorded for over 1600 projects. Of those, 405 projects (25 per cent) were eligible for consideration, having achieved at least minimum pass scores against the selection criteria. The remaining projects (75 per cent) failed to meet the minimum requirements. Of the 405 eligible projects, 173 (43 per cent) were approved (64 under LJ stream and 109 under GCW).

3.19 In that context, the ARC exhibited awareness of the need to incorporate consideration of overall merit in making decisions in relation to individual projects, including cost-effectiveness measures. The ARC recorded a decision that each project would or would not be recommended, generally based upon a view that the project did or did not provide value for money.

3.20 However, the ARC did not seek to explicitly demonstrate the relative merits of competing proposals. For example, of the more than 1600 projects in respect to which an ARC decision was recorded, reference to the merits of a

⁶⁸ More broadly, scores were adjusted to reflect a policy decision taken by the ARC's 8 July 2009 meeting that all projects in a PEA would receive at least a pass score against the first gateway criterion requiring that projects be in areas of high or increasing unemployment or vulnerability.

project relative to other projects was included for 42 projects (less than three per cent).⁶⁹ In particular, the ARC deliberative process did not result in a final merit ranking of the eligibly-scored projects, either overall or within each stream. In this respect, 63 per cent of projects for which an ARC decision was recorded were identified in committee minutes as having been considered at only one of its 25 meetings, including 98 (57 per cent) of the 173 approved projects.

3.21 The capacity for the documented selection process to demonstrate that the 173 approved projects were the most meritorious was diminished by:

- the adoption of an approach by which projects were not considered through a single selection process, but rather in tranches (see further at paragraphs 3.22 to 3.38); and
- the design of the selection criteria and associated scoring and ranking methodology (see further at paragraphs 3.39 to 3.62).

Consideration of competing applications in tranches

3.22 Despite the Jobs Fund being conducted as a competitive grant program, from the outset DEEWR had intended that some proposals would be approved prior to the assessment of all competing applications being completed. Specifically, DEEWR's May 2009 internal assessment guidelines stated as follows:

Proposals with the highest priority will be assessed first.⁷⁰ Proposals not assigned a priority will be assessed as the Jobs Fund program area has capacity. They may be assessed after the higher priority proposals have had funding agreements signed.

3.23 At the commencement of the ARC deliberative process, the intention was to announce projects in two tranches, with the first to be approved by 1 July 2009, and the second by 28 July 2009. DEEWR had first proposed a phased approach in a brief provided to the then Minister for Employment

⁶⁹ This comprised: 21 projects for which the documented deliberations included reference to the committee's preference between applications submitted by the same applicant; three projects that included reference to the project's relative merit compared to others in the same PEA; 17 projects that included a general reference to other projects having higher merit; and one project for which the documented deliberations referred to the project in terms of its relative merit in relation to both the other projects from the same applicant and other projects in the same PEA.

⁷⁰ Proposals were to be prioritised on the basis of whether all questions had been addressed sufficiently to progress to the next stage; the project location; commencement date; and the number of jobs and traineeships created and retained in proportion to funding amount sought.

Participation on 19 May 2009, which advised there was an opportunity to coincide the announcement of approved projects with the conduct of Jobs Forums. The department advised the Minister that, following a series of forums in April and May 2009 in the initial seven PEAs, additional forums were proposed for July/August 2009, and that:

This timing will allow the first tranche of Jobs Fund applications to be developed and assessed in June for possible announcement in early July. During this time DEEWR will also be working with communities and proponents on further developing promising proposals which were submitted but required further work before recommendation for funding. Conducting the Jobs Forums in July/August will allow for acknowledgement of these projects with communities and for more constructive discussions building on the successful ideas already put forward for funding.

3.24 On 16 June 2009, DEEWR advised the Minister of the proposed timeframe for announcing the two tranches and further advised that:

It is aimed to have sufficient proposals assessed to allow for the recommendation of a [*sic*] least one project per priority area to be announced in the first Tranche.⁷¹

3.25 The methodology for selecting a first tranche proposed by the ARC included reference to projects that had scored highly in certain areas.⁷² However, unless provided for in the program guidelines (which the Jobs Fund guidelines did not), it is inconsistent with the effective conduct of competitive grant programs to take funding decisions before all applications have been assessed. The Jobs Fund guidelines had also made no reference to the defined PEAs; instead identifying the broader requirement (as the first gateway criterion) for projects to be in an area experiencing high or increasing unemployment or vulnerability.⁷³ DEEWR has advised ANAO that:

⁷¹ This advice had not identified an intention to prioritise projects in PEAs ahead of, and to the exclusion of, other applications in the first instance (see further at paragraphs 3.35 to 3.38).

⁷² The ARC agreed that key considerations in the first tranche would be whether projects had scored highly against being viable and ready to start, and numbers of jobs created and where there was less emphasis on infrastructure since this was being well covered in other components of the stimulus package.

⁷³ The original DEEWR assessment guidelines stated that priority would be given to projects in regions experiencing high levels of disadvantage and most affected by job losses, and proposals were not limited to the identified priority areas. The Frequently Asked Questions (FAQ) document published by DEEWR on 19 May 2009 similarly advised that: 'There is no specific Jobs Fund funding allocations to states or priority areas. Each Jobs Fund proposal will be assessed on its merits. Proposals that most appropriately meet the Jobs Fund eligibility criteria, as set out in the Jobs Fund guidelines, will be the projects most likely to receive funding.' However, the FAQ also provided the contradictory advice that: 'Preference will be given to the priority areas, but Jobs Fund proposals are not limited to these areas.' [*ANAO emphasis*]

The rationale for adopting this approach was a government decision (as reflected in cabinet documents and subsequently in the gateway criteria). This allowed for disadvantaged regions that were not in PEAs to be eligible for funding. It was also in recognition of the staged rollout of PEAs—at the time the Jobs Fund guidelines were issued only 7 of the PEAs had been identified.⁷⁴

3.26 Based on the assessment methodology adopted by DEEWR, the extent to which each project satisfied the program priorities relative to other projects should have been reflected in the scored assessments, such that prioritising certain applications should not have been necessary in order to maximise the achievement of program objectives.

First tranche of project approvals: prioritisation of proposals from nominated priority employment areas

3.27 At its first meeting on 25 June 2009, the ARC was advised that, of the 1619 applications then allocated to DEEWR for assessment, 32 per cent (515) were from the nine PEAs that had been announced to that time.⁷⁵ While assessments had been completed for around 25 per cent of applications, 57 per cent of the 515 applications in the nine PEAs had been assessed compared to around 15 per cent of the remaining 1104 applications.

3.28 At that meeting, the ARC considered the 51 projects located in the Canterbury-Bankstown and South Western Sydney PEA that had been assessed to that time, agreeing to recommend three, with a further seven being subject to further consideration. It was also decided that assessing remaining projects in that area, and projects in the North West/Northern Tasmania and South Eastern Melbourne PEAs, would be prioritised to allow for the announcement of approved projects to coincide with Jobs Expos in those areas scheduled in July 2009. Consideration of projects in areas affected by the February 2009 Victorian bushfires was also prioritised as part of this first tranche.⁷⁶

3.29 Over the course of its next eight meetings, the ARC considered a further 195 applications identified as being located in those four areas

⁷⁴ See ANAO Audit No.7 2011–12, op. cit., pp. 66–67.

⁷⁵ See paragraph 1.5.

⁷⁶ In this respect, the program guidelines stated that: 'Urgent infrastructure project proposals relating to external shock events (such as bushfires, floods or other natural disasters) can be proposed by state, territory or local governments for consideration for funding under the Jobs Fund.' However, the guidelines did not provide for such proposals to be prioritised compared to other applications received.

(including 11 projects subsequently identified as being in a different PEA or a non-priority employment area). On 10 July 2009, the delegate formally approved \$12.6 million for a first tranche of 13 projects⁷⁷, with the department advising the then Minister for Employment Participation that:

DEEWR has prioritised the assessment of applications of the highest priority areas to coincide with the forthcoming Jobs Forums. The assessment of applications for projects in North West/Northern Tasmania, South Eastern Melbourne and Canterbury Bankstown and South Western Sydney priority areas and the area affected by the Victorian Bushfires has been finalised. You will be briefed on the outcomes of the remaining priority areas and proposals for the rest of Australia at the end of July ... These projects have been approved on the basis that they provide value for money in terms of creating local green and community jobs and training opportunities.

3.30 In this respect, at the time approval was given to these 13 projects, the ARC had considered 246 projects (15 per cent of applications). In that context, the ARC and delegate were not in a position to determine whether those 13 projects were among the most meritorious of the competing proposals, either across the full population of projects being assessed or within the LJ stream under which they were initially approved.⁷⁸ Nor were they in a position to determine whether they were the most meritorious within the relevant PEA. Contrary to the advice to the Minister, assessment of projects in the four areas had not been finalised, with an additional 39 applications in those areas not being considered by the ARC until after the first tranche was approved (including two LJ projects assessed after 10 July 2009).

3.31 At least eight of the 13 projects approved in the first tranche were publically announced prior to the first round selection process being initially completed on 31 July 2009, with a further project being announced prior to the full completion of the approval processes on 14 August 2009.⁷⁹ However,

⁷⁷ At that time, the ARC had agreed to recommend 27 projects but only the 13 projects then identified as relating to the LJ stream were approved, due to the requirement to consult with the Get Communities Working Advisory Council. Of those 13 projects, 10 had originally been allocated to GCW, but the ARC had decided they should be allocated to the LJ stream. In one case, a project originally assessed as an LJ project was re-allocated to GCW at the ARC's 2 July 2009 meeting, but then returned to LJ at the 10 July 2009 meeting. Following approval, this project and one other of the 13 included in the first tranche were re-allocated back to the GCW stream at the ARC's next meeting on 16 July 2009.

⁷⁸ The 13 projects approved in the first tranche had achieved aggregate gateway (assessment) criteria scores ranging from the minimum pass score of nine out of 15 (five projects) to 13 (two projects). The average grant approved for these 13 projects of \$913 081 (at an average cost per paid employment outcome of \$17 585) was 21 per cent more than the average grant of \$752 938 for the remaining 160 projects funded under the first round (at an average cost per paid employment outcome of \$16 278).

⁷⁹ The first eight projects were announced by the then Minister for Employment Participation in the context of Jobs Forums held in the relevant PEAs between 14 and 17 July 2009. A further project in the Victorian bushfire area was announced on 3 August 2009.

funding agreements were not signed for any projects until September 2009, with the program guidelines stating that proponents not commence relevant activities until a funding agreement had been executed. Consequently, giving these 13 projects preferential consideration such that their approval was locked in before other projects had been considered (or, in some cases, assessed) did not provide any identifiable benefit in terms of improved timeliness in delivering actual economic stimulus.

Second tranche of approvals: Non-priority employment area projects excluded from consideration

3.32 A revised timeline prepared following the ARC's first meeting provided for the assessment of projects located in the remaining 17 PEAs to be completed by 15 July, and all remaining proposals by 24 July; and successful projects to be ready for announcement by 31 July 2009.

3.33 Following approval of the first tranche, remaining proposals located in PEAs were considered in a further series of meetings, with projects being grouped within their respective PEA. As at 30 July 2009, the ARC had considered only 31 (five per cent) of the nearly 640 applications identified in the final assessment records as not being located in a PEA. The majority of those (27, 87 per cent) had been considered due to being erroneously identified as being in a PEA. However, at the 30 July 2009 meeting, the ARC agreed:

... not to recommend projects that were not in priority areas given that all available funding for Round 1 was taken up on projects already recommended in priority areas.

3.34 At the completion of its 31 July 2009 meeting, the ARC had agreed to recommend 112 further projects in PEAs. Combined with the 13 projects approved on 10 July 2009, this took total funding to \$107.61 million for 125 projects. Taking into account the movement of two of the projects approved on 10 July as LJ projects back into the GCW stream, this involved \$38.36 million for 45 LJ projects and \$69.25 million for 80 GCW projects. A second approval instrument signed on 31 July 2009 included re-approval of the 13 projects previously approved (and, in at least eight cases, announced). The 125 approved projects included projects in each of the 20 PEAs and the Victorian bushfire area, with the number of projects in each area ranging from two to 13. The approval rate for projects submitted in each PEA, as reflected in the approvals to that time, ranged from eight per cent to 50 per cent.

Third tranche of project approvals

3.35 A Ministerial brief of 4 August 2009 advised that the submissions ‘were all assessed and ranked’ and presented to the ARC chaired by the delegate for consideration.⁸⁰ The department advised the Minister that:

Due to the large number of bids in Priority Areas and the Victorian Bushfire region, the [ARC] considered these proposals first, and within these gave priority to projects with high job creation/retention. As the quality of these proposals was high, the Priority Areas and the Victorian bushfire region projects exhausted in excess of the \$100m available.⁸¹

3.36 DEEWR further advised that:

As per the *Keep Australia Working* report recommendation, it is proposed that future funding be targeted to the 20 Priority areas.⁸² As the total first round funding has been assigned only to Priority Areas, there may be criticism from organisations that are not in Priority Areas. Given the large volume of proposals we have received from outside Priority Areas, **many of which are high quality**, we recommend that you agree to around \$20m to be allocated to projects outside of the Priority Areas over coming weeks. [ANAO *emphasis*]

3.37 The Minister did not agree with this recommendation, instead annotating the brief as follows:

As discussed, pls re-assess on the basis of whole country rather than only Priority Empty Areas. If applications merit it, please allocate a further \$40 million to this round. [*sic*]

3.38 Following the Minister’s decision, the ARC considered the merits of 120 projects not located in one of the 20 defined PEAs that had achieved eligible criteria scores, more than a third of which (41, 34 per cent) were recommended. The ARC also considered a further 24 projects in 13 PEAs for which there was no record of earlier consideration, with seven (29 per cent)

⁸⁰ As noted, projects were considered within their respective PEA, rather than as a national merit ranking.

⁸¹ DEEWR further advised the Minister that: ‘There could be some criticism that we have allocated more than was foreshadowed in the first call for proposals, and this has reduced the opportunities available for those organisations who did not put in a submission in the first round. As there will be around \$250m available for the next call for proposals, it is easy to defend making these allocations now, given the high demand for funding, the quality of projects and the desire for quick stimulus.’ In this respect, while the amounts approved by the delegate on 30 July 2009 totalled \$107.61 million, this was overstated by \$8.5 million due to being incorrectly expressed in GST inclusive terms. The same error had been made in approving the first tranche. These errors were corrected in the revised outcome on 14 August 2009.

⁸² See paragraph 1.14. As is discussed further at paragraph 4.50, the revised program guidelines published for the second round did not provide for projects in PEAs to be preferred on that basis as compared to other projects that addressed the criterion requiring that they assist disadvantaged groups or regions.

being recommended.⁸³ In total, a further 48 projects for \$33.2 million had been recommended at the conclusion of the final ARC meeting on 13 August 2009. As part of those deliberations, four of the previously approved projects were moved from GCW to the LJ stream. The delegate signed a third approval instrument on 14 August 2009 approving 173 projects (including all of the 125 previously approved projects) for funding totalling \$132.3 million—a net increase over the funding approved in the first two tranches of \$24.7 million.⁸⁴

Demonstrating projects' overall relative merit

Aggregation of scores for comparative ranking purposes

3.39 As noted at paragraph 3.13, the original assessment methodology provided for the scores achieved by a proposal against the three gateway criteria and four target areas to be aggregated to give an overall score, with each being equally weighted. DEEWR's May 2009 assessment guidelines stated that proposals would be ranked based on their overall score, with the assessment report and comparative ranking for each proposal then provided to a committee for review and the formulation of funding recommendations. However, the first meeting of the ARC on 25 June 2009 was advised that it was not considered feasible to combine the aggregate scores for gateway criteria with the target areas as:

- this approach had not been published in the program guidelines and no weightings had been identified that suggested, with respect to the target areas, that proposals that met more than one would be preferred; and
- a high score against one set of criteria may offset a low score against the other and lead to a distortion of priorities for funding. For example, a high score against the target areas could offset a relatively low score against the gateway criteria.

3.40 On that basis, it was proposed to present projects in descending order of aggregate scores against the gateway criteria 'as these focus on the degree to which a project meets the core objective of the Jobs Fund to contribute to the

⁸³ For a further 48 PEA projects, it was formally recorded in ARC minutes during this period that the relevant project had achieved scores that were too low to be considered.

⁸⁴ As noted at footnote 81, this included a reduction of \$8.5 million in the approved funding for the 125 projects included in the 31 July 2009 approval instrument.

government's Economic Stimulus Package'. The ARC was advised that proposals could then be further prioritised in light of the degree to which they met one or more of the target areas (as measured by individual scores against each of these areas). The ARC agreed that:

- the separate scores achieved by a proposal against the three gateway criteria and the four target areas would not be summed; and
- proposals would be considered initially ranked by aggregate gateway criteria scores, with individual scores achieved against the four target areas to be used to inform decisions.

3.41 The revised methodology agreed by the ARC more appropriately reflected the different nature of the two sets of criteria and the terms of the program guidelines. However, it also highlighted a deficiency in the design of the selection criteria included in the guidelines.

3.42 Selection criteria form the key link between a program's stated objectives and the outcomes achieved from the funding awarded. Selection criteria fall into two main groups, each of which serves a different purpose:

- threshold criteria are the criteria that a proposal must meet in order to be considered for funding. Assessment against a threshold criterion generally involves applying a common standard or benchmark in order to determine whether the criterion has been met or not; and
- assessment criteria are the criteria against which all eligible, compliant proposals will be assessed in order to determine their relative merits against the program objectives and other competing applications.

3.43 The selection criteria set out in the Jobs Fund guidelines involved a somewhat confused mixture of these two types of criteria, setting out:

- the three gateway criteria as threshold requirements that must each be 'met', but then (under the heading 'assessment criteria') the information applicants were asked to provide in relation to each criterion introduced other matters that could be used to assess relative merit against the program's stimulus objective. Reflecting this, as noted at paragraph 3.5, the DEEWR assessment methodology identified the three gateway criteria as the assessment criteria; and
- the four target areas under the heading 'project eligibility', with projects needing to address at least one to be eligible. However, the

guidelines also set out a range of characteristics that would be preferred within each target area (see Table 3.2). Effectively, this established merit criteria that could be applied in differentiating between projects. However, their utility as criteria that could be consistently incorporated into assessment scores was inhibited by the manner in which they had been set out. The guidelines did not identify:

- whether projects that addressed more than one target area would be preferred—the target areas a project might address varied depending upon its nature and projects of quite different nature were competing in the same round; or
- any relative weighting between the preferred characteristics (or merit criteria), or whether a project that demonstrated a higher number would be preferred to those that demonstrated fewer.

Final assessment scores as an indicator of projects to be selected

3.44 Despite the processes applied by DEEWR to promote the quality and consistency of the scored assessment process, the final scores assigned to competing projects (after applying the results of all score reviews requested by the ARC or otherwise undertaken to validate the scores allocated to a project), did not prove to be a strong indicator of the projects that would be selected. Table 3.3 sets out the final scores allocated to projects at the conclusion of the selection process and associated approval rates.

Table 3.3

Final scores allocated to projects assessed in first round as meeting all criteria to at least a minimum level and associated rates of approval

Total score against three gateway criteria	Projects with highest score against any target area of 3 out of 3 (a rating of strong)		Projects with highest score against any target area of 2 out of 3 (a rating of average)		All projects that met minimum gateway and target area criteria			
	Projects	Approved (%)	Projects	Approved (%)	LJ ²	GCW ²	Approved by stream (%)	All projects
15	1	1 (100%)	0	n/a	1	0	n/a	1
14	8	5 (63%)	2	0 (0%)	5	5	4 (80%)	10
13	25	16 (64%)	0	n/a	9	16	10 (63%)	25
12	52	23 (44%)	0	n/a	24	28	11 (39%)	52
11	41	22 (54%)	27	9 (33%)	23	45	19 (42%)	68
10	70	33 (47%)	34	7 (21%)	29	75	29 (39%)	104
9	59	29 (49%)	86	28 (33%)	49	96	36 (38%)	145
Total	256	129 (50%)	149	44 (30%)	140	265	109 (41%)	405

Notes:

1. Projects with a minimum pass score of 3 or higher against each of the three gateway criteria.
2. Projects were allocated to streams by DEEWR, with a number of projects being moved between streams one or more times. These are the final stream allocations.

Source: ANAO analysis of DEEWR assessment records for the first funding round of the Jobs Fund.

3.45 As Table 3.3 illustrates, projects that achieved gateway scores of 13 or more and were rated as strongly addressing one or more target areas achieved a higher approval rate than other projects. Specifically, 22 (65 per cent) of the 34 projects in that cohort were approved. This compared to a significantly lower approval rate for projects that achieved marginal to moderate scores. Of the 147 projects with gateway scores of between nine and 11 that were not rated any higher than average against any target area, 44 (30 per cent) were approved. However, there were nearly the same number of unapproved projects with eligible gateway scores of 10 or more⁸⁵ (144 projects), as there were approved projects with the minimum pass score of nine (145 projects).

