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Performance Audit

Indigenous Employment: The Australian Government's Contribution to the Australian Employment Covenant

Department of Education, Employment and Workplace Relations

Australian National Audit Office

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Executive Director
Corporate Management Branch
Australian National Audit Office
19 National Circuit
BARTON ACT 2600

Or via email:

webmaster@anao.gov.au





Canberra ACT
26 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 with the authority contained in the *Auditor-General Act 1997*. I present the report of this audit to the Parliament. The report is titled *Indigenous Employment: The Australian Government's Contribution to the Australian Employment Covenant*.

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 and title.

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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For further information contact:

The Publications Manager
Australian National Audit Office
GPO Box 707
Canberra ACT 2601

Telephone: (02) 6203 7505
Fax: (02) 6203 7519
Email: webmaster@anao.gov.au

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Audit Team

Sarah Pratt
Sam Playfair
Steven Favell
Dr Andrew Pope

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Abbreviations

AEC	Australian Employment Covenant
ANAO	Australian National Audit Office
CAP	Covenant Action Plan
COAG	Council of Australian Governments
CDEP	Community Development Employment Projects
DEEWR	Department of Education, Employment and Workplace Relations
ESP	Employment Service Provider
ESS	Employment Services System
IEDS	Indigenous Economic Development Strategy
IEP	Indigenous Employment Program
JSA	Job Services Australia
LLNP	Language, Literacy and Numeracy Program
NIRA	National Indigenous Reform Agreement
RTO	Registered Training Organisation
STEP	Structured Training and Employment Projects
STEP ERS	Structured Training and Employment Projects Employment Related Services
TAFE	Technical and Further Education
VET	Vocational Education and Training
WELL	Workplace English, Literacy and Language

Glossary

Australian Employment Covenant (AEC)	The private-sector organisation created to implement the commitments outlined in the Covenant agreement.
AEC employer	An employer, public or private sector, that has made a commitment of Indigenous-specific jobs under the Covenant agreement. The AEC now operates as part of the GenerationOne organisation.
Closing the Gap	Closing the Gap is a commitment by all Australian governments to improve the lives of Indigenous Australians, and in particular provide for a better future for Indigenous children. The commitment is supported by six targets that measure improvements in life expectancy, employment and education.
The Covenant	The agreement between the former Prime Minister, Kevin Rudd, on behalf of the Australian Government, and Mr Andrew Forrest, on behalf of the AEC Executive.
Indigenous	Indigenous is used as a general term to refer to both Aboriginal and Torres Strait Islander people, and when referencing other material. Where relevant, the term Aboriginal and/or Torres Strait Islander has been used.
Indigenous Employment Program	The Indigenous Employment Program and aims to increase opportunities for Aboriginal and Torres Strait Islander people, their communities and employers through employment, business support and economic development activities.
Job Services Australia	Job Services Australia is the Australian Government employment services program that supports job seekers and employers.

National
Indigenous
Reform
Agreement

The overarching agreement between the Australian and state/territory governments to give effect to the Closing the Gap policy commitment. Supported by a series of bilateral agreements with each state and territory government, and a range of national partnership agreements.

Summary and Recommendations

Summary

Introduction

1. Indigenous Australians experience higher levels of unemployment than non-Indigenous Australians and improving the participation of Indigenous Australians in the economy has been a long-term policy focus of governments.¹ In 2008, the Council of Australian Governments (COAG) committed to closing the gap on Indigenous disadvantage. One of the six Closing the Gap targets relates to employment outcomes—to halve the gap in employment outcomes between Indigenous and non-Indigenous Australians by 2018. To meet this target, the level of employment for Indigenous Australians would need to increase by approximately 100 000 persons, which represents an increase of almost 60 per cent on the number of Indigenous people employed in 2008–09.²
2. There are a number of general factors that can influence employment outcomes, including the extent to which opportunities for employment exist and individuals' circumstances in relation to job-readiness, skills, education and health or disability. There has been a range of different employment programs administered by the Australian Government to address Indigenous employment; currently two of the major programs are the Indigenous Employment Program and the Job Services Australia network. Both of these programs operate to train and place Indigenous people into employment.
3. The National Indigenous Reform Agreement (NIRA), which provides the framework for the Closing the Gap policy, also identifies the importance of involving the private sector in initiatives to help address Indigenous disadvantage, alongside the efforts of government. As part of this, the Australian Government committed to encouraging the private sector to engage with Indigenous Australians and to contribute to Indigenous Australians' economic development, including through mechanisms such as the Australian Employment Covenant. The NIRA also notes that engagement with the private sector and a focus on industry sectors with strong potential for jobs growth is