Scoring scale

3.46 The capacity for the assessment scores to effectively differentiate the relative merits of competing projects was diminished by the scale applied. As Table 3.1 illustrates, only three of the six scoring points for each gateway criterion were available to differentiate between projects that had at least met the minimum pass threshold, with no capacity to award partial scores. As a result, 317 (78 per cent) of the 405 projects that met minimum requirements to be considered for funding had aggregate gateway scores of between nine and 11, thereby providing little effective differentiation in terms of relative merit. Those 317 projects comprised: 145 (36 per cent) with the minimum score of nine, of which 57 (39 per cent) were approved; 104 (25 per cent) with a score of ten, of which 40 (38 per cent) were approved; and 68 (17 per cent) with a score of 11, of which 31 (46 per cent) were approved.

3.47 Similarly, the scoring scale applied to the target areas (see Table 3.1) utilised two of the four scoring points for applications that failed to address the target area. This left only two points on the scoring scale to reflect the strength of an application's claims against the given target area, and to give consideration to the various characteristics the program guidelines had stated would be preferred within each target area (see paragraphs 3.6 to 3.7). In this respect, as Table 3.3 illustrates, projects that achieved high gateway criteria scores tended to also achieve a rating of strong against at least one target area. Projects that achieved lower gateway scores of between nine and 11 (which, as

⁸⁵ These unapproved projects had been assessed as meeting at least one gateway criterion to a strong or very strong level and as suitable/adequate against any remaining criteria. Of those 144 projects, 32 (22 per cent) were assessed as meeting all three criteria to a strong or very strong level, with 30 (94 per cent) of those 32 projects being assessed as also strongly addressing at least one target area (including one project that achieved the maximum score against all four target areas).

noted, involved more than three-quarters of eligible projects) were almost as likely to receive no better than an average rating against any target area (147 projects, 46 per cent—of which 44 (30 per cent) were approved) as they were to receive a rating of strong against a target area (170 projects, 54 per cent—of which 84 (49 per cent) were approved).

3.48 Where the program guidelines specify that each criterion must be met to be eligible for consideration, a fail score against any of those criteria cannot be overcome by a high score against others. Accordingly, it was a wasted opportunity in terms of maximising the capacity for the scored assessments to highlight the relative merits of competing applications for half of the available scoring points to apply to projects that did not satisfy the necessary thresholds.

Incorporation of ARC deliberations into final assessment outcome

3.49 As is reflected in the CGGs, it is expected that value for money will be a core consideration in determining grant recipients. In the context of a competitive grant program, value for money relates to the extent to which a project will contribute to maximising the achievement of program objectives within the funding available. In this respect, well designed selection criteria and assessment methodologies will capture within the rating or score used for ranking purposes all aspects of an application relevant to forming a conclusion as to whether it will maximise program outcomes for the funding involved (that is, provide better value for money than competing proposals).

3.50 This does not necessitate a mechanistic approach. An overall review of the ratings attributed to applications considered worthy should be undertaken to confirm their relative ranking. This can be achieved through analytical review that is directed at validating that the published selection criteria have been consistently applied and assessments and associated scores appropriately reflect each project's merits in terms of the program guidelines. However, it is important that it be readily discernable from the documented selection process that the same factors were taken into account in the same manner for all competing proposals, and the resulting relative merit of each application.

3.51 As discussed at paragraphs 3.8 to 3.12, the selection methodology established by DEEWR did not seek to encapsulate within the assessment scores all factors that would be taken into account in identifying the projects that should be approved. In particular, there was no provision for an assessment of the value for money factors identified in the program guidelines

to be incorporated into the scores assigned. These aspects were to be considered as part of the ARC deliberations.

3.52 The ARC's terms of reference stated that it was responsible for considering the capability and capacity of applicants to undertake projects in accordance with the program guidelines in order to make recommendations (see Figure 2.1).⁸⁶ Project selection and approval guidelines developed in July 2009⁸⁷ stated that the ARC would consider all proposals, together with their assessment scores and a financial viability assessment as appropriate.⁸⁸ The ARC would review the capacity of applicants to deliver the proposal, take into account risk exposure for the Australian Government and, where appropriate, make changes to funding in light of budget considerations and consistent with the value for money principle. The guidelines stated that the ARC would have regard to the preferred characteristics listed in the program guidelines (see Table 3.2). As noted at paragraph 3.7, the assessment template had provided for those factors to be considered in allocating scores against the target areas or relevant gateway criteria.

3.53 The project selection and approval guidelines further stated that decisions of the delegate to approve funding would be based on the principle of value for money, and defined value for money as:

the optimum combination of quality of services, price and other factors (including cost per job created, number of training places provided, number of people retained in employment, diversity, priority area coverage or areas with an identified need, and meeting the needs of specific client groups) and minimal risk exposure for the Australian Government.

3.54 In undertaking its role, the ARC considered the merits of projects relative to the program guidelines, including the selection criteria against which projects had been scored. Different conclusions can be drawn, quite legitimately, from any given set of information, with analysis of the decisions recorded by the ARC showing that the factors taken into account by the committee primarily related to whether it considered that a project:

⁸⁶ As noted at footnote 37, the May 2009 assessment guidelines had stated that the inter-departmental committee would consider assessment reports and take into account issues such as value for money, geographic location, amount requested and proposed outcomes in order to formulate recommendations. This reference was removed from the revised assessment guidelines developed in July 2009, which first incorporated reference to the ARC.

⁸⁷ See footnote 32.

⁸⁸ Financial and applicant viability assessments were undertaken for recommended projects, but these did not play a determinative role in relation to the majority of approved projects.

- was eligible, including whether it was from an eligible applicant or for an eligible purpose. In some cases, applications that had proceeded through the assessment stage were identified as being ineligible in the course of ARC deliberations, but the project was not removed from the identified population of assessed, eligible applications;
- had met the gateway criteria, including by reference to matters that assessors were to pay particular regard to in scoring projects (see paragraph 3.5), and/or whether it exhibited one or more of the preferred characteristics listed in the guidelines against the target areas. In many cases, the documented reason for deciding not to recommend a project indicated that the ARC had reached a different view in this regard than had been incorporated in the assessment scores, but without this being reflected in a revision to the relevant score; and/or
- represented value for money, regardless of whether it had been scored highly against the selection criteria. As set out in the program guidelines (see paragraph 3.8), this was frequently based upon consideration of cost effectiveness, including in terms of the employment outcomes expected for the funding requested.⁸⁹ In this respect, DEEWR advice to ANAO was that:

Reliance solely on assessment against the criteria would not provide an overall [*value for money*] comparative assessment, due to the wide variation in project types and locations among the many applications received, and consequently the wide variation of underlying cost factors at work. While these individual factors are relevant to the [*value for money*] of individual applications, they cannot provide a basis for comparative assessment.

3.55 As noted at paragraph 3.15, these decisions were taken on a project by project basis over a number of weeks. In this respect, at its 10 August 2009 meeting (that is, nearing the end of the supplementary process following the

⁸⁹ In this respect, the overall approval rate within the 405 eligibly scored projects was 43 per cent. However, approval rates were significantly higher for projects seeking lower amounts. Specifically, 35 (62 per cent) of the 52 projects seeking \$200 000 or less were approved; whereas the approval rate within the remaining 353 projects was 39 per cent (138 projects). The preference for projects seeking smaller amounts was exhibited across scoring categories. For example, of the 86 projects with gateway scores of between 12 and 15 and rated as strongly addressing one or more target areas, 52 per cent (45) were approved. Of the nine projects in this highest scoring group that sought \$200 000 or less, 67 per cent (six) were approved; whereas, the approval rate among the remaining 77 projects was 51 per cent (39 projects). Similarly, 84 (49 per cent) of the 170 projects with gateway scores of between nine and 11 and rated as strongly addressing at least one target area were approved. Twenty of those 170 projects had sought \$200 000 or less, of which 16 (80 per cent) were approved. The approval rate for the remaining 150 projects in this scoring cohort was 45 per cent (68 projects).

Minister's agreement to additional funding), the ARC agreed a quality assurance check should be undertaken of all recommended projects to ensure they met each gateway criterion (that is, met the minimum threshold necessary to be eligible for funding consideration). It was also agreed there should be a check as to whether any projects recommended under GCW should be more appropriately classified into the LJ stream. The department prepared analysis in relation to 34 proponents that had submitted multiple projects of which none or few had been recommended and a summary of the reasons for the remaining projects being rejected, which was presented to the ARC's final meeting on 13 August 2009.⁹⁰

3.56 A mechanism for incorporating the ARC's conclusions regarding the relative value for money (or overall merit) of each project into a final rating was not established and, as noted at paragraph 3.19, eligible projects were not ranked on a national basis at the conclusion of the ARC deliberative process. That process would also have benefited from the use of a template or other format by which it could be documented that the same factors relating to the program guidelines had been explicitly considered in the same manner for each project in respect to which the ARC formed a conclusion.

Assessment scores and associated approval rates between projects in priority employment areas and those in non-priority employment areas

3.57 As discussed at paragraphs 3.22 to 3.38, the ARC prioritised projects located in the 20 defined PEAs for funding consideration. Of the 405 projects that achieved eligible assessment scores:

- 280 (69 per cent) were located in one of the 20 PEAs. Those projects were over-represented in the approved projects compared to the overall population of eligible projects—127 projects were approved for \$100.9 million, an approval rate of 45 per cent and representing 73 per cent of approved projects and 76 per cent of approved funding;
- eight (two per cent) were in the Victorian bushfire area that was also prioritised. These projects were also slightly over-represented in the

⁹⁰ This analysis had led the ARC deputy chair to request a review of the scores for two projects from one proponent, in one case because its scores in the ARC spreadsheet appeared as zeros. The project had been considered at the ARC's 7 August 2009 meeting and a decision to reject it was recorded due to it not being dependent on Jobs Fund resources to proceed. After the project was again considered at the final ARC meeting, the spreadsheet showed revised scores against the gateway criteria of nine and average or strong scores against all four target areas. The 13 August 2009 meeting noted that the scores had been reviewed but decided the project was not value for money based on the number of jobs.

approved projects compared to the overall population of eligible projects—five projects were approved for \$4.75 million, an approval rate of 63 per cent and representing three per cent of approved projects and four per cent of approved funding; and

- 117 (29 per cent) were not located in a priority area. These projects were under-represented in the approved projects compared to the overall population of eligible projects—41 projects were approved for \$26.7 million, an approval rate of 35 per cent and representing 24 per cent of approved projects and 20 per cent of approved funding.

3.58 Table 3.4 sets out the rates of approval for the eligibly scored projects in PEAs compared to projects in other areas.

Table 3.4**Final eligible scores and rates of approval: in priority employment areas and non-priority employment areas**

Total score against three gateway criteria	Projects with highest score against any Target Area of 3 out of 3				Projects with highest score against any Target Area of 2 out of 3				All projects that met minimum gateway and target area criteria			
	Number of projects		Number recommended (%)		Number of projects		Number recommended (%)		Number of projects		Number recommended (%)	
	PEA ²	Non-PEA	PEA ²	Non-PEA	PEA ²	Non-PEA	PEA ²	Non-PEA	PEA ²	Non-PEA	PEA ²	Non-PEA
15	1	0	1(100%)	0	0	0	(n/a)	n/a	1	0	1 (100%)	n/a
14	4	4	2 (50%)	3 (75%)	2	0	0 (0%)	n/a	6	4	2 (50%)	3 (75%)
13	21	4	12 (56%)	4 (100%)	0	0	n/a	n/a	21	4	12 (57%)	4 (100%)
12	39	13	18 (46%)	5 (38%)	0	0	n/a	n/a	39	13	18 (46%)	5 (38%)
11	30	11	16 (53%)	6 (55%)	20	7	8 (40%)	1 (14%)	50	18	24 (48%)	7 (39%)
10	44	26	23 (52%)	10 (38%)	23	11	5 (22%)	2 (18%)	67	37	28 (42%)	12 (32%)
9	40	19	24 (60%)	5 (26%)	64	22	23 (36%)	5 (23%)	104	41	47 (45%)	10 (24%)
Total	179	77	96 (54%)	33 (43%)	109	40	36 (33%)	8 (20%)	288	117	132 (46%)	41 (35%)

Notes:

1. Projects with a minimum pass score of 3 against each of the three gateway criteria only.

2. PEA = Priority Employment Area. For the purposes of the analysis in this table, this includes the eight non-PEA projects located in the Victorian bushfire area.

Source: ANAO analysis of DEEWR assessment records for the first funding round of the Jobs Fund.

3.59 As Table 3.4 illustrates, for projects that achieved comparatively low merit scores, projects in PEAs were significantly more likely to be approved than was the case for other projects. Specifically:

- 221 (77 per cent) of the eligibly scored projects that were located in PEAs received aggregate gateway criteria scores of 11 or less. Of those, 99 projects (45 per cent) were approved; whereas
- 96 (82 per cent) of the eligibly scored projects in other areas received gateway criteria scores of 11 or less, of which 29 (30 per cent) were approved.

3.60 By way of comparison, the 21 projects in non-priority employment areas with gateway scores of 12 or higher achieved a significantly higher approval rate (90 per cent, 19 projects) than the 67 PEA projects with scores in that bracket, of which 33 (49 per cent) were approved.

3.61 Having regard for the context in which the Jobs Fund was established, the department's focus on ensuring funding was directed to the areas identified as being at greatest risk as a result of the economic downturn was reasonable. Indeed, the selection approach adopted by DEEWR had considerably greater regard for this key aspect of the program than did the selection processes undertaken in respect to the other Jobs Fund components.⁹¹

3.62 However, care needed to be taken to ensure that the implementation of that policy intention remained consistent with the principles of sound grants administration, including the capacity to demonstrate that all eligible projects had been considered in the same way against the published selection criteria. The inclusion of a mechanism to establish a final merit ranking of all competing projects incorporating relevant ARC deliberations would have enhanced the capacity to demonstrate that the funded projects represented the most meritorious. It would also allow the documented scores against the published criteria to be reconciled with the selection process outcome in a manner that the brief qualitative comments recorded by the ARC in relation to individual projects had a limited capacity to do.

⁹¹ Specifically, ANAO's audits of the IEP stream and the quarantined bike path and heritage components of the LJ stream identified that, in each case, the selection processes adopted had not resulted in funding being appropriately targeted at projects that had demonstrably satisfied the requirement to be in an area of high or increasing unemployment or vulnerability (see ANAO Audit Report No. 7 2011–12, op. cit.; ANAO Audit Report No.27 2011–12, op. cit.; and ANAO Audit Report No.11 2012–13, op. cit).

Supplementary assessment processes

3.63 DEEWR completed its selection processes on 14 August 2009, with successful projects being announced on 3 September 2009. As noted at paragraphs 1.15 to 1.17, the SPBC agreed on 30 September 2009 that, of the remaining Jobs Fund funding, \$93.3 million would be allocated to a second public call and the remainder re-allocated to a number of other initiatives. As a result, there was no further funding available in relation to the first round.

3.64 As discussed in paragraphs 2.28 to 2.45, a number of errors and anomalies had resulted in applications being incorrectly excluded from the first round selection process. This included:

- 235 applications excluded from assessment on the basis they had been submitted via email only, including 11 applications for which DEEWR subsequently identified that a hard copy had been received during the assessment process and a further three for which the date of receipt of the hard copy was unknown; and
- 48 applications deemed ineligible under LJ and GCW due to seeking more than \$2 million where this had not, in fact, been the case.

3.65 The total number of applications affected by the above factors was ultimately identified as some 280, with three applications being included in both of the above categories. As discussed at paragraph 2.34, the affected applications included projects relating to all competitive components of the Jobs Fund.

3.66 In September and October 2009, DEEWR allocated a further 34 applications to the heritage component for assessment, 28 of which related to proposals received via email and one erroneously identified as seeking more than \$2 million. Although those projects were assessed by the then DEWHA in late October 2009, none received further consideration as the funding had been exhausted.⁹² DEEWR also sought to allocate 34 bike path projects from the 'electronic only' group for assessment under the quarantined bike path component—see further at paragraphs 3.75 to 3.83.⁹³

⁹² See further in ANAO Audit Report No.11 2012–13, op. cit., pp. 88–90.

⁹³ A further 16 projects received via email only were allocated to the IEP stream due to seeking more than \$2 million and, consequently, deemed to be unsuccessful (see paragraphs 2.42 to 2.43).

Assessment of projects relating to DEEWR components

3.67 Between 13 October and late December 2009, DEEWR completed assessment templates in relation to the 202 projects affected by the above issues that related to DEEWR-administered components, involving:

- 47 projects that had been incorrectly deemed ineligible on the basis of the amount sought. The first of those assessments was undertaken on 16 September 2009, with the assessment templates for the remainder being completed over the course of October and November 2009; and
- 154 applications classified as having been received via email only.

3.68 DEEWR emailed affected applicants in the latter group on 12 October 2009 requesting that, in order for assessment of their application to be finalised, they submit an original signed legal authorisation form with a hard copy of the application by 19 October 2009. The email made no reference to the already concluded outcome for the first round⁹⁴, but further advised that:

Alternatively, at your request, your application may be considered under future rounds of the Jobs Fund, however the Keep Australia Working report, submitted to the Deputy Prime Minister provides recommendations on how the Government can support jobs and build skills for the future. This may result in a change to the Jobs Fund Guidelines to align with these recommendations. If you are interested in submitting proposals for a future round you should wait until a further call is announced ...⁹⁵

3.69 One applicant withdrew their application in response. DEEWR subsequently completed assessment templates in respect to at least 146⁹⁶ of the remaining applications over the period from October to December 2009.

3.70 Each of the 193 applications from these two groups for which a completed assessment template was held in departmental records was assessed as not meeting the minimum threshold requirements against the gateway criteria and target areas. This compared to a failure rate among the some 1600 applications assessed in the substantive first round of 75 per cent

⁹⁴ As noted at paragraphs 2.31 to 2.32, in deciding on 20 July 2009 that applications received in electronic form only would not be assessed, the ARC had also decided that affected applicants were to be contacted to request a hard copy and to be advised that the application would be considered in the second round. A letter to relevant applicants asking for a hard copy so the proposal could be considered in future rounds was prepared on 7 September 2009, but not dispatched. As further noted at paragraph 2.33, also in September 2009 the probity review had identified the exclusion of applications received in electronic form from assessment under the first round as an issue DEEWR should address.

⁹⁵ In agreeing to the second round on 30 September 2009, SPBC had also agreed that revised guidelines for both streams were to be brought forward by mid-October 2009 (see paragraphs 1.15 and 4.1).

⁹⁶ A completed assessment template for a further six applications was not located in departmental records.

(see paragraph 3.18). Of those 193 assessments, all but two had been completed by a single assessor, rather than the team of two assessors required under the first round assessment methodology. An indication that the assessment had been considered by a moderator was included on 114 (60 per cent) of the completed assessment templates. There was no quality assurance process in relation to these assessments.

3.71 In respect to the significantly different assessment outcome for this latter group of applications, DEEWR advised ANAO that:

These assessments were performed by DEEWR assessors who had assessed other Round One applications. The assessors were not aware that there was no money left for funding.

3.72 None of the applications were considered by the ARC and were not, therefore, subject to consideration as to whether there should be any review or adjudication of their respective scores. Departmental records indicate that debriefs as to the reasons for a project being unsuccessful were provided to 38 of these applicants, with the recorded date of the debriefing preceding the recorded date of the assessment for 14 applications.⁹⁷

3.73 The universally negative assessment outcome for this particular cohort of applications is somewhat unusual, given the applications covered a wide spectrum of project types from locations in each state and territory and had sought funding ranging from \$12 000 up to \$2 million. This is particularly the case given the non-conformance with the normal assessment and deliberative procedures for those applications. In that context, there were no documented deliberations by the ARC⁹⁸ or more broadly as to what action would or could be taken in relation to any projects assessed as meritorious.⁹⁹ In relation to the 47 applications erroneously allocated to the IEP stream, DEEWR advised ANAO that:

If one of the projects which had been sent to Infrastructure in error and returned had been assessed as worthy, the process allowed for it to be considered for funding either through funds from withdrawn projects or from funding adjustments to other projects following funding agreement

⁹⁷ The date of the debrief to the applicant on the reasons for their proposal not being successful preceded the recorded date of the relevant assessment by periods ranging from five days to 42 days.

⁹⁸ After its final meeting on 13 August 2009, the ARC did not re-convene until 17 December 2009.

⁹⁹ Similar issues arise in respect to a further application for which an assessment template was completed on 1 November 2009 after it was discovered, in the course of preparing a response to Ministerial correspondence, that the application had not been assessed in the first round.

negotiations, or the organisation would have been advised to resubmit under Round Two.

3.74 There was no contemporaneous record of these matters having been considered, including as to how any funding that may become available through the means referred to in DEEWR's advice should be made available for re-allocation in the context of a competitive grant program. Specifically, whether it would be appropriate for applicants that had been adversely affected by procedural errors to be given priority access to that funding, or whether the merits of those particular applicants should be compared to those of other unfunded first round applications in order to allocate the funding to the most meritorious became particularly relevant in dealing with the applications excluded from the first round assessment process on the basis of being submitted electronically that related to bike path projects.