¹ In 2006, according to Census data, the unemployment rate for Indigenous people was 16 per cent. In 2011, the unemployment rate for Indigenous people was 17 per cent. At both points in time, the unemployment rate for Indigenous people was more than three times the unemployment rate of non-Indigenous Australians.

² Council of Australian Governments, *National Indigenous Reform Agreement (Closing the Gap)* [Internet], COAG, Canberra, 2008, p. 8, available from http://www.federalfinancialrelations.gov.au/content/npa/health_indigenous/indigenous-reform/national-agreement_sept_12.pdf [accessed 21 January 2013].

fundamental to improving economic development opportunities for Indigenous Australians.³

Australian Employment Covenant

4. The Australian Employment Covenant⁴ (the Covenant) was launched on 30 October 2008 by the then Prime Minister Kevin Rudd and the Covenant founder, Mr Andrew Forrest with the aspiration of securing 50 000 sustainable jobs to be filled by Indigenous Australians (although a timeframe was not specified). The Covenant is a national, industry-led initiative designed to facilitate connections between Indigenous job seekers, employers and Commonwealth-funded employment and training service providers. The Covenant model involves employers publicly committing to providing jobs for Indigenous people and, the Australian Government brokering training solutions for job seekers, placing job seekers into Covenant identified jobs and providing ongoing placement support for these job seekers. The Australian Government supported the Covenant as it had the potential to make a significant contribution to its Closing the Gap target and to complement other employment initiatives.

5. The Covenant was announced and implemented at a time when the Australian Government was already delivering various employment programs aimed at helping Indigenous Australians break the cycle of unemployment. These programs included the Indigenous Employment Program (IEP), Community Development Employment Projects (CDEP), and Job Network (Job Services Australia (JSA) from 1 July 2009). The Covenant's point of difference to existing Indigenous employment programs is that it is industry-led, and aims to drive active engagement and partnership with the private sector to develop explicit commitments to tackle Indigenous disadvantage.

6. To coordinate the engagement with the private sector, the Covenant founder, Andrew Forrest, established a not-for-profit organisation known as the Australian Employment Covenant (AEC). The AEC's role was to work

³ Council of Australian Governments, *National Indigenous Reform Agreement (Closing the Gap)* [Internet], COAG, Canberra, 2008, p-A40, available from http://www.federalfinancialrelations.gov.au/content/npa/health_indigenous/indigenous-reform/national-agreement_sept_12.pdf [accessed 21 January 2013].

⁴ The Australian Employment Covenant refers to: the agreement signed by the relevant parties (the Covenant), and the entity that coordinates the commitment of 'covenant jobs' by employers (the AEC).

with the private sector and act as the bridge between the sector and the Government.

7. Under the Covenant the Australian Government committed to:

- support and promote the Covenant's objective, on a non-discriminatory basis and in accordance with the law;
- engage Employment Service Providers in efforts to attract and support at least 50 000 Indigenous people to participate in Covenant training, placement and support; and
- provide for pre-employment job training for Indigenous job seekers tailored to the specifications of Covenant Employers (who were to guarantee employment upon completion of specified training by the Indigenous job-seeker).

8. To give effect to these commitments, the Australian Government, agreed to undertake specific activities in support of the Covenant, which were to be implemented by the Department of Education, Employment and Workplace Relations (DEEWR). The four specific roles were:

- facilitating and coordinating training for eligible Indigenous Australians to the appropriate job standards of the employing industry;
- facilitating referral, placement and support processes involving the take up of AEC jobs by eligible Indigenous job seekers;
- facilitating post-placement and mentor support for eligible Indigenous Australians through universal employment services, the Indigenous Employment Program and the Community Development Employment Projects Program; and
- recording and tracking of Covenant jobs and the placement and retention of Indigenous job seekers into Covenant jobs and training (where the information is recorded within the Australian Government's IT systems) following the implementation date in February 2009.⁵