Assessment and approval of bike path projects

3.75 A DEEWR file note recorded that DEEWR initially discussed the allocation of a further 34 bike path projects with the then DITRDLG on 12 October 2009, followed by further discussions on 26 October 2009. The file note recorded that DITRDLG had advised DEEWR that:

- it would not be accepting the applications into the quarantined bike path component as it had very little money left to allocate to any further projects and notice of these applications had been received too late to enable DITRDLG to assess them; and
- if DITRDLG was required to provide advice to the relevant applicants, it would be advising them that, as a result of receiving the applications too late from DEEWR, the department was unable to assess them.¹⁰⁰

3.76 On 13 November 2009, DEEWR advised DITRDLG that its preference, based on probity advice, was 'to have these applications assessed and successful projects funded.' DEEWR proposed two options for achieving this, as follows:

1. **Consider them as part of your process.** As mentioned, we could look to sourcing some funds from within DEEWR (or could use IEP), and we could

¹⁰⁰ The file note further recorded that DEEWR had advised that DITRDLG could, alternatively, advise the applicants it was unable to assess the projects as a result of not receiving a hard copy. In this respect, based on probity advice, DEEWR had written to similarly affected applicants on 12 October 2009 seeking an authorisation form to enable it to proceed with assessment (see paragraph 3.68).

assist with the assessment. This option is only possible if your Minister is agreeable, given he is the delegate.

2. Consider them as part of our process. An alternate option could be to have these referred back to us for consideration under our Local Jobs stream. We had always said that if Bike path applications came in after your funds were exhausted it would be possible to have them considered as part of our stream. Given the differences in assessment processes, we would need to write to them all and say that they had not been considered under the Bike Path process but would be considered under LJ. Again we would need to source some funds (as our stream has been exhausted for Round 1 and excludes Councils for Round 2) and we would probably still need agreement from your *[Minister's Office]* at least.

3.77 In this case, contrary to the earlier approach, there was consideration prior to the bike path projects being assessed of the need to identify a funding source that could be utilised should any of the projects prove to have merit. DITRDLG subsequently confirmed that its Minister had agreed the applications should be referred back to DEEWR. DITRDLG further indicated it was prepared to assist with the assessment process, but would not be providing any funding.

3.78 The second round of the Jobs Fund opened to applications on 5 November 2009. The 34 bike path applicants from the first round were emailed by DEEWR on 24 November 2009 in the same terms as the email sent to other affected applicants on 12 October 2009 (see paragraph 3.68), requesting that they forward a signed legal authorisation form by 2 December 2009. On the same day, DEEWR advised its internal legal area that:

... We will progress with assessment of these projects under the Local Jobs stream, applying our criteria.¹⁰¹ I will be seeking information from DITRDLG regarding their process for bike path applications which may assist us with regard to consistency with those that have been assessed by DITRDLG insofar as reducing the potential for major anomalies. As the applications are Round 1, *[the same departmental official]* will be the delegate.

¹⁰¹ The program guidelines stipulated additional eligibility and other criteria for the quarantined bike path component, including that projects be completed by 30 June 2010 (compared to 30 June 2011 for the DEEWR-administered components) and a requirement for at least 50 per cent co-funding (no such stipulation had applied to any other component). Internal DEEWR legal advice was that it was open to DEEWR to consider these bike path projects under the general component of the LJ stream.

3.79 One of the bike path applicants withdrew their application, and assessments were completed by DEEWR in respect to the remaining 33 applications against the criteria applying to the general component of the LJ stream over the course of November and December 2009.

3.80 On 21 December 2009, the ARC met to discuss outstanding issues from the first round and to receive advice in relation to the second round that closed on 11 December 2009. The issues discussed in relation to the first round included the likely withdrawal of a GCW project approved for \$2 million, with the ARC noting that:

... should [*the applicant*] withdraw, this would free up \$2 million in Jobs Fund funds from Jobs Fund Round 1 (GCW stream) and that a brief to the Minister for Employment Participation would be prepared on the use of the freed up funds.

3.81 The assessment outcomes for the 33 bike path projects were presented to the same meeting for decision by the delegate (who was also chairing the meeting).¹⁰² An agenda paper provided to the meeting noted the background to these applications being considered by DEEWR and advised that, from a legal and probity perspective, it would have been best for the proposals to be considered by DITRDLG as the assessment process would be consistent with that used for other bike path projects and unsuccessful applicants would not be able to argue that they may have been successful had that process been followed in their case. The ARC was further advised that, to mitigate this risk, DITRDLG had offered to assist in the assessment process.¹⁰³

3.82 The ARC was advised that total funding available at that time was \$282 325, which had arisen as a result of funding negotiations in which first round proponents had identified some funds were not required. However, the ARC was further advised that this may be increased by \$2 million should additional funds become available through the withdrawal of the GCW project. Eight of the 33 bike path projects, seeking \$1.75 million, had been allocated eligible, but modest, scores (four with aggregate gateway criteria

¹⁰² The agenda paper provided to the ARC in relation to this item advised that: 'As these applications have been received in response to Round 1, the funding approver will be the Departmental delegate.'

¹⁰³ The paper further advised that: 'In order to reduce the potential for inconsistency, [DEEWR] has been in contact with DITRDLG to seek information on their processes for assessing bike paths projects and this information has been applied by DEEWR's assessors. In addition, two staff from DITRDLG's Infrastructure Branch were seconded to DEEWR to assist in the assessment process.' In this respect, the decision as to which, if any, of the projects considered through the DEEWR process may have been approved had they participated in the competitive selection process for the quarantined bike path component would have been based on a quite different approach than that applied by DEEWR (see ANAO Audit Report No.27 2011–12, op. cit., pp. 47 to 124).

scores of ten and four with the minimum eligible gateway score of nine). The highest ranked project (seeking \$288 364) was recommended to the delegate, with the remaining seven eligibly-scored projects also being recommended subject to available funds, on the basis:

... all eight projects in this group have demonstrated clear community benefit and strong linkages within the local community, would result in good employment and training outcomes for disadvantaged jobs seekers and represent value for money.

3.83 The delegate agreed in principle to fund one project¹⁰⁴ and, subject to available funds, all remaining seven projects that had passed the minimum criteria thresholds. A letter confirming withdrawal of the GCW project was received later on 21 December 2009, and the delegate approved all eight bike path projects on 7 January 2010. There was no documented consideration as to how the merits of those eight projects compared to those of the remaining unfunded projects submitted to the first round of the Jobs Fund.

Conclusion

3.84 The targeted stimulus objective of the Jobs Fund was reflected in the three gateway criteria and four target areas set out in the program guidelines as the criteria on which projects would be selected. Projects would also be subject to due diligence and risk assessment, including that applications would need to demonstrate that the project represented value for money for the Australian Government. The program guidelines stated that each proposal would be assessed on its merits, and in comparison to other proposals submitted at the same time or previously.

3.85 Projects were assessed and scored against the gateway criteria and target areas. To be eligible for funding consideration, a project needed to achieve at least the minimum identified pass score against each of the three gateway criteria and at least one of the four target areas. However, the selection methodology did not seek to encapsulate within the assessment scores all factors that would be taken into account in selecting projects for

¹⁰⁴ The advice provided to the delegate had noted that the second ranked project would result in a greater number of employment outcomes than the project then prioritised for approval. It was agreed that the relative merits of both proposals would be reviewed in order to determine the best value for money. The ARC was to provide advice out of session, with the delegate to approve whichever of the two proposals represented the better value for money. After receiving confirmation the same day that the GCW project had been withdrawn, it was agreed it was not necessary to clarify the jobs outcomes for the second ranked project prior to approval, but 'we will need to clarify for all 8 projects prior to announcing them.'

approval. In particular, there was no provision for an assessment of the value for money factors identified in the program guidelines to be incorporated into the scores assigned to each project. These aspects were to be considered as part of the deliberations of the ARC. As it eventuated, 173 (43 per cent) of the 405 projects that achieved eligible scores were approved (64 under LJ stream and 109 under GCW).

3.86 The ARC deliberative process involved a significant resource commitment at a senior level and was generally well documented. The committee members exhibited awareness of the need to consider overall merit in making decisions in relation to individual projects. However, aspects of the approach taken diminished the capacity for the documented selection process to demonstrate that the 173 approved projects were the most meritorious (in terms of the published program guidelines) of the more than 1600 applications considered. This included that, despite the Jobs Fund being conducted as a nationally competitive grant program:

- the applications received were not considered as a single, ranked population based on their respective scores against the selection criteria. The deliberative process involved 25 meetings over seven weeks, with decisions being taken on a project by project basis (with projects being considered in groups based upon the PEA in which they were located). That process did not seek to explicitly demonstrate, prior to decisions being taken, the merits of each proposal relative to all competing proposals. A mechanism for incorporating the ARC's conclusions regarding each project's claims against the program guidelines, including in relation to value for money, into a final score or rating was not established. Eligible projects were not ranked on a national basis (either overall or within each stream) at the conclusion of the ARC process; and
- projects were approved in three tranches, with some being approved before all competing applications had been considered (or, in some cases, assessed). The first two tranches were based entirely on projects in the 20 PEAs and Victorian bushfire area to the exclusion of other projects, regardless of their respective selection criteria scores. A first tranche of 13 projects in four areas prioritised for consideration due to upcoming Jobs Expos was approved on 10 July 2009, at which time the ARC had considered only 15 per cent of applications. On 31 July 2009, \$107.61 million was approved for 125 projects located in a PEA, including the 13 first tranche projects. This more than exhausted the

available funding, such that the merits of non-PEA projects had not been considered. The then Minister for Employment Participation subsequently agreed to allocate up to a further \$40 million to the first round, with the Minister asking for projects to be re-assessed on a national basis. The ARC then considered the merits of 120 projects not located in a PEA, more than a third of which (41, 34 per cent) were approved on 14 August 2009. A further seven PEA projects were also approved, resulting in a final first round outcome of 173 projects approved for funding totalling \$132.3 million.

3.87 Subsequent to the conclusion of the first round of the LJ and GCW streams, assessment processes were applied by DEEWR in respect to at least 226 projects incorrectly excluded from the competitive selection process as a result of various errors and anomalies (as discussed in chapter 2 of this report). Similar to the approach taken in respect to the substantive first round selection process, DEEWR did not seek to establish, through a consistent assessment and deliberative process, the merit of each of those projects relative to the overall population of proposals received in response to the first call for applications. In particular, DEEWR considered those additional proposals in separate tranches, including a final tranche involving 33 bike path projects that had not been appropriately referred to the quarantined bike path component prior to that component's funding being exhausted. In agreeing to apply funds that had become available from previously approved GCW and LJ projects to approve (under the general component of the LJ stream) all eight of those bike path projects that achieved at least the minimum scores required for funding consideration, DEEWR did not seek to establish whether those projects were the most meritorious of all of the as yet unfunded first round applications in terms the program objectives and guidelines.

3.88 Having regard for the context in which the Jobs Fund was established, the department's focus on ensuring funding was directed to the areas identified as being at greatest risk as a result of the economic downturn (that is, the PEAs) was reasonable. Indeed, the selection approach adopted by DEEWR had considerably greater regard for this key aspect of the program than did the selection processes undertaken in respect to the other Jobs Fund components that have been examined by ANAO.

3.89 However, care needed to be taken to ensure the implementation of that policy intention remained consistent with the principles of sound grants administration. In particular, it is inconsistent with the effective conduct of a nationally competitive grant program to take funding decisions before all

applications have been assessed. The guidelines also made no reference to the defined PEAs, instead including the broader requirement for projects to be in an area experiencing high or increasing unemployment or vulnerability (with a project being located in a PEA representing one way this criterion could be assessed as being met). An assessment of the extent to which that criterion had been met also involved consideration of the nature of the employment stimulus that would be generated in the relevant area of disadvantage. Based on the assessment methodology adopted by DEEWR, the extent to which each project satisfied the program priorities relative to other projects should have been reflected in the scored assessments.

3.90 In that context, despite the processes applied by DEEWR to promote the quality and consistency of the scored assessment process, the final scores assigned to competing projects did not prove to be a strong indicator of the projects that would be selected. The inclusion of a mechanism to establish a final merit ranking of competing projects incorporating relevant ARC deliberations would have enhanced the capacity to demonstrate that the funded projects represented the most meritorious in terms of the published program guidelines. It would also have provided a means of reconciling the assessment criteria scores allocated to each project with the selection process outcome in a manner that the brief qualitative comments recorded by the ARC in relation to individual projects had a limited capacity to do. In that respect, at the conclusion of the selection process, there were nearly the same number of unapproved projects with eligible gateway scores of 10 or more out of the maximum score of 15 (144 projects), as there were approved projects with the minimum pass score of nine (145 projects).

4. Second Round Selection Processes

This chapter examines the assessment and selection processes undertaken by DEEWR in respect to the second round of the Jobs Fund.

Introduction

4.1 As discussed at paragraphs 1.15 to 1.19, it had been agreed by government that revised, tighter guidelines needed to be developed for the second round of the Jobs Fund in order to give stronger direction on the nature of projects expected to be funded, and to assist proponents in shaping their applications. Revised, separate guidelines for both streams were agreed on 21 October 2009. The second round was announced on 5 November 2009 and closed to applications on 11 December 2009. In that context, ANAO examined the processes applied under the second round in relation to:

- assessing proposals against the published selection criteria; and
- formulating funding recommendations based upon proposals' relative merits in terms of the program guidelines and objectives.

4.2 Following the re-targeting process, there was a clear separation between the LJ and GCW streams for the second round, with applicants applying to either stream addressing the relevant criteria. However, particularly in the selection of the final package of approved projects, the consideration of projects from both streams became somewhat conjoined. Consequently, aspects of the analysis in this chapter are necessarily based on the collective selection process undertaken by DEEWR for the second round.

Assessing proposals against published selection criteria

4.3 The program guidelines for the second round of the LJ stream stated that it would fund job creation projects that benefited the local community and had a positive impact on the environment. The guidelines identified five assessment criteria (see Table 4.1), with projects being required to meet all five criteria in order to be considered for funding. The same selection criteria were identified for the GCW stream, apart from the first criterion. The program guidelines stated that projects would be assessed against the five assessment criteria, other applicable requirements, and due diligence and risk assessment. The assessment methodology was similar to the first round, with both scored and un-scored elements.

4.4 Scores were allocated against the five selection criteria as set out in Table 4.1. The assessment template and an associated guide advised assessors on the matters they should consider in relation to each criterion, which reflected the matters the program guidelines had advised applicants to address. The assessment guidelines provided guidance on rating the claims made in an application against a criterion and the resulting score.

Table 4.1

Scoring methodology applied in the second funding round

Criteria set out in Guidelines		Scoring Scale
Projects which do not meet all five criteria will not be considered:		
1. Have a positive impact on the environment.	2. Create and retain jobs and develop skills.	Projects allocated a score of between zero and five against each criterion based on ratings of: <ul style="list-style-type: none"> • Very strong = 5 • Strong = 4 • Suitable/Adequate = 3 ----- Pass threshold for each criterion • Weak = 2 • Very poor = 1 • Did not address = 0 Scores aggregated to maximum total score of 25.
3. Assist disadvantaged groups/regions.	4. Have strong community linkages.	
5. Be sustainable and viable.		
Aggregate assessment outcome		Pass = Aggregate score of 15 or more, with a minimum score of 3 against each criterion. Fail = a project with less than 3 against any criterion, regardless of aggregate score.

Source: DEEWR assessment methodology for the second funding round of the Jobs Fund.

Unscored assessment elements

4.5 The program guidelines provided that projects would be subject to due diligence and risk assessment ‘as appropriate’, and that this would include an assessment of the financial viability of the applicant organisation. Unlike for the first round (see paragraph 3.8), this section did not include reference to the

need to demonstrate value for money and the basis for assessing that.¹⁰⁵ The internal assessment guidelines stated that assessors would conduct a due diligence and risk assessment on proposals as appropriate, and consider:

- cost effectiveness;
- ability to complete the project on time and within budget; and
- sustainability.

4.6 These factors were to be taken into account in the ‘overall assessment’¹⁰⁶ recorded on the project’s assessment report. As with the first round, the assessment methodology did not include the explicit assignment of scores in relation to the due diligence and risk assessment undertaken in respect to a project. In this respect, the latter two of the three factors identified in the assessment guidelines for consideration in the due diligence and risk assessment significantly overlapped with the fifth assessment criterion and could, therefore, reasonably be expected to have been reflected in the score allocated against that criterion.

Overall merit assessment

4.7 The scores achieved by a project against the five assessment criteria were aggregated to provide an overall score and a pass or fail assessment outcome. As Table 4.1 illustrates, a minimum score of three was required against each criterion in order to achieve a ‘pass’, regardless of the aggregate score achieved. Reflecting the department’s experience with the methodology initially established for the first round¹⁰⁷, this approach ensured that a high score against one criterion could not offset a failure to meet another, and was consistent with the threshold requirements and equal weighting applied to all five criteria by the program guidelines.

4.8 The assessment guidelines indicated that all projects that achieved a score of at least three against each of the five criteria would be categorised as

¹⁰⁵ The only reference to value for money was the retention of a statement from the first round which, in the context of advising that successful proponents must not begin project activities until a funding agreement had been signed, also advised that: ‘Funding will be based on the GST exclusive budget submitted in the proposal...The budget must provide a breakdown of income and expenditure by item and detail funding received from the relevant program as well as from other sources. The budget should also demonstrate that the expenditure items provide value for money and withstand public scrutiny.’

¹⁰⁶ See paragraph 4.9.

¹⁰⁷ See paragraphs 3.46 to 3.48.

‘highly ranked’.¹⁰⁸ However, in practice, this actually related to the projects that had the minimum scores required to be eligible for funding consideration and included projects with scores ranging from the minimum pass score of 15 to the maximum available score of 25.

4.9 The ‘overall assessment’ section of the assessment template required assessors to record qualitative answers, including as to whether: the proponent had demonstrated the activities were clearly additional to those that would have occurred in the absence of funding; the proposal met the factors identified in the assessment guide under the due diligence and risk assessment (see paragraph 4.6); the proposal was readily able to be part-funded; and comments from the relevant LEC were available at the time of assessment.¹⁰⁹ Assessors were also to complete a ‘justification’ statement and identify any points for clarification or negotiation. The assessment guide instructed that:

An independent person who has no expert knowledge should be able to read the justification statement and understand the reasons for the score allocated. An independent person should not have to read the claims made in the application to understand the reasons for the score given.

4.10 DEEWR adopted similar measures to those used in the first round to promote the quality and consistency of the assessment process. This included the development of comprehensive procedural documentation and associated training, with the latter being enhanced from that provided in relation to the first round based on experience gained. Moderation and quality assurance processes similar to those applied in the first round were also implemented.

4.11 Following the moderated assessment process, projects were considered by the ARC to determine which would be recommended for approval. The procedural guides prepared in respect to the second round provided that the ARC could request a review of individual proposals’ scores before deciding on which proposals to recommend to the delegate.

Other assessment processes

4.12 The program guidelines stated that the Australian Government reserved the right to contact a proponent and seek further information about

¹⁰⁸ For example, the guidelines stated: ‘A financial viability assessment will be undertaken of those organisations that are highly ranked ie receive a score of at least 3 against each of the five assessment criteria.’

¹⁰⁹ See paragraphs 4.12 to 4.15.

the proposal, and to undertake consultations with other relevant parties including the LEC where relevant. The internal assessment guidelines provided for LECs to be consulted in two stages. The first stage involved seeking LEC's comments on projects submitted for assessment—LECs were initially provided with access to lists of projects in each PEA, but it was subsequently agreed that LECs could comment on other projects in their state.¹¹⁰

4.13 Projects were again referred to LECs for comment once assessment against the selection criteria was completed, with those comments to be considered by the ARC before making its recommendations. In this respect, the assessment guidelines endorsed by the ARC on 28 January 2010 stated that those projects with a score of at least three for each criterion (which, as noted at paragraph 4.8, comprised the category of 'highly ranked' projects) would be referred to LECs for comment. However, the spreadsheets provided to LECs included projects with scores of 15 or higher but which had failed to meet all criteria, in respect to which some LECs provided supportive comments.

4.14 Comments were also sought from DEEWR state office managers¹¹¹ in relation to the projects in their state with a score of 15 or higher, including projects that had failed to meet all criteria. The spreadsheet provided included each project's total score, but state offices were generally aware of the criteria scores given assessments were primarily conducted in the relevant state office.

4.15 In providing comments, some LECs and state managers also asked that projects that had not achieved a score of 15 and were not, therefore, included in the list of projects sent for comment be reconsidered. In a small number of cases (15 across the two streams), the ARC asked for projects' scores to be reviewed in light of the comments received to confirm they were correct.

¹¹⁰ The assessment guidelines stated that LECs should endeavour to provide comments on proposals they had been working with proponents on or that they were aware of; and may also wish to provide comments on proposals they were aware were not strong, or organisations they considered may have difficulty successfully delivering projects, or the reverse. LECs were not required to comment on every proposal submitted or on every proposal/proponent they had had contact with.

¹¹¹ The assessment guidelines did not set out a process for obtaining comments from state managers as an input to the ARC deliberative process, other than to say that, as part of its responsibilities, '...ARC members may choose to review a sample of completed assessments. This is a separate process to the clearance of justification statements by the Moderators, reviews conducted by State Managers and input sought from Local Employment Coordinators.' The project selection and approval guidelines stated that: 'State Managers and Local Employment Coordinators will review proposals in their respective States or priority employment areas which have been recommended by ARC prior to these proposals being submitted to the Delegate. ARC will take into account any comments received by the State Manager and relevant Local Employment Coordinator in finalising its recommendations. A State Manager may discuss particulars of an individual proposal and the assessment with the relevant moderator.' [ANAO *emphasis*] As noted at paragraph 4.14, comments were sought on all projects that achieved a score of 15 or more.

This resulted in the score for two LJ projects being increased to a pass (neither of which was approved), and one project's fail score being further reduced.

National merit ranking

4.16 As a result of the moderated assessment process:

- 91 (25 per cent) of the 365¹¹² LJ stream applications achieved eligible pass scores, with aggregate scores ranging from 15 to 23; and
- 181 (30 per cent) of the 605 GCW stream applications achieved eligible pass scores of between 15 and 25.¹¹³

4.17 The rate at which applications had been assessed as at least marginally suitable for funding (28 per cent overall) was similar to that achieved in the first round of 25 per cent (see paragraph 3.18). In this respect, as discussed at paragraph 1.15, in agreeing to a second round of the Jobs Fund, the SPBC had been advised that the first round had attracted a large number of proposals that were not competitive or well focussed and that there was a need for tighter guidelines to be developed for future rounds of both streams.

4.18 In contrast to the approach taken in respect to the first round, the assessment of second round applications against the selection criteria was largely completed prior to the ARC commencing its deliberations. At the time of the first meeting at which projects were considered, on 28 January 2010, assessments had been completed for 879 projects (91 per cent of the 970 applications ultimately assessed).

4.19 Also in contrast to the first round, a national merit ranking for each stream was prepared as a basis for prioritising projects for ARC consideration, having regard for the funding available. At the 28 January 2010 meeting, the ARC considered an agenda paper proposing a method for considering projects for recommendation, which advised that the national rankings (based on aggregate assessment scores) and cumulative funding sought, showed that:

¹¹² As noted, one GCW application was recommended under the LJ stream—see paragraph 4.30.

¹¹³ As Table 4.1 illustrates, the same six point scale as had been used in the first round in relation to the gateway criteria (see paragraphs 3.46 to 3.48) was used to score projects against the five selection criteria. This again affected the capacity for the scores to effectively differentiate between projects, but this was to some extent mitigated by the use of five criteria in that it provided an eleven point score range from 15 to 25 for projects with pass scores, compared to the seven point range that applied for the three gateway criteria used for ranking purposes in the first round.

- for the LJ stream, approval of all projects that met all five criteria with a total score of 18 or more would result in expenditure of \$49.9 million, compared with the budget of \$51.9 million. A cut-off score of 17 would result in over expenditure of \$59.8 million; and
- for the GCW stream, a cut-off pass score of 20 would result in expenditure of \$30 million (compared to the \$41.4 million available), while a cut-off score of 19 resulted in over-expenditure of \$48.7 million.

4.20 On this basis, it was proposed that the ARC agree to recommend to the delegate the projects in each state and territory that met or exceeded cut-off scores of 18 and 20 respectively for the relevant stream, as this represented a cumulative allocation that was closest to the available budget on a national basis. The ARC could then determine at the end of that process how to allocate the remaining funds (in the light of the results of any adjudications, LEC and state office manager comments and financial viability reports).

4.21 At that time, the national ranking had identified 43 LJ projects involving \$49.9 million as meeting all five criteria and achieving total scores of 18 or higher. By the time of the ARC's second meeting on 2 February 2010, the number of eligible LJ projects above the cut-off score had increased to 45, involving \$50.5 million (compared to available funding of \$51.9 million).

4.22 A decision by the ARC agreeing to the proposed cut-off scores based on national rankings was not recorded. Instead, following presentation of the spreadsheet attached to the agenda paper, ARC members had: 'noted that the rankings are not of much value at the moment as not all assessments have been completed or entered.' In this respect, the meeting minutes also recorded that all assessments would be entered into the database by close of business 29 January 2010. Also at its 28 January 2010 meeting, the ARC noted that the then Minister for Employment Participation:

... had agreed that it is not necessary to allocate all the available funding if the proposals fail to demonstrate positive job outcomes and value for money to the Government.

ARC deliberations

4.23 The ARC deliberative process was conducted through a series of formal meetings held over a seven week period. As with the first round, the minutes of each meeting incorporated a brief statement of the reason for decisions made in respect to individual projects. The department also maintained a spreadsheet recording the projects considered at each meeting, their respective

assessed scores and any comments and/or decisions taken by the ARC. However, the methodology for determining which projects would receive explicit consideration by the ARC evolved over the course of that process.

State-based review of assessments

4.24 Although the recommended cut-off score for each stream had been derived from a merit ranking on a national basis, proposals were not considered by the ARC in the order of their respective national ranking. Instead, proposals were considered on a state by state basis, commencing with proposals from Victoria on 28 January 2010. A further three meetings considered projects in New South Wales; Queensland; and all remaining states and territories. A final meeting was to be set aside for a final review on a national basis to allocate any remaining funding.

4.25 All proposals within each jurisdiction were listed in descending order of aggregate score, across both streams. The recommendation provided to the ARC at each meeting was that it agree to recommend to the delegate the projects in the relevant state that had achieved the cut-off score identified for each stream, subject to the outcomes of consideration of projects in other states; comments from state managers and LECs; financial viability reports; and consideration of additional projects that may be recommended in order to meet the full national budget allocation.

4.26 At each meeting, the ARC made decisions to recommend some of the projects above the respective national cut-off scores, but to reject others. The ARC also gave consideration to projects that had not achieved the cut-off score, with some being recommended. The recorded decision primarily referred to whether each project was considered to represent good value for money in its own right. The ARC decisions did not refer to each project's relative merit compared to other projects.

4.27 Over the course of the initial series of state-based meetings, the ARC considered the merits of all 45 LJ projects that were, at that time, at or above the cut-off score. The ARC agreed to recommend 24 of those projects; a further eight were identified as possible subject to further review; and one project had also been submitted under the GCW stream under which the ARC had agreed to fund it. The ARC decided that the remaining 12 projects above the merit ranking cut-off should not be recommended, primarily on the basis of having concluded they did not represent value for money due to the number of jobs

expected or the purpose of funding; and, in some cases, other aspects such as readiness to proceed or sustainability concerns.

4.28 In its first four meetings, the ARC also considered the merits of a further 24 LJ projects that had not achieved the cut-off score. This included:

- all three projects with a score of 18 that had not met all criteria. None were recommended; and
- all 15 projects with a score of 17.¹¹⁴ Of the 14 projects in that group with pass scores, the ARC agreed to recommend six and one was agreed as possible subject to comments from the LEC. The remaining six were not recommended, as was the project that failed to meet all of the criteria.

4.29 The remaining six LJ projects whose merits were considered by the ARC as part of the state-based meetings had scores of less than 17, of which one (with a score of 16) was recommended pending further clarification.

4.30 In considering GCW projects in the same series of meetings, the ARC agreed to recommend a project to build on an existing small scale social enterprise collecting and re-using clean industrial waste to create a sustainable business providing employment for disadvantaged job seekers. The project had achieved the cut-off score of 20 based on the national ranking of projects assessed against the GCW criteria. In agreeing to recommend the project, the ARC also decided that it was in line with, and could be funded from, the LJ stream. The project was subsequently approved as an LJ project. However, an assessment against the first LJ criterion was not undertaken.¹¹⁵

¹¹⁴ This approach had started at the 28 January 2010 meeting at which the ARC was provided with details of the eight LJ projects in Victoria that met or exceeded the cut-off score of 18. The ARC also considered and agreed to recommend two projects with a score of 17 on the basis they represented good value for money. There was no reference made to the relative merit of other projects, including those that had achieved higher scores in other states and had yet to be considered. There was no further consideration by the ARC of the merits of either project until its final meeting on 18 March 2010 at which comments from the delegate questioning the value for money basis of both projects were considered. This resulted in one project being removed from final recommendations provided to the delegate on 18 March 2010.

¹¹⁵ As noted at paragraph 4.3, the first criterion differed between two streams. For the LJ stream, the first criterion was 'have a positive impact on the environment', whereas for the GCW stream, it was 'create, maintain or support Intermediate Labour Market models, including social enterprises'. The project was originally registered as GCW0287 and re-registered as LJ0386. A departmental file note recorded that: 'GCW0287 has been assessed and was recommended for funding by the ARC under the condition that the funding stream be changed to Local Jobs. As a result LJ0386 was created. LJ0386 does not contain an assessment as its scores are based on the assessment for GCW0287.'

Consideration of lower-ranked projects

4.31 After considering projects from each state and territory, the fifth meeting of the ARC on 11 February 2010 was advised that, taking account of the projects under each stream it had agreed to recommend or identified as possible pending further review, a further \$20 million could still be allocated from the \$93.3 million available across the two streams. In order to allocate that funding, the ARC was advised that it could consider projects with an assessment score of 16 or more for LJ (compared to the original cut-off score of 18), and 18 or more for GCW (compared to the original cut-off score of 20). As noted at paragraph 4.28, at that time, the ARC had already given consideration to 24 LJ stream projects that had not achieved the cut-off score.

4.32 The minutes of the ARC's next meeting on 12 February 2010 recorded that members were requested to review all LJ projects that had achieved a pass score, those that had been identified to date as 'possible' and those projects not previously considered that had achieved the reduced cut-off score of 16. A similar review process was undertaken for GCW stream projects applying the reduced cut-off score of 18.

4.33 The ARC consideration of 12 LJ projects with pass scores of 16 that had not previously been considered resulted in three of those projects being recommended for funding totalling \$1.4 million and one (involving funding of \$2 million) being identified as agreed 'if there is sufficient funding left when all projects have been reviewed'.¹¹⁶ The review of LJ projects previously identified as possible resulted in four projects now being recommended for amounts totalling \$4.35 million; one previously rejected proposal was changed to possible (\$1.39 million); and one project remained as a possibility subject to a reduction in the funding requested.

4.34 Following this review process, there was documented consideration by the ARC of all but one of the LJ projects that achieved a final assessment score

¹¹⁶ This project is discussed further at paragraphs 4.70 to 4.71.

of 16 or higher and met all five criteria.¹¹⁷ No record was made in the ARC minutes or spreadsheet of any consideration that may have been undertaken of the merits of the 18 LJ projects with the minimum pass score of 15 (see paragraph 4.32).

4.35 Following a review of recommended projects undertaken by the ARC at its 16 February 2010 meeting to confirm they each represented value for money for the jobs created, the ARC had identified 76 projects as recommended (33 under LJ, and 43 under GCW). A further two GCW projects were still under consideration, with one of the two likely to be recommended. Subsequent to that meeting, two recommended GCW applications were withdrawn, reducing recommended projects to 74 for \$58 million, comprising:

- 33 LJ projects for \$27.15 million (52 per cent of the \$51.9 million announced as available). These projects had aggregate selection criteria scores ranging from 16 to 23; and
- 41 GCW projects for \$30.87 million (75 per cent of the \$41.4 million announced as available), with scores ranging from 16 to 25.

4.36 In considering which of those projects would ultimately receive funding, there was no further reference made to the published selection criteria or the scores achieved by each project in the ARC deliberations, the material provided to the delegate or in the delegate's comments in relation to recommended projects.

Finalisation of ARC recommendations

4.37 At the next ARC meeting on 2 March 2010, the delegate, in conjunction with the ARC, agreed to reject eight previously recommended projects (five LJ and three GCW) for which it was decided the risk identified by a financial viability assessment could not be adequately mitigated. A further possible GCW project that had also received a high risk rating had already been rejected earlier in the meeting (with another project in the same PEA being

¹¹⁷ The remaining project's original fail score of 16 had been increased to a pass score of 17 after a review undertaken due to supportive comments being provided by the relevant LEC. A request for the score review was not included in the ARC minutes and no ARC consideration of the project was recorded, despite its revised score being the same as 14 other LJ projects whose merits had been considered, four of which were approved. In this respect, at its 16 February 2010 meeting the ARC was advised that a number of reviews had been undertaken of projects which were either not recommended by ARC or had been assessed as 'fail' but which had explicit support from a LEC or state manager, and that: 'While some assessment scores may have changed as a result of these reviews, no projects have come back into contention for recommendation by ARC for funding.' The 16 February 2010 file note recording the review of this project concluded that: 'After review of criterion 3, the overall project is deemed suitable as it satisfactorily addresses all criteria [sic], and as a result should be considered for funding.'

recommended instead).¹¹⁸ A further four previously recommended projects (three LJ and one GCW) were identified as still possible subject to proposed actions to mitigate the assessed level of risk. The ARC also considered additional information or matters in relation to a small number of other projects, which resulted in two previously recommended projects (one LJ and one GCW) now being rejected.

4.38 The delegate was provided with a presentation on the proposals that had been recommended at the start of the meeting. In addition to providing data on the number of proposals received by state and target group and a description of the assessment and ARC processes, the presentation included:

- an overview of the 74 recommended proposals, including a breakdown of the proposals by state, PEA, stream, target group and organisation type and the expected employment outcomes;
- a statistical summary of the characteristics of projects submitted and recommended, based on PEA, type of organisation and target group assisted; and
- a schedule identifying, for each recommended project: the applicant; a brief project description; expected number of jobs, traineeships and work experience places; the relevant PEA; the funding sought and the amount recommended. Projects across both streams were grouped within each state by PEA.

Delegate's comments

4.39 Following the 2 March 2010 meeting, the delegate was provided with a revised schedule of 61 projects recommended for \$46.5 million (24 under LJ for \$18.03 million and 37 under GCW for \$28.47 million), and four projects identified as possibly recommended subject to risks being mitigated (three LJ and one GCW). The schedule did not rank the projects, either overall or within the relevant stream. Instead, projects under both streams were grouped by state and in descending order of the amount of funding sought. The schedule did not include the projects' assessment scores or otherwise identify the basis on which the ARC had decided that these projects represented the most meritorious within each stream or overall. Nor is there

¹¹⁸ Both were in the Southern Wide Bay-Burnett PEA—see paragraphs 4.59 to 4.61.

evidence of the delegate being provided with copies of the completed assessments (or relevant applications) for any projects, until a supplementary assessment process undertaken after the substantive approval process had been completed.¹¹⁹

4.40 On 3 March 2010, the delegate requested that advice on the unit cost of the employment outcomes for each project also be incorporated into the schedule. The delegate's comments and/or queries in relation to each project were provided on 10 March 2010. The delegate had marked 19 of the 61 recommended projects as representing the projects the delegate believed to be stronger contenders on the basis of the information he had available. The delegate did not seek to provide his comments on a stream basis, with the 19 annotated projects comprising 15 GCW and four LJ (including the transferred GCW project). The delegate's comments comprised observations on projects' strengths or weaknesses in the context of program objectives, but were not framed to specifically address the selection criteria for each stream.

4.41 On 16 March 2010, it was agreed that the second round would be finalised on 18 March 2010, with a final ARC meeting being scheduled for that date. As the delegate was overseas at that time, a spreadsheet setting out the departmental responses to the delegate's comments and queries was finalised and forwarded via email on 17 March 2010. The spreadsheet provided advice in relation to the four possible projects, and indicated that one was now recommended and the remaining three could be funded based on advice from the relevant state office that contract management would address identified risks. In providing the spreadsheet, together with an approval instrument to the delegate for signature, the department advised that:

It is recommended that you consider the projects submitted for your approval and advise your agreement or otherwise. An instrument is attached for you to sign as the Delegate covering your agreement to the recommendations as appropriate.

Final ARC deliberations

4.42 Although it had been recommended to the delegate on 17 March 2010 that he approve all 65 projects, the ARC meeting of 18 March 2010 re-considered a number of the projects, after further consideration of the

¹¹⁹ See further at paragraphs 4.79 to 4.88.

delegate's 10 March 2010 comments¹²⁰ and additional comments received on 18 March 2010. In this latter respect, the delegate advised that, in order to undertake the role of approver, he required the ARC members to provide a signed note of assurance regarding the recommended projects. This was to include assurance in relation to any remaining financial viability questions and that the recommended projects:

... must be absolutely ready-steady-go. (Minister very worried that there are still some who haven't started under [*the first round of the Jobs Fund*] (or that there were quite a number at end of last year)).

... all must be of good quality or (better put) none must be vulnerable to appearance of any degree of poor quality (... you will recall some of the sensitivities).

The only other thing needs to be said is that it doesn't matter if there are only smallish number. Much more important [*they are*] all good.

4.43 Following the decisions made at its final meeting, the ARC agreed that it would recommend 50 projects for total funding of \$36.4 million (19 LJ projects for \$15.5 million out of a possible \$40.5 million and 31 GCW projects for \$20.9 million out of a possible \$41 million).¹²¹ This included all 19 of the projects the delegate had considered to be the stronger contenders. The minutes of the ARC's final meeting on 18 March 2010 recorded that the committee had noted that:

The projects recommended are all good projects selected on their merit and could not be regarded as stimulus projects.

Project approval

4.44 As requested by the delegate, at the 18 March 2010 meeting each of the ARC members signed a minute stating that the 50 projects now listed in a revised schedule were recommended for funding:

... on the basis they have all had careful consideration of:

- The advertised selection criteria

¹²⁰ In this respect, the department had also tried to fax the approval instrument to the delegate for his signature on 17 March 2010, but the fax had not gone through. The failure report was annotated that '...there is more to be done before we try again. Need ARC sign off on some [*questions*].'

¹²¹ After the decision to redirect funding to the Insulation Worker Adjustment package (see paragraph 1.21).

- Financial viability risks
- The capacity of projects to commence in accordance with program guidelines
- Quality and value for money.¹²²

4.45 The ARC chair further advised the delegate on 18 March 2010 that the committee was satisfied that each of the delegate's earlier questions had been addressed and that:

In summary, we considered the 65 possible projects. 15 were eliminated on the basis of either poor value for money or high risk or poor alignment with programme objectives.

4.46 The delegate approved the 50 recommended projects on 18 March 2010. After a further three projects (two LJ and one GCW) were approved on 23 March 2010 for \$2.6 million (see paragraphs 4.79 to 4.88), total funding approved in the second round was \$39 million. This represented a significant under-allocation compared to the \$81 million available, with the approved projects representing just five per cent of applications. In that context, it is reasonable to expect there to be a high degree of correlation between the projects that had achieved the highest scores against the selection criteria and those recommended for approval. However, this was not the case. Specifically:

- 13 (68 per cent) of the 19 recommended LJ projects had scores equal to or higher than the original cut-off score of 18, and represented 28 per cent of the 47 LJ projects with final pass scores of 18 or higher.¹²³ The other six recommended projects (nearly a third) had scores of 16 (three projects) or 17 (three projects). The two additional LJ projects approved by the delegate had scores of 21 and 17 respectively; and
- 13 (42 per cent) of the 31 recommended GCW projects had scores equal to or higher than the original cut-off score of 20, and represented 41 per cent of the 32 GCW projects with final pass scores of 20 or higher. The other 18 recommended projects (more than half) had scores of 16 (one project), 17 (four projects), 18 (eight projects) or 19 (five

¹²² The minute further advised that: 'The Committee has identified a number of projects which will be subject to meeting specific requirements prior to the Commonwealth executing Funding Agreements. Project descriptions will clearly reflect the employment, social enterprise and green jobs benefits.'

¹²³ This includes the project assessed against the GCW criteria, but recommended for under LJ (see footnote 115). A further project achieved the cut-off score after a review during the ARC's deliberations.

projects). The additional GCW project approved by the delegate had a score of 20.

4.47 Table 4.2 sets out the final selection criteria scores allocated to projects at the conclusion of the ARC's deliberations (incorporating the outcomes of all score reviews), and associated rates at which projects were recommended by the ARC, and approved by the delegate. Table 4.2 also highlights the original funding cut-off score for each stream, based on national rankings and fully allocating the available funding.

Table 4.2**Projects with a 'pass' assessment outcome and associated rates of recommendation for approval**

Aggregate pass score against criteria	Local Jobs stream				Get Communities Working stream					
	Projects with eligible scores		Recommended		Approved		Projects with eligible scores		Recommended	
	#	\$ (m)	# (%)	\$ (m)	# (%)	\$ (m)	#	\$ (m)	# (%)	\$ (m)
25	0	0.0	0	0.0.	0	0.0.	1	1.21	1 (100%)	1.21
24	0	0.0	0	0.0	0	0.0.	3	1.53	2 (67%)	0.46
23	3	1.85	1 (33%)	0.20	1 (33%)	0.20	3	2.52	0 (0%)	0.00
22	2	2.69	1 (50%)	0.80	1 (50%)	0.80	5	4.98	2 (40%)	1.54
21	5	6.32	2 (40%)	2.64	3 (60%)	4.11	2	3.02	0 (0%)	0.00
20	13	16.70	3 (23%)	2.11	3 (23%)	2.11	18	17.13	8 (44%)	5.08
19	9	8.97	2 (22%)	1.34	2 (22%)	1.34	22	24.14	5 (23%)	4.34
18	15	16.65	4 (27 %)	4.25	4 (27 %)	4.25	33	30.92	8 (24%)	6.16
17	15	12.85	3 (20%)	1.73	4 (27%)	2.29	36	36.72	4 (11%)	1.91
16	14	10.79	3 (21%)	2.44	3 (21%)	2.44	27	26.79	1 (4%)	0.23
15	18	12.42	0 (0%)	0.00	0 (0%)	0.00	31	30.08	0 (0%)	0.00
Total	94	89.24	19 (20%)	15.51	21 (22%)	17.54	181	179.04	31 (17%)	20.93
									32 (18%)	21.54

Source: ANAO analysis of DEEWR assessment and selection process records for the second funding round of the Jobs Fund.