9. The Australian Government's commitments had a short and long-term focus. In the short-term, the Government agreed to contribute financially to the

⁵ Australian Government, *Fact Sheet – The Australian Employment Covenant* [Internet], Department of Education, Employment and Workplace Relations, Canberra, 2008, available from <<http://www.deewr.gov.au/Employment/Pages/AustralianEmploymentCovenant.aspx>> [accessed 30 May 2012].

establishment of the AEC and provide direct funding to the AEC of up to \$20.9 million for the first three years of the Covenant. Over the longer-term, the Australian Government had an ongoing role to support the Covenant to achieve its target of 50 000 sustainable jobs. The Government planned to fulfil its commitments to pre-employment training and employment placement support through existing programs such as the IEP, JSA and the CDEP Program. The Australian Government expected to contribute up to \$200 million worth of funding to the Covenant through the IEP and JSA alone in the form of funding for pre-employment training and employment placement support, some of which was provided directly to Covenant employers.

10. The Minister for Indigenous Employment and Economic Development reaffirmed the Australian Government's ongoing support for the Covenant in March 2013. The Minister also announced that the Australian Government would continue to meet its commitments by providing direct assistance to many of the employers who have signed up to the Covenant and by providing Indigenous job seekers with pre-vocational training and other support to help them to take up the jobs available through the Covenant.⁶

11. In March 2013, the AEC reported that more than 330 employers had made public commitments of over 60 000 jobs for Indigenous Australians and that this had led to 14 000 job placements.⁷ The 'covenant jobs' come from a cross-section of the economy, including industries such as the mining, retail, hospitality, transport and construction sectors. Also in March 2013, the Australian Government reported that it had allocated \$150 million worth of support to Covenant employers through the IEP.⁸ Activities able to be supported with this

⁶ J Collins (Minister for Community Services, Indigenous Employment and Economic Development), '*GenerationOne breakfast*' [Internet]. Speech to the GenerationOne Senior Executive Breakfast, Australian Parliament House, Canberra, 20 March 2013, available from <<http://www.ministers.deewr.gov.au/juliecollins/generationone-breakfast>> [accessed 21 March 2013].

⁷ A Forrest, '*Expectations Lead – Results Follow*' [Internet]. Speech to the GenerationOne Senior Executive Breakfast, Australian Parliament House, Canberra, 20 March 2013, available from <<http://generationone.org.au/blog/2013/03/speech-generationone-senior-executive-breakfast-canberra>> [accessed 21 March 2013]. In June 2013, the AEC informed the ANAO that 338 employers had made commitments to 62 000 jobs and that 15 000 job placements had been made.

⁸ J Collins (Minister for Community Services, Indigenous Employment and Economic Development), '*GenerationOne breakfast*' [Internet]. Speech to the GenerationOne Senior Executive Breakfast, Australian Parliament House, Canberra, 20 March 2013, available from <<http://www.ministers.deewr.gov.au/juliecollins/generationone-breakfast>> [accessed 21 March 2013].

The department informed the ANAO that DEEWR's practice is to report commitments rather than actual expenditure to reflect the amount of support that the Australian Government has agreed to provide as expenditure figures are affected by organisational performance and do not reflect the government's commitment. In the Minister's speech of 20 March 2013, a figure of \$73 million was indicated as having been provided to a group of employers. The department has clarified that this figure is a subset of the overall amount allocated rather than an actual expenditure.

allocation included training for specific operations, such as warehousing, meat processing or forklift driving, or general industry training in areas such as hospitality, construction, resources sector, and business administration. Some funded projects also included workplace mentors to provide ongoing support to job seekers once they had commenced in employment.

Audit objective, scope and criteria

12. The objective of the audit was to assess the effectiveness of DEEWR's management of the Australian Government's contribution to the Covenant. The scope of the audit is the Australian Government's role in the initial establishment of the Covenant and its ongoing contribution through other employment programs.

13. To reach a conclusion against this objective the ANAO examined whether DEEWR established:

- effective governance arrangements to support the Australian Government's contribution to the Covenant and its objectives;
- implementation arrangements to facilitate the Australian Government's responsibilities under the Covenant; and
- performance systems that enabled the department to undertake the Australian Government's performance reporting role under the Covenant agreement and to monitor the Australian Government's broader contribution to the Covenant.

Overall conclusion

14. The Australian Government agreed to the Australian Employment Covenant (the Covenant) in October 2008 as a means of contributing to Closing the Gap in Indigenous employment. The Covenant represents an innovative approach to collaboration between the public and private sectors to encourage community involvement and support in the delivery of policy outcomes. However, while the partnership has achieved some of its aims in relation to employment outcomes and generating job commitments from business and industry, it did not facilitate the expected level of ongoing collaboration. The Department of Education, Employment and Workplace Relations' (DEEWR's) management of the Australian Government's contribution was effective in part, but there is limited performance information available to accurately measure the Australian Government's contribution to the Covenant. In supporting the Covenant, DEEWR considered that the existing employment

service delivery system was sufficient to meet the Australian Government's commitments without major changes to the department's approach. While there were some efforts to facilitate involvement of the employment service network in the early stages of the Covenant, this was not sustained, and as a consequence the department's approach to the Covenant was not significantly different from the existing service delivery approach. Future joint initiatives would also benefit from consideration as to where existing service delivery models can be adapted to better support partnership approaches.

15. Establishing effective arrangements to support collaboration between the Australian Employment Covenant (AEC) and DEEWR was an important element of the Covenant. DEEWR developed a number of mechanisms to guide and support delivery of the Australian Government's commitments and to collaborate with the AEC. These arrangements were largely focused on the initial implementation of the Covenant, and included the establishment of the Australian Government Coordinator for the initiative, an internal implementation team, a departmental taskforce, internal working groups and an inter-departmental committee. These initial arrangements were not supplemented by the development of ongoing management arrangements tailored to the Australian Government's role in the Covenant. As a consequence, the department's long-term approach to supporting the Covenant was not well-defined.

16. To support the Australian Government's contribution to the Covenant, DEEWR committed to recording and tracking Covenant jobs as well as the placement and retention of Indigenous job seekers into Covenant jobs and training. DEEWR identified gaps in its data collection system after the initial implementation of the Covenant but did not progress further work to address these gaps. Consequently, DEEWR largely relied on data from the AEC to report outcomes in relation to the Covenant. While DEEWR was not responsible for measuring the overall success of the Covenant, the department should, at a minimum, have been able to track and readily identify the extent to which it was meeting the commitments made by the Australian Government to training, referral, placement and ongoing support for Indigenous job seekers.

17. In order to fulfil its commitments for training and employment support, DEEWR relied on the AEC to provide information from employers about detailed job requirements, including skills and qualifications, against which the department could tailor training solutions. DEEWR's information requirements did not fully align with the information the AEC provided about

job requirements and this resulted in fewer packages of support being developed than expected. There was also limited awareness within the DEEWR service provider network of opportunities associated with the Covenant. At the end of four years, the department had engaged on training needs with approximately 70 Covenant employers, or less than a quarter of employers who had committed jobs under the Covenant. Adopting additional measures to facilitate the improved connections between the employers and job seekers sought through the Covenant, would have better supported the Australian Government's commitments.

18. The Covenant initiative is consistent with broader Australian Government objectives of engaging with the private sector in Closing the Gap on Indigenous Disadvantage. As an industry-led partnership, it represented an innovative approach to delivering employment outcomes that relied on collaboration between parties. The Covenant's implementation has highlighted a number of issues for further consideration in future partnership arrangements entered into by the Australian Government. These include: establishing a clear understanding of the timeframe of the partnership and when key outcomes are to be achieved, and developing reliable approaches to measuring contributions to partnerships.

19. Against this background, the ANAO has made one recommendation directed at DEEWR developing options, in consultation with the AEC, to clarify the Australian Government's approach and ongoing contribution of the Covenant and more effectively measuring the Australian Government's contribution to the initiative.

20. Partnerships between governments and industry, such as the Covenant, are likely to be ways governments can leverage from, and build greater resilience in, communities going forward. From a policy perspective, it is important that governments learn from and develop such arrangements. In the case of the Australian Employment Covenant, the initiative was innovative, and the experience highlights that benefits can be achieved through this kind of partnership. The experience also underlines the importance of active engagement with existing service delivery mechanisms, adjusting arrangements where necessary and, having the means of assessing both the contributions to the partnership and overall value of the initiative.