4.48 Despite the significantly different outcome that had resulted from the ARC's deliberations, when compared with the relative merit of projects as indicated by the scores allocated against the published selection criteria, the ARC did not seek to recalibrate the national ranking in order to provide an objective measure of the final assessed relative merits of each competing project within each stream. As with the first round, this reflected an approach under which the assessment criteria set out in the program guidelines as the basis for measuring the relative merit of competing projects (as reflected in the scoring methodology adopted) were subsequently applied in the ARC process as more in the nature of eligibility criteria setting a minimum threshold. While it is appropriate for the ARC to adopt an holistic view, in the interests of transparency and equitable outcomes, greater attention to being clear on the differentiating factors between applications would have been expected.

Consideration of geographical distribution

4.49 In noting at its 28 January 2010 meeting the then Minister's agreement that it was not necessary for all funding to be allocated if the proposals failed to demonstrate positive job outcomes and value for money (see paragraph 4.22), the ARC had also noted advice that the Minister '... wants the best projects to be recommended regardless of which State they are in.'

4.50 The Minister's direction in this regard was consistent with the program guidelines which did not provide for geographical distribution to be a factor taken into account in selecting projects for funding, including in regard to the PEAs. Rather, the guidelines included, as one of five selection criteria, a requirement that projects were to assist disadvantaged groups or regions. In responding to that criterion, applicants were asked to identify the PEA their project was located in or, if not in a PEA, to outline why the area it was located in and/or the project's target group was disadvantaged and in need of assistance. Projects were scored on the basis of the response provided.

4.51 In that context, the project selection and approval guidelines endorsed by the ARC at its 28 January 2010 meeting stated that:

ARC considers details of proposals in each stream ranked according to their scores against the assessment criteria, generally on a State by State basis (but also having regard to the location of projects in priority employment areas).

Consideration of state and territory distribution

4.52 As noted at paragraph 4.29, six of the 69 LJ projects given explicit consideration by the ARC during the state-based meetings had failed to achieve either the cut-off score of 18 or the alternative score of 17. Three of those projects had scores of 16, two with a pass outcome and one that had failed two criteria. These projects were respectively located in the Australian Capital Territory (ACT) (fail), Tasmania (pass) and Western Australia (pass)¹²⁴, with each of those jurisdictions considered at the ARC's second meeting on 2 February 2010. The available evidence is that these projects first came to be specifically considered, despite their low scores, having regard for the potential geographic distribution of recommended projects.

4.53 At that meeting, the ARC noted advice that only one application from each of the Northern Territory and the ACT had pass assessments, but neither met the relevant cut-off score. None of the LJ projects in the ACT had a pass score, such that the project with a fail score of 16 that was considered at the 2 February 2010 meeting was the highest scoring LJ project in the ACT. One GCW project in the ACT had a pass score of 18 (below the cut-off score of 20). The ARC agreed to recommend that project, resulting in one recommended project in the ACT. Despite the subsequent significant reduction in the number of recommended projects, this project was included in the final 50 projects approved on 18 March 2010.¹²⁵

4.54 Of the 25 LJ applications from Tasmania, five had a pass score. Of those, only one had achieved the cut-off score of 18 and two had scores of 17. The remainder had low pass scores of 16 and 15, respectively. In considering projects from that state, the ARC agreed to recommend one of

¹²⁴ This was the only LJ project in the South West Perth PEA with a pass score. Despite being below the cut-off score based on national rankings, it was considered but rejected by the ARC at its 2 February 2010 meeting. At the same meeting, the ARC had agreed to recommend the highest ranking GCW project in that PEA (with a score of 24), which was ultimately the only project approved in that PEA in the second round. See further at paragraph 4.66 and footnote 134.

¹²⁵ The decision was recorded as follows: 'Although the organisation has received an assessment score of 18 (which represents a "pass" score against each assessment criterion), it has not scored highly in terms of the national order of ranking. The proponent has links with [*Job Services Australia providers*] and proposes a total of 70 jobs. It will establish a retail outlet, replicated from its Goulburn and Queanbeyan outlets.' At the time this project was agreed, the ARC had yet to consider projects from New South Wales and Queensland, which represented 58 per cent of GCW applications and 64 per cent of the GCW projects with scores above the cut-off. No other commentary in terms of the project's merits was recorded until the delegate's comments of 10 March 2010, which were: 'Supplements a well-established social enterprise. Ready-to-go 'green' project. Very reasonable unit cost if you consider the focus on disadvantaged job seekers.' The delegate also annotated the project as one of the 19 best (see paragraph 4.40). As noted at paragraph 4.39, the schedule of 65 projects provided to the delegate did not identify assessment scores or the basis on which the ARC had decided these projects represented the most meritorious such that they had been included in the projects on which the delegate had the opportunity to comment, compared to other projects that were not.

the LJ projects with a score of 17 subject to further review, together with the highest ranked GCW project (with a score of 19, below the cut-off score of 20). Both were included in the final 50 projects recommended by the ARC. The remaining three GCW projects in Tasmania with pass scores (17 and 16 respectively) were also considered at the 2 February 2010 meeting, but rejected. The ARC also agreed to recommend the LJ project with a low pass score of 16, subject to further clarification. On 2 March 2010, the ARC decided not to recommend the project after confirmation the land involved was privately owned and the project was not in a PEA, as originally thought.

4.55 At the conclusion of its 2 February 2010 meeting, the ARC had recorded decisions in relation to 28 LJ projects in states other than Queensland and New South Wales, comprising 24 projects with a pass score (26 per cent of LJ projects with a pass score) and four projects with a fail score. In that context, the rationale for considering the three projects with a score of 16 (compared to the national merit ranking cut-off score of 18) at that stage of the ARC's deliberations was not recorded. In total, 27 LJ projects had a score of 16, 14 with a pass outcome. None of the remaining projects in that score group were considered by the ARC until a review of lower ranked projects was undertaken on 12 February 2010 (see paragraphs 4.32 to 4.33).

4.56 The remaining three LJ projects considered by the ARC despite not achieving scores of either 18 or 17 had each failed the assessment.¹²⁶ The only two LJ proposals in the Northern Territory both had a fail score of 14. However, their respective merits were nevertheless given explicit consideration at the 2 February 2010 meeting, with each being rejected. No ARC consideration of the remaining 21 LJ projects with an assessment score of 14 was recorded. The only GCW project in the Northern Territory that passed the assessment (with a score of 15 compared to the cut-off score of 20) was also considered, but rejected. The ARC also asked for a score review for another GCW project that had scored 16, but failed one criterion. This resulted in the project's score against that criterion being increased to the minimum pass level, resulting in an aggregate pass score of 17. The ARC agreed to

¹²⁶ One related to a project with a score of 12 that failed three criteria. That proposal was considered by the ARC due to it having received supportive comments from the relevant LEC, but was rejected.

recommend the project. This resulted in one approved project in the Northern Territory in the second round.¹²⁷

Consideration of priority employment area distribution

4.57 In the context of being advised of strategies for allocating remaining funding on 11 February 2010 (see paragraph 4.31), the ARC was advised that:

To date, all States/Territories and Priority Employment Areas (PEAs) have at least one LJ or GCW project either recommended or considered as possible

- Noting that in the Southern Wide Bay Burnett and Ballarat Bendigo PEAs, there are no projects which have been recommended.¹²⁸

4.58 At that time, those two PEAs each had one project rated as possible, both under GCW. The minutes of the next meeting on 12 February 2010 recorded that, in considering projects that could be recommended to allocate remaining funding, the ARC also reviewed the two PEAs where no recommendations had been made to date.

Southern Wide-Bay Burnett

4.59 The only LJ project in the Southern Wide Bay-Burnett PEA that met all the selection criteria had a score of 17 (below the cut-off score of 18), but had been considered by the ARC at its 5 February 2010 meeting in which Queensland proposals were considered. The proposal was rejected on the basis it did not represent value for money. Five GCW projects in this area had pass assessment scores. The two highest ranked projects (both with scores of 19, compared to the national cut-off score of 20), were the only other projects from this PEA considered at the 5 February 2010 meeting. One was rejected due to the low number of jobs to be created. The other, seeking \$2 million, was agreed as possible subject to further clarification of the employment outcomes. The ARC noted that the relevant LEC's comments were positive and that: 'It is an excellent project with a focus on local jobs.'

4.60 On 12 February 2010, the ARC considered two further GCW proposals in Southern Wide Bay-Burnett with lower pass scores of 17 and agreed to recommend one for \$687 028.¹²⁹ The ARC's next meeting on 16 February 2010

¹²⁷ The delegate had also identified this project as one of the best 19, but asked for further advice regarding potential risks. The state manager agreed there were risks but that the project had merit.

¹²⁸ In that context, it was suggested by an attending official that: '...ARC should look at Priority Areas particularly where they did not receive funding during either Round 1 or this Round.'

¹²⁹ Consideration of the GCW project in this PEA with a pass score of 16 was not recorded—see paragraphs 4.66 to 4.66.

was advised of the outcome of the inquiries made regarding the higher ranked project identified as possible on 5 February, with the committee agreeing to recommend the project if the applicant agreed to partial funding of \$1 million for a reduced scope and that, should the applicant agree, the lower ranked project agreed on 12 February would be rejected. If the applicant did not agree, the lower ranked project would remain as recommended. Prior to the ARC's meeting at which it was to present its recommendations to the delegate, both projects were still identified as possible, with committee papers indicating the ARC was 'likely to approve one'.

4.61 At the 2 March 2010 meeting, the ARC was advised that the applicant for the higher ranked project had indicated a reduced scope was achievable, but at a cost of \$1.75 million and with considerably reduced jobs outcomes. The ARC agreed the project would not be recommended on the basis it did not represent value for money at the reduced scale proposed; and agreed to reinstate the lower ranked project from this PEA as recommended. In that context, the ARC's deliberations were based upon comparing the relative merits of the only two projects in the Southern Wide Bay-Burnett PEA considered able to be funded, instead of comparing those projects' relative merits with those of the full population of competing applications, as would be expected in an effectively conducted competitive grant selection process.

Ballarat-Bendigo

4.62 At the 11 February 2010 meeting at which it was noted no projects had been recommended to date in the Ballarat-Bendigo PEA, the ARC asked for the scores of two GCW projects in that PEA be reviewed. One had not yet been considered due to its low score of 16 (compared to the cut-off score of 20). The ARC asked for a review to be conducted to ensure the scores were correct. The project had received support from the relevant state office. The other had a fail score of 15, with one criterion not being met. The ARC minutes recorded that this project was to be reviewed 'to confirm whether it failed taking into account the LEC comments.'

4.63 Based on the national cut-off scores, the only project in Ballarat-Bendigo considered at the ARC's 28 January 2010 meeting (at which proposals in Victoria were considered) was a GCW project with a score of 22. None of the LJ projects in that PEA had scored higher than 13. The GCW project was agreed as possible and then agreed to be recommended for \$581 886 on 12 February 2010, but was rejected at the next meeting on

16 February.¹³⁰ In respect to the two GCW projects in Ballarat-Bendigo for which the ARC had requested score reviews (see paragraph 4.62), the review for the project with a score of 16 out of 25 concluded the score was correct. On 16 February 2010, the ARC agreed to recommend the project for \$99 375, with the decision recorded in the ARC meeting spreadsheet noting that this was 'one of few potential proposals in [*the*] Ballarat area.' The ARC did not seek to reconcile the confirmed score of 16 with a decision that the project represented one of the most meritorious applications on a national basis and should be recommended.¹³¹ The application was later withdrawn by the applicant before the selection process was finalised. The review for the other project confirmed the fail score and it was rejected.

4.64 The minutes of the ARC's 16 February 2010 meeting recorded that:

Following the review of the two Ballarat proposals which had not previously been considered by ARC because of their relatively low scores, the [*internal departmental probity advisor*] advised that all the GCW Bendigo/Ballarat proposals that had "passes" will need to be considered.

4.65 The ARC reviewed a further four of the six GCW projects in Ballarat-Bendigo with pass scores of 15 or higher¹³², and agreed to recommend a total of \$518 935 for two projects (with scores of 16 and 17 respectively). When combined with the project recommended for \$99 375 at the same meeting after a score review confirmed its score of 16 (see paragraph 4.63), this took total funding agreed for these three projects in the Ballarat-Bendigo PEA to \$618 310. At the same meeting, the ARC reversed the earlier decision to recommend \$581 886 for one highly scored project (see paragraph 4.63).

¹³⁰ The recorded deliberations for this project highlight the difficulty in reconciling assessment scores with the recorded reason for decisions to recommend or not recommend projects; and in reconciling ARC decisions as recorded at various stages of its deliberations. Specifically, in identifying this highly scored project as possible only on the first occasion, the ARC had noted: 'There were a low number of jobs for the funding sought. Strategies for placing trainees into jobs were described. There appeared to be direct and indirect employment. This has been a drought affected area for over 10 years and is also a bushfire affected area.' The basis for the ARC's subsequent 12 February 2010 decision to recommend the project was recorded as: 'This is a sound proposal with good value for money'. However, the 16 February 2010 decision to not recommend the project was recorded as: 'The project is for \$581K and only 5 jobs are created. ARC noted earlier concerns as to the low number of jobs and rejected this proposal as it is not good value for money with only 5 jobs being created.' See further at paragraphs 4.68 to 4.78.

¹³¹ The formal minutes recorded the decision as follows: 'There were no changes to the scores following a review (and the score remains at 16 with a pass against each of the assessment criteria). The 20 traineeships are actually [*work experience*] positions; however the project is cost effective for a redesign of their service delivery model, which will extend their targeted client group to disadvantaged as well as disabled. ARC noted that there is good support for this project.'

¹³² A fifth project had been agreed following a score review (see paragraphs 4.57 and 4.63). There is no recorded consideration of the sixth project, with a pass score of 15—see paragraphs 4.66 to 4.66.

4.66 In this respect, ARC deliberations were recorded in respect to 14 (15 per cent) of the 94 GCW projects with low pass scores of between 15 and 17. This comprised: five projects in the Ballarat-Bendigo PEA (see paragraphs 4.63 to 4.65); two Northern Territory projects (see paragraph 4.56); two in Southern Wide Bay-Burnett PEA (see paragraphs 4.59 to 4.61); three in Tasmania (see paragraph 4.54); and one each in the Northern and Western Adelaide¹³³ and South West Perth PEAs.¹³⁴ There were a further 80 GCW projects nationally that received pass scores of between 15 and 17 for which there is no recorded consideration, other than a reference in the minutes of the ARC's 12 February 2010 meeting that members were asked to review all GCW projects that had a 'pass'. To the extent the merits of those projects were considered as part of this review process, no record was made of those deliberations.

4.67 In advising the delegate of the 50 recommended projects on 18 March 2010, the ARC chair further advised of the national distribution of the recommended projects by state and territory which included at least one project in every state and territory (including one each in South Australia, the Northern Territory and the ACT). The chair further advised that:

An issue the committee identified is that [*South Australia*] only has one project with possible 5 jobs and 10 traineeships. However, we examined this very closely on the way through, and the applications were not of sufficient quality to make it to the final selection.

¹³³ One GCW project in the Northern and Western Adelaide PEA exceeded the cut-off score of 20—that project was submitted and highly ranked under both streams and recommended under the GCW stream. However, it was later decided that the risks identified by a financial viability assessment could not be adequately mitigated. The next highest scoring GCW project in this area, with a score of 19 (which had been submitted in response to the first round—see footnote 55) was rejected as not representing value for money. Of the five remaining projects in that PEA with a pass assessment, the highest ranked was a GCW project with a score of 17. The ARC considered that project on 2 February 2010 and agreed to recommend it. That decision was confirmed at the final meeting subject to conditions to improve its cost-effectiveness. It was the only project approved in this PEA in the second round of the Jobs Fund.

¹³⁴ One LJ project in the South West Perth PEA received a pass assessment, with a score of 16. Despite being below the LJ cut-off score, it received explicit consideration at the 2 February 2010 ARC meeting, but was not recommended. The two GCW projects in this PEA that exceeded the cut-off score for that stream of 20 were recommended at the same meeting, one of which was subsequently rejected at the ARC's final meeting following consideration of delegate comments that the project was: 'one of the most expensive projects listed with very narrow goals and limited opportunities.' The ARC rejected the project 'as it represents low value for money and is an existing program.' Also on 2 February 2010, the ARC had considered the two GCW projects in this PEA below the cut-off score. One, with a score of 19, was considered possible but was ultimately not recommended. The ARC agreed to recommend the other project (with a score of 17), with that decision being confirmed on 11 February 2010. However, after considering comments from the delegate that the project was a good concept, but the employment targets were low, the ARC's 18 March 2010 meeting decided it would reject the project as not representing good value for money on the basis: 'The proponent has subsequently advised that it will be revising the number of jobs downwards. This consequently increases the unit cost to a very high level.'

Value for money deliberations

4.68 As Table 4.2 illustrated, the conclusions by the ARC as to whether a project represented value for money were determinative as to whether the project was successful. Many highly scored projects were not funded despite the significant under-allocation of available funding, while other lower-scored projects were approved. Accordingly, it is essential for the transparency and accountability of the selection process that the rationale applied in forming those conclusions is readily discernable from the documented deliberations.

Recording the basis for value for money decisions

4.69 The establishment of a final merit ranking of competing, eligible projects was not part of the ARC decision-making process. Individual projects were declared to be good value for money or not, rather than framing the deliberations in a relative sense. In that context, the clarity of the ARC decision-making would have benefited from the recorded basis for deciding whether a project should be funded being framed by direct reference to the published selection criteria and the relative merits of competing projects. In the absence of such an approach, there is an increased risk of decisions appearing somewhat arbitrary or being difficult to reconcile based on available records. For example, as noted at paragraphs 4.39 to 4.43, 15 of the 65 projects provided to the delegate for approval on 17 March 2010 were rejected by the ARC the next day, following further consideration of the delegate's comments. Table 4.3 sets out the documented decisions in relation to three of the LJ projects selected during both the state-based reviews and subsequent value for money confirmation exercise (see paragraph 4.35) as being among the most meritorious, but which were rejected at the ARC's final meeting.

Table 4.3

Examples of ARC reversal of earlier decisions to recommend projects

Date	Recorded decision	Date	Recorded decision
28 Jan 2010	Agreed. ARC noted that: This proposal creates 35 jobs and is good value for money.	18 Mar 2010	Rejected. ARC considered the following comments from the Delegate: The participant numbers are large for such a low-priced project. It is assumed, therefore, that the \$60,000 [requested] is a minor contribution (such as the purchase of equipment) to a large existing social enterprise. ARC noted that: The proponent is seeking \$2 million over a period of three years, well beyond the end date for Jobs Fund funding, and this is the first component of the required funding. The funding being sought is actually \$1.25 million which was entered incorrectly by the proponent on the application form. ARC agreed not to recommend this project on the grounds that it represents low value for money and the funds sought are beyond the Jobs Fund funding period.
5 Feb 2010	Agreed. ARC noted that: This organisation has good connections and is providing good local jobs creating green skills. Good value for money with 9 jobs created.	18 Mar 2010	Rejected. ARC considered the following comments from the Delegate: Solid environmental projects, but with low placement targets and high costs. Not sure what would be the value in the community education sessions 'to complement formal education'? ARC agreed not to recommend this proposal as it was not good value for money and not a good fit for the objectives of Jobs Fund.
4 Feb 2010	Agreed. ARC noted that: This is a sound project with good value for money resulting in 2 jobs.	18 Mar 2010	Rejected. ARC considered the following comments from the Delegate: Looks like an important research and environmental project, but is just a project with a few jobs, which might be better accommodated through existing assistance? Is there tertiary sector buy-in, given the research and field-work component? Is there anything about this project which makes it a particularly good match for the Jobs Fund's objectives? ARC agreed not to recommend the project as there are no clear benefits against the Job Fund's objectives.

Source: DEEWR ARC meeting minutes for the second funding round of the Jobs Fund.

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Establishment, Implementation and Administration of the General Component of the Local Jobs Stream of the Jobs Fund

4.70 A further example of the benefit that would have arisen from recording the ARC decision-making at each stage of the selection process within a framework that clearly related each project's assessed overall merit to both the published selection criteria and that of other projects relates to one of the 19 LJ projects recommended to the delegate. In considering this eligible but low-scoring (16) project on 12 February 2010, the ARC had concluded that it was a 'sound project which enables people with a disability to enter mainstream jobs', but only identified it as 'possible, agreed if there is sufficient funding left when all projects have been reviewed' (see paragraph 4.33). This decision indicated that the project was seen as a lower priority compared to other LJ projects.¹³⁵ The \$2 million tentatively agreed for the project at that time represented six percent of \$35.8 million then recommended for 39 LJ projects.

4.71 There were no further recorded deliberations regarding this project or its relative merit, but it was subsequently included in the 24 recommended LJ projects advised to the delegate on 2 March 2010 (see paragraph 4.39). At that time, the project represented 11 per cent of recommended LJ funding. At its final meeting on 18 March 2010, the ARC agreed to include the project as one of now 19 recommended LJ projects (representing five per cent of LJ stream applications). The delegate had earlier commented that the project was expensive, but had a good focus on 'green' jobs and a disadvantaged client group and seemed to be building on an existing business service; but asked if the costs could be renegotiated. As noted at paragraphs 4.39 to 4.40, the delegate had not been provided with advice as to the scores or relative merit of the 65 projects on which he was to provide comments. In recommending the project on 18 March 2010 for \$2 million (representing 13 per cent of the total of \$15.5 million in LJ funding now recommended), the ARC noted that the jobs and client group made this a good project, and necessary planning/building approvals were to be obtained. No reference was made to the project's assessment score of 16 against the selection criteria and no other basis for concluding this project represented one of the just five per cent of LJ projects to merit funding was recorded.