Key findings by chapter

Arrangements to Support Collaboration (Chapter 2)

21. Successful partnerships are supported by strong management arrangements that facilitate effective collaboration between the different parties. It is also important that the partners have visibility over the results being achieved by the implementation of agreed strategies and the individual contributions directed to the achievement of common goals. In the case of the Covenant, the preconditions for successful collaboration were present with, in the first instance, the establishment of a shared goal, the authoritative support of the respective organisations' leaderships and formal supporting arrangements.

22. The two main formal arrangements between the AEC and DEEWR were the Covenant document and the funding agreement. These were supported by the establishment of the role of the Australian Government Coordinator and further by the secondment of DEEWR officers to the AEC. However, the Covenant was a high level document and did not provide a detailed description of the roles and responsibilities to support implementation by each party. The funding agreement set out the AEC's responsibilities specifically in relation to the initial funding, although not broader responsibilities in relation to the Covenant's outcomes. Further tailored arrangements were not developed to direct and provide visibility over DEEWR's ongoing contribution to the Covenant or the specific outcomes to be achieved.

Implementation Arrangements (Chapter 3)

23. To implement the Australian Government's commitments, DEEWR relied heavily on the AEC to provide information from employers regarding training requirements. In general, DEEWR considered that information provided by the AEC on job commitments did not include sufficient specification of job details to enable service providers to take appropriate action. When this information approach demonstrated limited success, DEEWR developed several alternative strategies to collect information about training needs but these were not fully effective and the result was that DEEWR did not develop an industry or regional approach to addressing employer needs in line with the Australian Government's agreed role.

24. While there was some early engagement with existing programs and service providers, a survey by DEEWR of employment service providers in

April 2009, just after DEEWR's promotional activities, found that only 35 per cent of providers understood their role in the delivery of the Covenant. An outcome of an internal preliminary evaluation report completed by DEEWR in February 2010 found that significant gains were likely to be made by increasing employment service providers' awareness and understanding of the Covenant but DEEWR did not pursue this strategy. Consideration was also not given to the existing contractual incentives of employment service providers and whether there was scope to modify these to accommodate the AEC model.

25. In implementing the Australian Government's commitments under the Covenant, DEEWR considered that its approach was to ensure that the needs of Covenant employers were met by the existing employment and training systems. Further, the department considered that the nature of the existing service delivery model could address the needs of individual employers and that significant change to service delivery was not necessary to support the Covenant. While it was intended that the Covenant would be supported through existing programs, the Covenant also presented opportunities for DEEWR to engage with new employers and implement new approaches to training and employment. A more sustained approach to engaging with employment service providers, such as by industry and/or employer, may have supported additional engagement with employers in regions. Future joint initiatives would benefit from consideration as to where service delivery models can be adapted to better support partnership approaches.

Performance Measurement (Chapter 4)

26. DEEWR is not responsible for measuring the overall results of the Covenant, but it is a partner to the agreement and should, at a minimum, have been able to measure the Australian Government's contribution. DEEWR's public reporting on this contribution has a number of limitations. For example, in May 2012, the Australian Government announced that since the commencement of the Covenant, the Australian Government had assisted 73 employers with up to \$132 million in funding. Some caution needs to be applied when considering the department's performance data as the figures include funding committed to employers (not actual expenditure on training and support)⁹, the figures include a number of errors, projects entered into

⁹ As noted in footnote 8, DEEWR advises that its practice is to report funding committed rather than actual expenditure.

before the Covenant was announced and funding to some service providers (who were also Covenant employers). Data from the department's system also indicates that approximately 6000 26-week outcomes have been achieved with Covenant employers. Similarly, a more accurate figure cannot be determined due to the limitations in the department's systems.

27. DEEWR did not establish a formal or regular monitoring mechanism in relation to each of its four roles under the Covenant and did not set business targets to be achieved in each area. Without detailed operational targets against the Australian Government's commitments, it was difficult for the department to specifically measure its progress and achievements. In the absence of a well developed performance framework, DEEWR was unable to regularly assess its own overall performance, or readily identify the extent to which it was meeting commitments made by the Australian Government.