¹³⁵ The entry in the ARC spreadsheet for the 12 February 2010 meeting reflected this, stating: 'Recommended, but lower priority project.'

Transparency of the basis for selection

4.72 As discussed at paragraph 3.49, in the context of a competitive grant program, value for money relates to the extent to which a project will contribute to maximising the achievement of program objectives within the funding available. In that respect, the department invested considerable resources in developing a methodology for assessing and scoring each competing application against the published selection criteria. If soundly designed and implemented, the resulting scores can reasonably be expected to reflect the relative merit of projects against the program objectives.

4.73 As noted at paragraph 4.9, the assessment guidelines had instructed assessors that an independent person should be able to read the justification statement and understand the reasons for the score allocated, and should not have to read the claims made in the application to understand those reasons. The emphasis placed on ensuring the assessment scores were robust was highlighted to the delegate in the ARC's 2 March 2010 presentation.¹³⁶

4.74 However, as with the first round, the committee's subsequent deliberations were not undertaken within a framework that sought to reconcile the range of scores achieved by each of the eligible projects against the published selection criteria with the committee's reasons for deciding whether they respectively merited funding.¹³⁷ Instead, the judgements brought to bear by the ARC were expressed in qualitative terms. The extent to which the resulting selection outcomes differed from the relative merit indicated by the scored assessments significantly diminished the utility of applying a robust quantitative ranking methodology.

4.75 The ARC presentation also advised the delegate that:

Of the highly ranked proposals not recommended by the Assessment Review Committee, the main consideration was low value for money compared to other highly ranking projects¹³⁸, especially in terms of:

¹³⁶ Specifically, the presentation advised the delegate that: 113 assessors and 28 moderators assessed the project proposals against five assessment criteria and applied a rating out of five; the majority of assessments were undertaken in state offices, and that this had ensured that an understanding and appreciation of the needs of the local community were applied to the assessment process; and quality assurance checks were conducted on 10 per cent of the assessments.

¹³⁷ Of the 970 projects assessed, there were documented score reviews in respect of 19.

¹³⁸ As discussed at paragraph 4.7, the term 'highly ranked' was applied to all projects that had met each of the five selection criteria to at least the minimum pass threshold score.

- the level of funding expenditure against the number of jobs to be created and/or retained through the project; and
- the focus on infrastructure construction and/or the purchase of land and capital over an offer of training and support to disadvantaged groups/regions.

4.76 In this respect, as discussed at paragraph 3.62, the inclusion of a mechanism to establish a final merit ranking incorporating relevant ARC deliberations would have enhanced the capacity to demonstrate that the funded projects represented the most meritorious. This includes providing a capacity to reconcile the documented criteria scores with the selection process outcome in a manner that the brief qualitative comments recorded by the ARC had a limited capacity to do. In particular, subject to appropriate probity controls and documentation, reflecting the matters considered by the ARC in deciding each project's overall merit in the scores assigned at the conclusion of the selection process would enhance the capacity to demonstrate:

- that all matters taken into account directly related to the published selection criteria, and only matters provided for under the program guidelines had been taken into account; and
- the relative merits of competing projects as a basis for formulating recommendations to the decision-maker.

4.77 At a minimum, this would be supported by confirmation that the scores allocated to a project would not have been different had the assessor had access to additional information obtained during the ARC deliberations.

4.78 The outcomes of both rounds of the Jobs Fund also highlight the difficulties for maintaining appropriate transparency over grant funding decisions where, as in this case, important considerations relating to the assessment of value for money (including, but not limited to, cost effectiveness measures), and risk are not incorporated into the scoring or rating methodology used to rank competing projects. Reflecting all matters considered in determining a project's overall merit against the program objectives in the scores or ratings assigned to each project provides a much better basis for demonstrating competing projects' relative merits.

Supplementary approval of projects by the delegate

4.79 Following the 18 March 2010 approval of the 50 projects recommended by the ARC, the delegate sought information from the department in relation to a small number of unapproved projects, primarily focussed on:

- unapproved projects in jurisdictions with lower approval levels, being South Australia, Western Australia, the Northern Territory and the ACT; and
- the 15 projects the ARC had originally recommended but had reconsidered prior to the final recommendation to the delegate.

4.80 The delegate subsequently recorded that this process had been initiated because, upon his return from overseas, he:

... wanted to conduct a bit of due diligence on my decision making, given that I had pushed hard for the benchmark to be at a very high level.¹³⁹

4.81 The department provided the delegate with a spreadsheet described as a 'next best' list of projects for potential approval. None of those proposals had been included in the 65 recommended and possible projects provided to the delegate for comment on 2 March 2010. The 'next best' list included seven projects (four GCW and three LJ), and comprised four projects in South Australia, two in Western Australia and one in the Northern Territory.

4.82 The spreadsheet provided details in relation to each project and a comment relating to the earlier consideration by the ARC, but did not identify their respective criteria scores. Although identified as a 'next best' list, there is no evidence of the department giving consideration in compiling the list to any unsuccessful projects outside of those four jurisdictions.¹⁴⁰ The projects on the 'next best' list had achieved assessment scores ranging from 15 to 23. The delegate was advised that, in compiling the list:

- all applications that scored a 'pass' score in South Australia were revisited, with four (two in each stream) being suggested as possible;
- all applications that scored a 'pass' score in Western Australia had been revisited, with two projects (one GCW and one LJ) being suggested as possible;
- Northern Territory applications were revisited: two applications from the Northern Territory passed, one of which had been approved and

¹³⁹ See the delegate's comments to the ARC, set out in paragraph 4.42.

¹⁴⁰ As noted at paragraph 4.50, the program guidelines did not provide for geographical distribution to be a factor taken into account in determining which projects would be selected for funding.

the other, from the GCW stream, had been included in the suggested possible list¹⁴¹; and

- ACT applications were revisited and the one already approved project was the only one that passed the selection criteria.

4.83 The criteria applied in selecting which of the unsuccessful 'pass' projects in South Australia and Western Australia would be included on the 'next best' list were not identified.

4.84 The delegate was also provided with a spreadsheet of eight projects, which were identified as having been drawn from the 15 projects removed by the ARC. However, one of the projects (in Western Australia) on the version of the spreadsheet held in department records had not been considered by the ARC due to not meeting any of the selection criteria. Again, the spreadsheet provided details of the projects, but did not identify their respective criteria scores. The criteria on which the projects included in the list had been selected were not recorded. The seven projects on this list that had been included in the 15 rejected by the ARC on 18 March 2010 had scores ranging from 17 to 21, with the remaining eight projects in that group that were not highlighted to the delegate having scores ranging from 17 to 22.

4.85 The delegate was provided with electronic copies of the applications for the projects included on both spreadsheets, together with the applications for the 50 projects that had been approved on 18 March 2010. The department did not provide the delegate with the completed selection criteria assessments for any projects to inform his consideration of their respective merits.

4.86 As noted at paragraph 4.69, the establishment of a final merit ranking of competing, eligible projects was not part of the ARC decision-making process, including within the 65 projects from which the final 50 recommended projects had been selected. Consequently, the ARC had also not sought to identify a merit ranking between the 15 projects ultimately excluded. Had a ranking approach been adopted, the 'next best' for consideration within the population of competing applications based on the assessed merits against the program guidelines would have been readily apparent.

¹⁴¹ In compiling the 'next best' list, it had been noted within the department that, for the Northern Territory: 'There were no applications, whether LJ or GCW, that were considered by ARC to be suitable for funding other than the one which is already recommended.' As noted at paragraphs 4.53 and 4.56, the only project in the Northern Territory with a pass score was rejected at the ARC's 2 February 2010 meeting. The recommended project's score was improved from a fail to a pass following a score review.

Approval of second tranche of projects

4.87 On 23 March 2010, the delegate advised that he had decided to approve \$2.63 million for a further three projects (two LJ and one GCW). Each of those had been included in the extract of projects from the 15 eliminated by the ARC provided to the delegate. The delegate advised that he had reviewed the proposals on which further information had been provided and that:

... it was very reassuring in terms of our decision making. It confirmed for me that we had good reason not to have considered further the [*Local Jobs*] projects (outside the 15) and those below the line in the States that did not get as many projects approved. I endorse again the ARC's judgement that there were not other projects I would have been prepared to approve in those groups.

Among the fifteen projects that had originally been proposed for my consideration, I also agree that there were good reasons not to have proceeded. There were just three in that group that, on reflection, I have decided that I would like to reconsider and approve. This doesn't mean that I don't understand the ARC decision not to take these three to the next level of approval but each of the three is significantly enough better than the others not approved and similar enough in quality to some approved that I have decided to add those to the approved list, subject to conditions that address some of the issues ARC considered in relation to each.

4.88 The delegate advised that he had decided to approve one of the LJ projects subject to further discussion with the applicant about the possibility of more job and training outcomes and less reliance on wage subsidies; and the other LJ project subject to further discussion of unit cost for the proposed employment outcomes. The delegate approved the three additional projects on 23 March 2010 after being advised that both applicants had agreed to increase the number of jobs created for the same level of funding, thereby reducing the unit cost.¹⁴²

Conclusion

4.89 The approach initially adopted for presenting applications for ARC consideration in the second round of the LJ and GCW streams of the Jobs Fund

¹⁴² One applicant agreed to increase jobs from 31 to 50. With 40 work experience and nine traineeships also proposed, this represented a unit cost of \$14 701. These outcomes were identified in the approval instrument signed on 23 March 2010. On 24 March 2010, the delegate was advised the applicant wished to reduce the jobs to 41, resulting in a unit cost of \$16 270. The department suggested that: '...a new Delegate's instrument is not required because the funding level is unchanged and with Round 1 several projects had changed outcomes as a result of Funding Agreement negotiations which did not require a revised Delegate's instrument.' The delegate confirmed that the project was still approved.

represented a significant improvement over that taken in the first round. Specifically, the assessment of applications against the published selection criteria was largely completed prior to the ARC commencing its deliberations. Projects needed to achieve the minimum identified pass score for each of the five selection criteria to be eligible for funding consideration. Based on the scores allocated, a national merit ranking and recommended funding cut-off score for each stream was prepared, having regard for the funding available.

4.90 However, proposals were not considered by the ARC in the order of their respective national ranking, but rather on a state by state basis. In that context, the available evidence is that some projects under both streams that had scores below the relevant funding cut-off score first came to be specifically considered by the ARC having regard for the potential geographic distribution of recommended projects in terms of both jurisdictions and PEAs. Such an approach had not been provided for in the program guidelines.

4.91 Following consideration of comments from the departmental approval delegate on 65 projects identified as recommended or possible across the two streams, the ARC recommended 50 projects for approval. Those projects were approved by the delegate on 18 March 2010. Some days later, the delegate approved a further three projects, taking total approved funding to \$39 million. This represented a significant under-allocation compared to the \$81 million available, with the approved projects representing just five per cent of applications received. In that context, it is reasonable to expect that there would be a high degree of correlation between the projects that had achieved the highest scores against the selection criteria and those that were recommended for approval. However, this was not the case.

4.92 The conclusions by the ARC as to whether a project represented 'value for money' were determinative as to whether it was successful. Many highly scored projects were not funded despite the significant under-allocation of available funding, while other lower scored projects were approved. In that context, the judgements brought to bear by the ARC were expressed in qualitative terms. The transparency of the ARC decision-making process would have greatly benefited from the committee directly relating its decisions as to whether each project was suitable for funding to the selection criteria set out in the program guidelines, and the relative merits of competing projects. However, the ARC did not seek to recalibrate the national ranking in order to provide an objective measure of the final assessed relative merits of competing projects within each stream. This significantly diminished the utility of applying a robust quantitative ranking methodology.

4.93 The outcomes of both rounds also highlight the difficulties for maintaining appropriate transparency over grant funding decisions where important considerations relating to the assessment of value for money (including, but not limited to, cost effectiveness measures), and risk are not incorporated into the scoring or rating methodology. Establishing a mechanism for reflecting in the scores assigned at the conclusion of the selection process the matters considered by the ARC in deciding each project's overall merit would have significantly enhanced the capacity to demonstrate that the selected projects were the most meritorious in terms of the program guidelines.

Recommendation No.1

4.94 ANAO recommends that, for future competitive grant programs, the Department of Education, Employment and Workplace Relations incorporates within the design of the program guidelines and assessment methodology:

- (a) criteria and an associated scoring or rating approach that encapsulates all matters considered relevant to identifying the most meritorious projects, having regard for the program objectives and the obligations applying to decisions to approve grants of public money; and
- (b) the process by which the final score or rating assigned to each project will reflect the matters considered in the selection deliberations and be used to drive the compilation of the merit list of eligible applications.

DEEWR response:

4.95 *Agreed.*

5. Program Outcomes

This chapter examines the administration of Local Jobs projects, with a focus on the extent to which the program demonstrably delivered economic stimulus outcomes.

Introduction

5.1 The criterion adopted by the Government for the design of the stimulus packages established in response to the global financial crisis was that they be timely, targeted and temporary.¹⁴³ For the LJ stream, the projects through which employment stimulus and skill development was to be achieved were to be focussed on also providing community and environmental benefits. Projects were required to be in an area experiencing high or increasing unemployment or vulnerability (for the first round) and assist disadvantaged groups or regions; be 'ready to start'; and be completed within the defined program window to enable all funding to be paid to proponents by 30 June 2011. Accordingly, ANAO examined DEEWR's:

- arrangements for administering grant payments and the extent to which the program demonstrably delivered timely financial stimulus;
- development and implementation of an evaluation framework for the Jobs Fund as a component of the Jobs and Training Compact; and
- monitoring of achieved employment and training outcomes.

Delivery of financial stimulus

5.2 Funding agreements were signed for 92 of the 93 projects approved under the LJ stream, with one project being withdrawn by the proponent. DEEWR developed a comprehensive suite of material to guide the establishment and management of funding agreements.

Timeliness of funding agreement execution

5.3 Draft agreements for the 64 first round LJ projects were provided to funding recipients shortly following finalisation of the selection process on 14 August 2009. By the end of December 2009, around two thirds had been

¹⁴³ House of Representatives Standing Committee on Infrastructure, Transport, Regional Development and Local Government, *The Global Financial Crisis and regional Australia*, November 2009, p. 55.

executed (41 projects, 64 per cent). A further 18 (28 per cent) were signed in January 2010, and the remaining five by the end of March 2010. In a number of cases, this process was delayed by the need to obtain additional information from applicants and/or negotiate revised timeframes and budgets.¹⁴⁴ Finalisation of funding agreements for the 21 second round projects approved on 23 March 2010 was more timely, with 18 (86 per cent) being signed by the end of May 2010 (about two months after the selection process was finalised). The remaining three agreements were signed by the end of June 2010.

5.4 In contrast, funding agreements for the seven bike path projects approved on 7 January 2010¹⁴⁵ were not executed until June 2010, nearly six months after approval. This delay arose as a result of ongoing uncertainty as to which department would be responsible for administering the projects. Letters advising the relevant applicants of their success were not sent by DEEWR until agreement had been reached between relevant Ministerial offices (in late March 2010) that, while DEEWR had undertaken the selection process utilising funding it administered, the then DITRD LG would administer the projects. This approach was reflected in letters provided to the successful applicants by DEEWR on 7 April 2010, which advised that DITRD LG would be shortly contacting them to develop a funding agreement.

5.5 However, this arrangement could not proceed due to the absence of an appropriate mechanism for transferring the funding. As a result, DEEWR provided the proponents with draft funding agreements in late May 2010, which were all signed in June 2010. The milestone payments for these projects were structured in a significantly different manner to that used for other projects (see further at paragraphs 5.7 to 5.10).

5.6 The funding agreement for one of the 92 contracted LJ projects was terminated in April 2011 with the project not having commenced. The funding

¹⁴⁴ In September 2009, DEEWR advised the then Minister for Employment Participation that progress in finalising funding agreements had been affected by the high complexity of some projects '...which involve, for example: infrastructure upgrades including on property which is owned or controlled by third parties; purchase of significant assets; and projects relying on funding from other sources which is critical to the project's success. In addition, many applications for funding did not include sufficiently detailed information to enable drafting of the legal document. As a result, requests for more information from proponents has been required.' In early October 2009, the Minister was further advised that clarifications being sought related to issues including project budgets, arrangements with third parties, ownership of the facilities to be upgraded and/or ownership of land where building was planned. Other reasons for delays included organisations asking to review the level of funding because they had made errors in their application or to change the project; and budgets based on a two year project commencing in July 2009 now being reviewed to allow funding to end by 30 June 2011. In this respect, the applications submitted for 57 (89 per cent) of the 64 projects had a project commencement date of August 2009 or earlier.

¹⁴⁵ See paragraphs 3.75 to 3.83.

agreement for another project (which involved the engagement and up-skilling of job seekers to undertake energy and water assessments and retrofits) was varied in May 2010 to provide for the remaining \$500 000 of the \$1.4 million approved grant to be paid out to support retention of existing employees. The project's financing had been dependant on the Home Insulation Program (HIP). The proponent wrote to DEEWR in February 2010 advising that, as a result of the decision to terminate that scheme, it no longer had work for the 67 people it identified as being then employed under the project. DEEWR agreed in February that the funding agreement was to be varied to pay out the remaining \$500 000 in advance based on the cost of the equivalent of four months Newstart allowance for 67 workers (\$268 000), with the remaining \$232 000 to be used to offset other costs. Retention of the 67 jobs was to be acquitted at the end of the 2009–10 financial year. After negotiations to identify the correct number of employees then engaged in relation to the Jobs Fund project, the \$500 000 payment was made in May 2010 on provision of evidence the proponent would retain 30 workers on the project.¹⁴⁶

Structuring of contracted project payments

5.7 The guidelines for both rounds of the Jobs Fund stated that funding agreements would generally be structured to provide for an initial payment of between 25 and 50 per cent of the grant and remaining funds to be paid upon achievement of negotiated milestones and satisfactory milestone reports.

5.8 In this respect, the funding agreements established for the majority of contracted LJ projects adopted a prudent risk management approach to structuring grant payments. There were no instances where payment was made solely because the funding agreement had been signed. In each case, the funding recipient was required to provide evidence as to relevant matters relating to the project's readiness to proceed.¹⁴⁷

¹⁴⁶ A further three milestones ending in June 2011 related to the proponent providing evidence of having implemented a new business plan, acquitting actual expenditure and providing evidence of having retained 30 jobs and created up to 170 jobs (which had been the originally contracted employment outcome). No payments were associated with those milestones, but the funding agreement provided for the recovery of nominated amounts in respect to any of the four milestones DEEWR determined had not been satisfied. The final reported employment outcomes for this project were the creation or retention of 68 jobs and three work experience places.

¹⁴⁷ The then DITRDLG had taken a similar approach in administering projects funded under the IEP stream and quarantined bike path component of the Local Jobs stream. The approaches adopted by DEEWR and DITRDLG were an improvement over that adopted by the then DEWHA in administering projects under the quarantined heritage component, for which initial payments of up to 50 per cent were made upon signing of the funding agreement (see ANAO Audit Report No.11 2012–13, op. cit., pp. 144–147).

5.9 More than three quarters of grants (71 projects, 77 per cent) were contracted to be paid over four or more instalments upon the achievement of nominated milestones, with higher value grants generally being delivered over a larger number of milestone payments. While first payments varied significantly as a proportion of the approved grant (from one per cent up to 96 per cent), the average first payment represented 35 per cent of the grant.

5.10 Of the eight projects (nine per cent) contracted to receive more than 75 per cent of the relevant grant as an initial payment, three involved relatively low value grants of between \$33 360 and \$113 800 (with first payments of between 79 per cent and 89 per cent). The remainder related to five of the seven bike path projects for which funding agreements were not signed until June 2010 (see paragraphs 5.4 to 5.5). Those projects involved one grant of \$75 000, with the remaining four grants ranging from \$288 363 to \$362 000. The first payment for those five projects represented between 86 per cent and 96 per cent of the approved grant.¹⁴⁸ The remaining two bike path projects, involving grants of \$100 000 and \$285 000 respectively, were to receive initial payments of 69 per cent and 70 per cent respectively.

Monitoring project progress

5.11 DEEWR actively monitored the provision of progress reports by funding recipients, and also conducted site visits.¹⁴⁹ These processes allowed the department to be informed about the progress made in implementing projects. Where projects experienced significant delays, DEEWR generally took proactive steps to engage with the relevant proponents and develop remedial strategies that would assist in maximising the delivery of the project within the required timeframe while appropriately managing risk.

5.12 There was some variation between state offices in terms of the approaches adopted to administering funding agreements. Overall, however, the administration of LJ stream funding agreements was effective in terms of

¹⁴⁸ For one of these projects, the first instalment paid in June 2010 of \$300 000 represented 96.2 per cent of the approved grant. That project was one of five LJ stream projects that were extended into the 2011–12 financial year as a result of being unable to be completed by the budgeted program end-date of 30 June 2011. The second instalment of \$11 818 payable upon completion was not made until February 2012.

¹⁴⁹ DEEWR's contract management guidelines specified that contract managers were to ensure all projects were regularly monitored via desktop activities (involving consideration of progress reports and regular contact with proponents, more frequent if milestone completion was delayed or remedial action needed) and project visits. In this latter respect, the guidelines stipulated that high risk/high value projects, for which a performance monitoring plan was to be prepared, were expected to be visited at least once, with more frequent visits required if the project was experiencing delays or under performance.

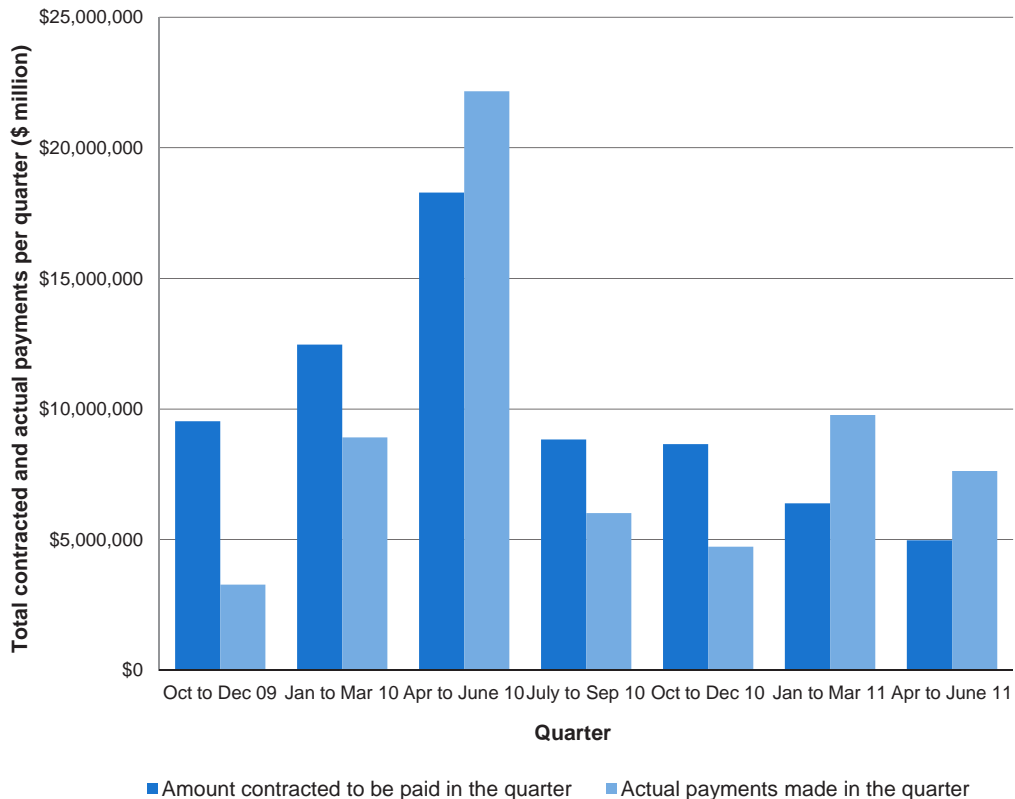
aligning the payment of grant funds with the achievement of project milestones. In particular, the documented procedures for ensuring evidence supporting the achievement of contracted milestones was provided prior to an associated payment being made were soundly administered.

Spending of economic stimulus funding

5.13 Collectively, the 92 LJ stream projects were contracted to receive payments totalling \$69.16 million by 30 June 2011. Figure 5.1 compares total payments contracted to be made in each quarter between October 2009 and 30 June 2011, with the actual total payments made in each quarter.

Figure 5.1

Comparison of total contracted and actual quarterly payments for Local Jobs stream projects up to budgeted program end-date of June 2011



Source: ANAO analysis of funding agreements and DEEWR project management records.

5.14 As Figure 5.1 illustrates, expenditure was somewhat delayed compared to the expectations established by the 92 funding agreements. By the end of

March 2010 (12 months after the Jobs Fund was agreed to as a measure to provide immediate employment stimulus, and more than seven months after the first round was completed), actual payments totalled \$12.2 million. This fell \$9.8 million (45 per cent) short of the \$22 million contracted to have been paid from September 2009 (when agreements were first signed) to 31 March 2010.

5.15 This significant underspend was a result of delays in funding recipients' ability to satisfy project milestones. For example, all but one of the 64 LJ projects approved in the first round concluded on 14 August 2009 were contracted to receive at least a first payment by the end of March 2010 (totalling \$12.55 million).¹⁵⁰ Those payments were dependent upon the funding recipients demonstrating that the relevant project was ready to commence or underway. However, only 38 (60 per cent) of those 63 projects were assessed as satisfying the relevant milestone requirements by the end of March 2010 (resulting in total initial payments made to that time of \$8.88 million). It was not until October 2010 that all of the remaining 25 first round projects that did proceed had progressed sufficiently toward implementation for DEEWR to assess that an initial grant instalment was able to be paid.¹⁵¹

5.16 This reflected a disciplined approach to funding agreement management by DEEWR. However, as a consequence of projects' inability to progress at the rate anticipated (despite having been approved on the basis they met the requirement to be ready to start¹⁵²), delivery of the expected employment stimulus was similarly delayed.¹⁵³ Subsequent to receiving the first grant instalment, a number of projects experienced further delays, which was reflected in the rate at which further payments were able to be made.

5.17 As Figure 5.1 further shows, project payments increased substantially to \$24.5 million in the quarter ending 30 June 2010, with 72 per cent (\$17.6 million) of that expenditure occurring in June 2010. As a result, total payments for the 2009–10 financial year of \$34.4 million represented

¹⁵⁰ The funding agreement for the remaining project was not signed until 24 March 2010 due to the original proponent being unable to meet the employment outcomes on which the approval had been based. An agreement with a replacement proponent provided for a first payment of \$250 000 (22 per cent of the \$1.12 million grant) 40 days from the date of the agreement. The payment was approved in May 2010.

¹⁵¹ Initial payments were made to: nine projects in April 2010 (\$928 786); 11 projects in May 2010 (\$1.475 million); four projects in June 2010 (\$1.032 million) and one project in October 2010 (\$40 775).

¹⁵² The second gateway criterion for the first round required that projects be 'viable and ready to start', with the program guidelines advising that projects must be 'ready-to-start' within six months of signing the funding agreement and, where relevant, construction must commence within the six month timeframe.

¹⁵³ See paragraph 5.42.

85 per cent of the \$40.3 million contracted to be paid in that period.¹⁵⁴ This outcome reflected a focus within DEEWR on maximising payments in 2009–10 where project circumstances were assessed as supporting this approach. Strategies adopted in this respect included:

- seeking to ensure that, wherever possible, initial payments were made before 30 June 2010 in respect to the 21 LJ projects approved in the second round finalised on 23 March 2010. As noted at paragraph 5.3, funding agreements for 18 projects were signed by the end of May 2010, all of which provided for an initial payment to be made by the end of June 2010, subject to milestone requirements being met. This was achieved in respect to 15 of those 18 projects;
- contracting for a significant initial payment to be made in respect to the seven bike path projects for which agreements were signed in June 2010. Those agreements provided for initial payments totalling \$1.5 million (88 per cent of the \$1.7 million approved for these projects) which, as noted at paragraph 5.10, represented from 69 per cent to 96 per cent of the approved grant¹⁵⁵; and
- for first round projects, varying funding agreements to bring forward or split contracted milestone payments to allow for additional payments to be made in 2009–10 for projects assessed as progressing well.

5.18 A similar pattern emerged in the 2010–11 financial year. As Figure 5.1 illustrates, total payments of \$10.8 million made in the first six months of that financial year again fell significantly short of the \$17.5 million that had been contracted to be paid in the same period.¹⁵⁶ There was a strong focus on the need to effectively manage outstanding projects in the lead up to the budgeted program end-date of 30 June 2011. This included a co-ordinated program of contacting proponents to alert them to the requirement to complete projects by

¹⁵⁴ The DEEWR financial tracking spreadsheet for Jobs Fund projects recorded a further \$2.3 million in payments as having been made for 10 projects in June 2010. However, acceptance of the relevant report and approval of the associated payment was not finalised until July 2010 or later.

¹⁵⁵ Six of those payments were processed in late June 2010 or very early July 2010. The seventh project experienced significant delays and was not in a position to receive its first payment until May 2011, 11 months after the funding agreement had been signed.

¹⁵⁶ Further in this respect, the expenditure of \$10.8 million in this six month period included the \$2.3 million for 10 projects that had been contracted for payment in the previous financial year but not finalised for payment until July 2010 (nine projects) and September 2010 (one project) (see footnote 154).

June 2011 and monitoring project progress. This was largely successful in enabling projects to be finalised to the department's satisfaction by that time.

Finalising projects

5.19 Final grant installments were not payable until the project as contracted had been completed. In this respect, guiding principles were issued in April 2011 to assist funding agreement managers in finalising projects that had not been identified for extension into the 2011–12 financial year.¹⁵⁷ Those principles advised that, for projects that involved works that would not be completed by 30 June 2011, judgment should be applied on a case-by-case and risk assessment basis as to whether final payments should be approved in June 2011. State offices were advised that, where the uncompleted work and/or budget and/or the time delay was minor, contract managers could allow prepayment of the final grant instalment 'as long as the benefit to the Commonwealth can be demonstrated' [*emphasis as per DEEWR document*].

5.20 This advice was reflected in the funding agreement management subsequently applied in which final payments were approved in June 2011 for projects that were substantially completed at that time and expected to be fully completed within a short timeframe. This was based upon the expectation that any shortfall in project delivery or underspend of grant monies would be accounted for through the project acquittal, which was the last contracted milestone but had no associated payment.¹⁵⁸

5.21 Actual payments to 30 June 2011 totalled \$62.52 million, \$6.64 million (10 per cent) less than contracted. While this involved underspends for nearly half of contracted LJ projects (44, 48 per cent):

- \$2.7 million of the underspend related to final payments for 31 projects that had been completed as at 30 June 2011, but for which acceptance of the final reports was not finalised until after 30 June 2011¹⁵⁹; and
- total payments for a further six projects had been reduced by \$0.51 million as a result of: a funding variation to reflect reduced

¹⁵⁷ See further at paragraphs 5.23 to 5.25.

¹⁵⁸ By 30 June 2012, acquittal reports had been approved in respect to 86 of the 92 contracted LJ projects, and payments had been reduced and/or recovered (or identified for recovery) for 10 projects for amounts totalling some \$800 000.

¹⁵⁹ The relevant invoices had been submitted by 30 June 2011, but acceptance of the final report was not signed off until July 2011 or later. However, similar to the approach adopted for some projects in June 2010 (see footnote 154), DEEWR's program financial tracking spreadsheet accounted for those payments as having been made by 30 June 2011.

contracted project outcomes (one project), a reduced final payment to reflect underachievement against contracted outcomes (one project) and final project costs being lower than expected (four projects).

5.22 The remaining underspend as at 30 June 2011 of \$3.43 million related to six projects (six per cent) that had not been completed by that date, involving:

- \$2 million contracted in respect to the project terminated in April 2011 without any payments being made; and
- \$1.43 million in outstanding payments for five LJ projects unable to be completed by the original program end-date.

Extension of the Jobs Fund

5.23 On 23 March 2011, DEEWR sought the Minister for Employment Participation's agreement to the need to extend the Jobs Fund to 30 June 2012 to allow for completion of projects disrupted by floods and 'other unavoidable delays' in order to enable the expected community benefits to come to fruition. The Minister was advised that, at that time, this related to 26 projects across the LJ and GCW streams (11 per cent of contracted projects across those two streams), and that DEEWR had submitted a request to transfer a proportion of funds into the 2011–12 financial year. DEEWR's advice outlined that, while weather conditions had caused delays for some projects:

The most common reason for slippage in Jobs Fund project timeframes and expenditure is delays in final development approvals for construction projects by local and/or state authorities together with the need in some cases for extended community consultations.

5.24 Delays in obtaining necessary approvals had also been a common cause of projects that had been completed by 30 June 2011 failing to meet the original timeframe for commencement and, therefore, providing early economic stimulus. In this respect, ANAO notes that in both rounds of the Jobs Fund, the selection criteria against which DEEWR had been required to assess projects included explicit reference to the need for applicants to demonstrate that their project was ready to commence, including consideration of whether relevant licences or approvals had been granted or would be obtained shortly. In that context, the potential for delays associated with obtaining necessary approvals is a common aspect of construction projects that would benefit from more considered examination by DEEWR in assessing applications of that nature in future grant programs.

5.25 The Jobs Fund program guidelines were amended on 24 March 2011 to extend the end-date for the LJ and GCW streams to 30 June 2012.¹⁶⁰ Funding of \$14.5 million was moved in the 2011–12 Budget, including \$1.43 million for five LJ projects (five per cent of contracted LJ projects) for which the last payment was made in June 2012.

Evaluation of program outcomes

Jobs and Training Compact monitoring and evaluation

5.26 In agreeing the establishment of the Jobs Fund and related stimulus measures, the Government also agreed that DEEWR would be responsible for monitoring the relevant elements of the Jobs and Training Compact¹⁶¹, with \$3.91 million over two years allocated for this purpose in 2009–10.

5.27 Reflecting this requirement, a draft evaluation strategy was circulated by DEEWR in February 2010, and finalised in October 2010.¹⁶² The strategy stated that evaluation findings would be available progressively and, to meet government requirements, a final report would be completed in 2011. The stated aim of the evaluation was to assess whether the Compact achieved its objectives by assessing overall performance and that of its major elements. Performance was to be assessed on three criteria:

- program engagement—the extent to which the Compact connected with the broad target groups of retrenched workers, youth and local communities. This was to be examined on the criteria of awareness, participation, identification and equity, and connectivity and duration;
- effectiveness, defined as involving an assessment of the extent to which the Compact met its desired objectives; and
- efficiency, defined as concerning the costs of the Compact and the degree to which programs can be more economically delivered, including aspects of actual versus projected costs and relative cost.

¹⁶⁰ The amendment was made by way of an explanatory note published on DEEWR's website, which formed an addendum to the guidelines. This reflected the approach that had been used in July 2010 in relation to the IEP stream (see ANAO Audit Report No.7 2011–12, op. cit., pp. 176 to 178).

¹⁶¹ In addition to the Jobs Fund, DEEWR was responsible for administering a further 12 initiatives as part of the Compact, with a further two related initiatives that were not strictly part of the Compact (but to which Jobs Fund funding had been re-allocated—see paragraph 1.21) also being included in the evaluation. The scope of the evaluation excluded those elements of the LJ stream that were not administered by DEEWR.

¹⁶² The Jobs and Training Compact Evaluation Strategy is available from the DEEWR website at <http://deewr.gov.au/jobs-and-training-compact-evaluation-strategy> [accessed 6 March 2013].

5.28 The strategy identified a series of broad questions (or evaluation issues) that it would seek to answer.¹⁶³ However, it also identified that there would be limitations to the capacity to evaluate outcomes. Specifically:

- the extent to which the performance criteria and evaluation issues could be covered would largely depend on the availability of data and how possible it was to identify effects which could be attributed to elements of the Compact (as opposed to other stimulus measures and program assistance);
- for some initiatives, there had been limited opportunity to collect baseline information or have the IT systems support necessary for administrative data collection. Where data was available, it may not be possible to identify target groups, isolate program effects or quantify the population eligible for these programs; and
- the capacity to assess longer-term outcomes was limited because, as the evaluation was due to be completed by June 2011, longer-term outcomes for participants (particularly those involving an education placement) would not have had sufficient time to eventuate.

5.29 Under those circumstances, the evaluation strategy stated that an alternative was a more qualitative approach based on case studies, supported by survey and administrative data on program inputs and outcomes. The strategy stated that it would be possible to examine what was implemented in which locations and gather the views of stakeholders on the perceived contribution of this assistance to participants and the local economy. However, it would not be possible to derive statistical estimates of the impact of the package overall nor of its main components.

Jobs and Training Compact monitoring reports

5.30 The evaluation strategy noted that monitoring was an important component of the overall performance management of the Compact, and that this would involve the quarterly reporting of program commencements, outcomes, costs, and the achievements of milestones. These reports were to be provided to the SPBC via responsible Ministers. Information collected was to also provide an important source of data for the evaluation.

¹⁶³ Relevant issues identified for the Jobs Fund were: implementation; activities undertaken; relationships with stakeholders; demographic characteristics of participants; jobs generated; skills acquisition; capacity building; community benefit of funded projects; and sustainability of projects and jobs.

5.31 Monitoring reports were initially produced in relation to quarterly activity, starting with a report in March 2010 for the quarter ended 30 September 2009. Subsequent reports were produced in April, July and December 2010. The next report in March 2011 related to activity in the six months to 31 December 2010, and the final report for the six months to 30 June 2011 was produced in August 2011. The monitoring reports provided data on progress achieved in relation to the Compact's three target groups (retrenched workers, young Australians and local communities). For the compact with local communities (which, as noted at paragraph 1.4, included the Jobs Fund), the data provided related to:

- movements in labour market indicators in the period since June 2009 in each of the 20 PEAs¹⁶⁴; and
- the number of LJ and GCW projects in each PEA and other areas and a comparison of expected employment and training outcomes with progressive actual outcomes reported by funding recipients.

Evaluation of Jobs Fund element of the Jobs and Training Compact

5.32 At the completion of ANAO fieldwork in December 2012, the Compact evaluation report had yet to be finalised. However, a draft was well advanced, including a draft chapter addressing the Jobs Fund which concluded that:

Jobs Fund projects assisted the employment and training opportunities of participants in disadvantaged regions and delivered projects of community benefit. Assessing whether these benefits are lasting, however, was not possible.

5.33 The draft evaluation report also reported that, as a result of data limitations, its evaluation of the effectiveness of the Jobs Fund was largely based on interviews with funding recipients and participants for a sample of projects. In that context, the evaluation reported that:

- the reported benefits included the employment, social and human capital building of Jobs Fund participants and the economic environmental and community benefits of newly constructed facilities and programs operating in the community; and

¹⁶⁴ The final monitoring report reported that labour market performance in the PEAs had been relatively stable in the six months to June 2011, and that these areas generally continued to report higher levels of disadvantage than the Australian average. Unemployment had decreased in those areas by an average 0.4 percentage points since June 2009, compared to 0.8 percentage points Australia-wide.

- the numbers of jobs, traineeships and work experience places reported by funding recipients suggested that total employment and training outcomes achieved had exceeded the announced (expected) outcomes. However, it was noted that the numbers of reported jobs should be treated cautiously.¹⁶⁵

5.34 The draft evaluation report further concluded that, reflecting the requirement for projects to be ready to start, many of the funded projects had already been planned, but that proponents' believed that Jobs Fund funding had brought forward the timing of their projects and increased the scale and types of activities undertaken. In April 2013, DEEWR advised ANAO that: 'The evaluation of the Jobs and Training Compact is currently being finalised, and is expected to be released mid 2013.'

Jobs Fund best practice and innovation evaluation

5.35 In June 2011, DEEWR advised the Minister for Employment Participation that it proposed to conduct an evaluation of an expanded sample of successful projects to capture examples of best practice, innovation and lessons learned that could be used in future employment and social inclusion policy development. This approach was expected to complement the Compact evaluation and provide a larger evidence base of Jobs Fund projects than was possible with the broader evaluation (which the department advised was examining 28 projects that had been selected on the basis of results based performance). In December 2011, DEEWR commissioned an external consultant to undertake the evaluation, with terms of reference to identify:

- innovative ideas or processes used in the running of the project, including in achieving employment and training outcomes;
- successful financial and project management strategies and methodologies;
- strategies for increasing the level of community awareness of, support for and engagement with the project; and
- social enterprises which had successful strategies for engaging with relevant stakeholders and keeping the enterprise on-going and financially viable.

¹⁶⁵ See further at paragraphs 5.39 to 5.57.

5.36 The evaluation examined 23 Jobs Fund projects (10 LJ and 13 GCW) which had been identified as success stories by the department. The evaluation report, finalised in March 2012, was prepared in two volumes. The first volume¹⁶⁶ provided an overarching report drawing on the projects examined. It did not set out an overall conclusion, but rather presented a range of findings in relation to examples of innovation and successful strategies under the following themes: factors in successful achievement of employment and training outcomes; management of projects; factors for success in social enterprises; managing relationships; and innovation in Jobs Fund projects. Under a final theme, the report identified a range of implications for the design of future policies and programs including that:

- programs that are relatively short-term or time restricted, such as the Jobs Fund (which the government was intending to use as a vehicle to have funds spent locally and quickly), do not lend themselves comfortably to infrastructure projects which generally require a long time-frame for planning, getting appropriate government approvals, tendering to sub-contractors and obtaining tradesmen;
- to be of use, work experience must be substantial and a history of employment established; and the skills need to be transferable and in demand. The evaluation found that short time frames militate against this;
- the benefits of a jobs project can be lost if there is no ongoing employment in that location, and DEEWR may wish to consider options for matching demand to employment availability;
- the interest taken in a project by DEEWR LECs or Employment Project Officers was often the difference in a project succeeding, and DEEWR may wish to consider a process that allows greater involvement by local officers who have in-depth knowledge of the local conditions, the project and its proponents;
- project leaders felt that, as many of the participants were working for the first time, a mentor or work counsellor would have been helpful during the project and to assist participants for up to six months

¹⁶⁶ Volume 1 of the report is available at <http://foi.deewr.gov.au/node/7476> [accessed 28 March 2013].

afterwards. It was acknowledged that this raises operating costs, so is a factor for success that needs a policy position; and

- relationships with Job Services Australia (JSA) providers across the projects reviewed was variable. The evaluation commented that DEEWR could make additional efforts to inform JSA providers about new programs and lay out its expectations for their engagement.¹⁶⁷

5.37 The second volume of the evaluation report comprised the 23 case study reports which examined the objectives, implementation and employment, training and other community outcomes of each project. The case studies were conducted through examination of the funding agreement reporting provided to DEEWR and discussions with project leaders, other stakeholders and, where still engaged in the projects, participants. The case study reports discussed reasons for identified successes, as well as identified issues or lessons that related to the design of future grant programs.

5.38 As noted, the projects examined in the evaluation had been selected by DEEWR as they were seen as having been successful in achieving their expected employment and community objectives. Combined with the broader Compact evaluation, this has provided DEEWR with a good body of information on which to base policy advice to government in relation to the design of future grant programs that are seeking to promote employment and skills development. A useful addition to that would have been consideration of the reasons for other projects not proceeding as successfully in order to provide the equivalent lessons for future programs.

Employment and training outcomes

5.39 A key factor taken into consideration by the ARC in determining whether projects represented value for money was both the number and nature of the employment or training opportunities that would be provided. The expected outcomes were included in the relevant funding agreements as milestone requirements to be achieved in order for the funding recipient to receive the associated payment. This was a significant improvement over the approach adopted in relation to the other components of the Local Jobs stream. Neither of the departments responsible for administering the quarantined

¹⁶⁷ Department of Education, Employment and Workplace Relations, Report on best practice and innovation in successful Jobs Fund projects, March 2012, pp. 38-41.

components included employment outcomes within the contracted project outcomes or milestone requirements.¹⁶⁸

5.40 Funding recipients were required to report on the jobs, apprenticeships/traineeships and work experience positions provided by their project. Appendix 2 sets out the reporting required of funding recipients, including the definitions included in the funding agreement in relation to the terms: full-time and part-time; short-term and long-term; created and retained; and direct versus indirect jobs. These reporting requirements were set out in annexures to each funding agreement and templates provided to funding recipients to complete in submitting the required reports.

Achievement of timely and targeted employment stimulus

5.41 The 92 LJ projects were collectively originally contracted to result in the creation or retention of some 3230 paid employment positions (comprising around 2500 short and long-term jobs and 730 traineeships or apprenticeships), and some 1070 work experience placements. As at October 2012, DEEWR's aggregated performance information indicated that the projects had resulted in the creation or retention of 3819 paid positions (3145 short and long-term jobs and 674 traineeships/apprenticeships), and 1600 work experience positions, indicating significant over-achievement against overall expectations. Individual project outcomes varied widely, in terms of both under and over-achievement. However, more than half (51 projects, 55 per cent) of the 92 LJ projects reported that they had achieved paid employment outcomes greater than those originally contracted; and 72 (78 per cent) reported over-achievement in terms of unpaid work experience positions.

5.42 In terms of the timeliness of employment stimulus, less than a third (29 per cent) of positions had been reported to DEEWR as achieved by the end of the first year of the Job Fund on 30 June 2010. While it can be expected that this would incorporate some lag between positions being created and the reporting being provided, this outcome is also reflective of the delays experienced in first round projects achieving the necessary project readiness in order to receive an initial grant instalment (see paragraphs 5.13 to 5.17).

5.43 In terms of the achievement of targeted employment stimulus, 68 (74 per cent) of the 92 LJ projects were located in one of the 20 identified

¹⁶⁸ See ANAO Audit Report No.27 2011–12, op. cit., pp. 143–145 and ANAO Audit Report No.11 2012–13, op. cit., p.153.

PEAs. A further five projects (five per cent) were located in the Victorian bushfire areas also prioritised by DEEWR. Collectively, those projects accounted for 81 per cent of contracted positions, and 86 per cent of reported actual positions.

5.44 In the reporting required of funding recipients, the department did not generally seek to identify whether the individuals employed had been sourced from local workers. Particularly for projects involving construction work, the evidence provided by funding recipients to support reported jobs primarily comprised invoices or letters from contractors identifying the number of workers involved. This did not include reference to where the workers had been sourced from. In this respect, the draft Compact evaluation report noted that discussions with funding recipients had identified that:

Where Jobs Fund projects required skilled labour, project managers often had to go beyond their local community. Construction workers, business development managers and project coordinators in particular were more difficult to find in some regions. This was particularly so in parts of Western Australia, and to a lesser extent, South Australia and Queensland, where skilled labour had often moved out to work in mining centres. Cases were also reported of skilled labour being tied up in other construction projects, including Building the Education Revolution projects.

Jobs Fund projects that involved construction were often contracted out by the proponent. Even when contracts were awarded to local businesses, contractors were not obliged to source labour from the local area. This suggests that while the Jobs Fund was directed at disadvantaged communities, this practice had the potential to reduce part of the financial stimulus and employment opportunities in the communities it was designed to benefit.

Target groups of job seekers

5.45 Under both rounds of the Jobs Fund, applicants were required to specify which target group of job seekers would be assisted by their project. Based on the advice set out in applications, DEEWR maintained statistics in relation to the target group(s) each funded project was expected to assist, including: mature age, youth, culturally and language diverse, long-term unemployed, ex-offender, Indigenous, persons with a disability, homeless and women.

5.46 In that context, as part of the broader Compact evaluation, DEEWR engaged an external consultant to undertake a review of the operation of five projects directed to Indigenous people and communities (four under GCW and one LJ). The May 2011 review report found that all five projects

provided employment for participants and noted that, based on reports provided to DEEWR and visits by the reviewer, two of the five projects had met all of their targets as at March 2011. Collectively, the projects had created 216 jobs against a target of 298 jobs, with the shortfall relating to longer term jobs. Traineeships were well short of target, but this result had been largely influenced by the outcomes for one project. The review further reported that, in terms of more medium-term outcomes:

As the time of writing there were very mixed results on ongoing employment participation ... The expectation is that only [*one of the five projects reviewed*] will have a large group of continuing workers while most of the other projects will rely on further government funding or external finance if the jobs are to be retained.

5.47 More broadly, other than by reference to the target group(s) a project had been identified as relating to, DEEWR's aggregated performance information did not generally seek to specifically demonstrate the extent to which the actual participants in each project reflected the expected target group. On a project level, in some cases it was evident from the nature of a project and the associated reporting as to whether it had addressed the expected target group. For example, where the project involved work placement jobs or traineeships for certain types of job seekers that were to be sourced through JSA providers. In this respect, DEEWR provided advice to funding recipients where it was apparent they were not aware of available services through which to source suitable participants. However, both the draft Compact evaluation and the evaluation on best practice and innovation in successful Jobs Fund projects highlighted that funding recipients had experienced difficulties with JSA providers not supplying suitable candidates.

5.48 As noted at paragraph 5.33, the draft Compact evaluation report noted that one of the factors that had limited the extent to which the Jobs Fund's contribution could be analysed was that information was largely restricted to qualitative data. The draft report further noted that:

The reporting of employment outcomes without a customised information management system was a limitation on the analysis. It was not possible to further disaggregate the data on reported jobs to adequately address the evaluation's research questions. Furthermore, job seekers registered as looking for work in employment services were not able to be identified from other Jobs Fund participants, thereby limiting the extent to which target populations could be identified. This also limited the extent to which the evaluation could measure whether Jobs Fund projects influenced disadvantaged participant

employment and training outcomes. The short timeframe for analysis also meant longer-term outcomes, such as project sustainability beyond the funding period, could not be measured.

Comparability of reported outcomes

5.49 The funding agreements required funding recipients to provide evidence supporting the employment and training outcomes reported for comparison with the contracted outcomes.

Equivalency of expectations and outcomes

5.50 A key requirement for reliable measurement of achievement against expectation is that both measures have been compiled on the same basis. The employment outcomes included in funding agreements were, for the majority of projects, a reflection of the estimated positions identified in the relevant application. For most projects, there is no means of demonstrating that the number of jobs and other positions proposed by funding recipients in their application (or in negotiating funding agreements) had been estimated on the same basis DEEWR subsequently applied in counting actual positions for inclusion in project and program performance measures.¹⁶⁹

5.51 The employment outcomes for each project were monitored against the contracted requirements on the basis of the number of short-term jobs, long-term jobs, traineeships/apprenticeships and work experience positions reported by the funding recipient. The positions reported in each category were aggregated within a project, and across the program. In that context, an underlying premise for aggregating reported outcomes should be that each position is of the same value in terms of demonstrating the program's contribution to creating employment opportunities that would not otherwise have been available to the participants. However, the available evidence is that this was not the case.

¹⁶⁹ For example, in one case the application had claimed a project to upgrade a building would create in excess of 20 short term jobs and retain over 40 long term jobs. In the assessment process, the ARC had only taken into account the 20 short-term jobs on the basis the proposed 40 long-term jobs had not been substantiated. The announced employment outcomes for the project reflected the ARC's deliberations. However, the funding agreement as originally drafted reverted to the outcomes set out in the application. The funding recipient advised DEEWR that it had spoken with the contractors involved in the project and adjusted the job numbers accordingly, which provided for considerably different outcomes of 11 short term and 16 long term jobs. Advice as to the nature of those expected jobs or how they had been determined was not sought by DEWR prior to including them in the funding agreement subsequently executed. The achieved outcomes for this project included in DEEWR's performance information of 43 jobs, three apprenticeships and one work experience position related to the various tradespeople involved in undertaking the work. This included part time office staff and the owner of the pest controller, and flooring personnel who worked on the project for around one day.

5.52 The reporting required from funding recipients included information on whether positions were not just short-term or long-term, but also whether they were part-time or full-time (as set out in Appendix 2). However, the department did not utilise that information or otherwise seek to translate the diverse range of employment outcomes into a comparable basis for aggregating reported positions within and across projects, such as through the use of a full-time equivalent (FTE) measure. Instead, all personnel reported as being involved in a project in some way were counted on a one for one basis, regardless of their duration or extent of involvement.

5.53 This was reflected in advice DEEWR provided to the then DEWHA in September 2010. Specifically, in response to a query from that department, DEEWR advised that it did not have a formula for converting hours worked into a calculation of the number of jobs involved. DEEWR advised that this was because the approach it had adopted was to count the number of jobs produced by each project (which may have been for a day, a week or long-term), with the only differentiation made in reporting relating to whether positions represented jobs, work experience or apprenticeship positions.¹⁷⁰

Nature of engagement in the project by reported participants

5.54 The reported positions aggregated as representing the actual outcomes from completed LJ projects included positions that had clearly been created as a direct result of the funded project, including cases where the achieved outcomes exceeded those expected. For example, one LJ project was to establish a self-sustaining business to provide a pathway for placement of unemployed youth into long-term jobs. The funding agreement requirements included the engagement in four groups of 40 unemployed youth with low skills in work placement trainee positions, as short term jobs created by the project. At the conclusion of each group's work placement, the funding agreement required evidence of at least six trainees being placed in long-term jobs with other employers (a total of 24). The final reporting by the funding recipient identified that it had overachieved in both aspects.

5.55 However, for a number of projects, the majority of participants were subcontracted tradesmen, service providers and incidental support staff who were not engaged on the project either full-time or for an extended period. This approach runs a significant risk of overstating the employment stimulus

¹⁷⁰ See ANAO Audit Report No.11 2012–13, op. cit., p.155.

that was directly attributable to the funded projects. For example, the actual 'jobs' included in DEEWR's performance information as having been created or retained as a direct result of the funded project included examples such as:

- one job for which the supporting evidence was an invoice for \$600 from a construction firm;
- three permanent employees of a local council proponent, whom the council estimated had each been involved in overseeing the project for between one and five hours a week, including the manager of the council's multi-level car parks which were the subject of the relevant project. There is no evidence that any of these positions had been at risk of not being retained in the absence of this project being funded; and
- eight staff (one full-time and seven part-time) of a firm contracted to manufacture jerseys for a completed project's opening ceremony. The funding recipient advised DEEWR that the hours each staff member had spent undertaking relevant work was unknown, with the email from the firm relied on in counting those staff as eight short-term jobs retained or created as a result of the project advising that the employee count included 'supplier resourcing.'

5.56 A similar issue arises in terms of the aggregated reporting of achieved traineeships and apprenticeships. The reported positions for this category include traineeships that were directly created as part of the relevant project's implementation plan, with evidence of the participants being employed and enrolled in relevant courses in the course of the project having been provided to DEEWR. However, it also includes apprentices included in the workforce used by their employing subcontractor in undertaking a short-term construction job. For many of those reported positions, the involvement of the apprentices is an indicator of the project's general contribution to economic activity, but there is no evidence that the employer either took on or retained the relevant apprentices on the basis of having gained that particular piece of work.

5.57 Other areas in which the employment outcomes included in the department's performance information should be treated with caution include:

- the inclusion of prospective indirect jobs as achieved jobs at the completion of the project. For example, one project was funded to redevelop a community centre that provides certificate education courses. The employment outcomes included in DEEWR's performance

information for that project included as 20 long-term ‘jobs’ created by the project an expectation that, based on past placement rates advised by the funding recipient, at least 20 future graduates of childcare certificate courses (who were yet to be enrolled at the centre) will achieve a job in that industry with an unknown employer;

- the extent to which a position created by a project should be identified on an FTE basis (thereby accounting for instances where two or more individuals occupied the same position in the course of the project), or by counting each individual who occupies the same position as representing a separate job created by the project; and
- the inclusion of professionals, such as architects, engineers, land surveyors and geotechnical inspectors, that provided services to a project as jobs that had been created or retained as a direct result of the project. In no case did DEEWR seek to establish that the relevant professional’s on-going employment had been at risk in the absence of being engaged on the project, or that the professional was otherwise unemployed prior to being engaged to provide services to the project.

Conclusion

5.58 Through financial stimulus, the primary objective of the Jobs Fund was to support and create jobs and employment opportunities in communities affected by the global recession and for disadvantaged job seekers. For the LJ stream, this was to be achieved through projects focussed on also providing community and environmental benefits. In this respect, expected employment and training outcomes were included in funding agreements as milestone requirements to be achieved in order for the funding recipient to receive the associated payment. This was a significant improvement over the approach adopted in relation to the other components of the Local Jobs stream.¹⁷¹

5.59 DEEWR’s administration of the 92 contracted LJ stream projects was effective in terms of aligning the payment of grant funds with the demonstrated achievement of project milestones and outcomes. This included a prudent risk management approach to structuring contracted grant payments. DEEWR actively monitored project progress and, where projects

¹⁷¹ Neither of the departments responsible for administering the quarantined components included employment outcomes within the contracted project outcomes or milestone requirements (see ANAO Audit Report No.27 2011–12, op. cit., pp. 143–145 and ANAO Audit Report No.11 2012–13, op. cit., p.153).

experienced significant delays, generally took proactive steps to develop remedial strategies that would assist in maximising the delivery of the project within the required timeframe, while appropriately managing risk.

5.60 The establishment of funding agreements for a number of the 64 first round projects approved in August 2009 and the seven bike path projects approved in January 2010 was somewhat delayed. Further, as a consequence of projects' inability to progress at the rate anticipated (despite having been approved on the basis they met the requirement to be ready to start), program expenditure was delayed compared to the expectations established by the 92 funding agreements. By the end of March 2010 (12 months after the Jobs Fund was agreed to as a measure to provide immediate employment stimulus, and more than seven months after the first round selection process had been completed), actual payments totalled \$12.2 million. This fell \$9.8 million (45 per cent) short of the \$22 million contracted to have been paid from September 2009 (when funding agreements were first signed) to 31 March 2010.

5.61 A number of projects subsequently experienced further delays in meeting contracted project milestones, with this being reflected in the rate at which further payments were able to be made. There was a strong focus on the need to effectively manage outstanding projects in the lead up to the budgeted program end-date of 30 June 2011 which was largely successful in enabling projects to be finalised to the department's satisfaction by that time. However, in March 2011, the end-date for the Jobs Fund was extended from 30 June 2011 to 30 June 2012 to allow for completion of projects disrupted by floods and other delays, in order to enable the expected community benefits to come to fruition. Funding of \$14.5 million was moved into the 2011–12 financial year, including \$1.43 million for five LJ projects (five per cent of contracted LJ projects). The last payment for those five projects was made in June 2012.

5.62 DEEWR has undertaken a range of evaluation activities in relation to the Jobs Fund and the broader Jobs and Training Compact. In this respect, the available evidence is that projects funded under the general component of the LJ stream contributed to the provision of employment and training opportunities in areas affected by the economic downturn, and to the availability of community and environmentally-friendly facilities and services.

5.63 More than half (51 projects, 55 per cent) of the 92 LJ projects reported that they had achieved paid employment outcomes greater than those originally contracted; and 72 (78 per cent) reported over-achievement in terms

of unpaid work experience positions. However, reflecting the project delays that affected the rate of program expenditure, less than a third (29 per cent) of positions had been reported to DEEWR as achieved by the end of the first year of the Jobs Fund on 30 June 2010.

In addition, aspects of the methodology adopted for identifying the actual employment and training outcomes of each project indicate that DEEWR's performance information for individual projects, and the program as a whole, needs to be treated with some caution as a reliable measure of the employment stimulus directly generated by funded projects. This particularly relates to the comparability of the bases on which expected and actual outcomes were measured, and the extent to which reported positions reflect a contribution to general economic activity rather than direct employment outcomes. In terms of the achievement of targeted employment stimulus, 68 (74 per cent) of the 92 LJ projects were located in one of the 20 identified PEAs. A further five projects (five per cent) were located in the Victorian bushfire areas also prioritised by DEEWR. Collectively, those projects accounted for 81 per cent of contracted positions, and 86 per cent of reported actual positions. However, there is not a reliable measure of the extent to which the participants engaged in the reported positions had been drawn from the targeted areas and groups of job seekers.



Ian McPhee
Auditor-General

Canberra ACT
12 June 2013

Appendices

Appendix 1: Program funding for the Jobs Fund streams administered by DEEWR

	Local Jobs (\$m)	Get Communities Working (\$m)	Total (\$m)
Original funding: 2009–10 Budget			
Available for grants	193.0	193.0	386.0
Allocation of Jobs Fund funding:			
Grants approved through open submission process:			
Temporary Financial Assistance (June 2009)	0.0	11.0	11.0
Round 1 (August 2009)	50.1	82.2	132.3
Supplementary Round 1—bike path projects reallocating funding from project withdrawals (January 2010)	1.7	(2.1)	(0.4)
Round 2 (March 2010)	17.5	21.5	39.0
Total approved grants	69.3	112.6	181.9
Re-allocations to other initiatives:			
Apprentice Kickstart package	66.1	28.4	94.5
Delivery of Job Expos and financial information seminars in Priority Employment Areas by Centrelink	0.0	4.1	4.1
Five youth centres in priority employment regions	10.0	0.0	10.0
Insulation Workers Adjustment Fund and Insulation Employment Coordinators	11.5	0.0	11.5
Social Enterprise Development and Investment Fund (SEDIF)	0.0	20.0	20.0
Victorian bushfire recovery	11.0	4.4	15.4
Total reallocated funding	98.6	56.9	155.5
Savings in 2010–11 Budget	24.7	23.9	48.6
Other adjustments and rounding errors	0.4	(0.4)	0.0
Total	193.0	193.0	386.0

Source: ANAO analysis of DEEWR records and Portfolio Budget Statements.

Appendix 2: Employment outcomes reporting required of DEEWR Jobs Fund funding recipients

Period covered	Type of employment outcome to be reported
Milestone progress reports:	
For the period from the date of the funding agreement to the current milestone due date.	<p>Total number of jobs on payroll for the project. Reported jobs on the payroll were to be further identified as:</p> <ul style="list-style-type: none"> • full-time jobs (employment of 35 hours or more a week) or part-time jobs (employment of less than 35 hours a week); • short-term jobs (a duration of six months or less) or long-term jobs (a duration of longer than six months); and • whether the job had been: <ul style="list-style-type: none"> – retained as a result of the project (defined as employment in the project by the funding recipient or its agents or subcontractors of a person who was employed by those parties prior to the date of the funding agreement and continued to be in employment with those parties); or – created as a result of the project (defined as employment in the project of a person who was not in employment prior to the date of the funding agreement).
	Total number of apprenticeships and traineeships provided by the project
	Total number of work experience positions provided by the project.
Final report upon completion of the project:	
Entire project period	<p>Number of direct positions created or retained¹ by the project, being positions whose wages were funded directly by the Jobs Fund. Direct jobs were to be categorised as either full-time or part-time employment; and short-term or long-term jobs.</p> <p>Apprenticeships, Work Experience and Volunteer Work were also to be reported, also under the categories of short-term jobs or long-term jobs.²</p>
	<p>Number of indirect jobs, being jobs not funded directly by the Jobs Fund, but created or retained as a result of the project. Indirect jobs were to be categorised as either full-time or part-time employment; and short-term or long-term jobs.</p>
<p>Notes:</p> <ol style="list-style-type: none"> 1. The final report provided by funding recipients was not required to differentiate between jobs that had been created by the project and those that had been retained as a result of the project being funded. 2. Although the reporting template required the final report to account for both apprenticeships and work experience positions under the columns 'short-term jobs' and 'long-term jobs', the funding agreement separately defined both of those latter terms as excluding work experience positions. 	

Source: ANAO analysis of funding agreements used for projects funded through the two rounds of the general component of the Local Jobs stream of the Jobs Fund administered by DEEWR.

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