28. DEEWR initially made a number of changes to its employment services systems to enable the department to track information and expenditure in relation to Covenant placements and employers. In 2009, DEEWR identified concerns with quality of data collected through its own systems. However, the department decided against further investment in its systems. Similarly, after undertaking initial evaluation work, the department decided not to complete a final evaluation. The lack of performance information and evaluation represents a missed opportunity for the department to assess the value of the Covenant model, and importantly, to inform future partnerships of this nature.

Summary of agency response

29. DEEWR provided a formal response to the proposed report which is contained in full in Appendix 1. A summary of DEEWR's response was also provided:

The ANAO has acknowledged in its report that DEEWR engaged positively with the initiative and saw the Covenant as an opportunity to strengthen linkages between employment service providers and, employers and Indigenous job seekers. The ANAO recognises both the deployment of the Australian Government Coordinator and the secondment of a number of department staff to the AEC as new and useful initiatives.

The audit has pointed to several broad areas in which the department could have been more responsive, over time, to the opportunities presented by the initiative and to the need for clarity in roles, responsibilities and appropriate monitoring of activities.

DEEWR believes that as this is an audit of a partnership rather than a program, it represents a relatively untested approach for audits. As the ANAO has audited only one side of the partnership the conclusions that can be drawn are necessarily limited. Without a similarly in depth audit of the AEC side of the partnership the audit missed the opportunity to examine the interdependencies between partner roles and responsibilities - for example the capacity of government-funded employment services to prepare and train Indigenous job seekers for Covenant jobs was dependent on the ability of the AEC to work with employers to identify the availability of specific jobs and skill requirements so providers could tailor training and other services to meet these specific needs, but the audit has not examined the AEC's performance of this function.¹⁰

DEEWR is strongly committed to increasing employment outcomes for Indigenous Australians. DEEWR works actively with Indigenous Australians, employers, industry groups and providers to maximise employment outcomes for Indigenous Australians. The success of this partnership approach is evidenced by the outcomes achieved through Government-funded employment services over the period of the Australian Employment Covenant. To illustrate this, the department notes that, from 1 July 2009 to 31 March 2013, over 152,000 job placements were achieved with Indigenous Australians by Job Services Australia (JSA).

The partnership with the Australian Employment Covenant provided an opportunity to support a new approach to collaboration between the public and private sectors through an industry-led initiative supported by Government funding. The initiative has been successful in generating aspirational commitments from employers, with the AEC reporting over 60,000 commitments to date. However, job commitments from employers do not necessarily lead directly or immediately to identified jobs that can be filled by Indigenous Australians. The commitments made by employers reflect the forward commitments of companies across Australia which will need to be filled progressively over a number of years. The JSA job outcome data reported above shows that when employers have identified vacancies with clear skill requirements, jobs are filled.

¹⁰ ANAO comment: The Covenant was an industry-led initiative with support from the Australian Government. Accordingly, as noted in paragraph 12, the focus of this audit was on the Australian Government's contribution for the Covenant initiative including over the longer-term.

Summary of the Australian Employment Covenant's response

30. The AEC organisation was not audited by the ANAO, however due to its role in the Covenant initiative the AEC was provided with relevant extracts of the proposed report. The AEC provided a formal response to the proposed report which is contained in full in Appendix 2. A summary of AEC's response was also provided:

On 30 October 2008 business leaders gathered together at Kirribilli House to participate in the launch of the Australian Employment Covenant. The launch was set at a significant point in our nation's history. The apology to the Stolen Generation had been made in Parliament earlier that year and Australia's conscience was focused on delivering meaningful reconciliation.

The message from business leaders to both the Australian Government and Indigenous Australians was that the issue of Indigenous disparity was not just a Government or Indigenous Australia problem but was in fact an opportunity for all Australians to solve together and business leaders, who carry the responsibility for the future hiring decisions, could play a significant role in ending the disparity through employment.

338 employers have committed over 62,000 jobs under the Covenant. To date nearly 15,000 jobs have been filled by Indigenous Australians. We acknowledge the efforts of Indigenous people, employers and the Australian Government, in particular DEEWR in driving these results.

The Proposed Audit Report acknowledges the challenges faced in the implementation and fulfilment of the Covenant's commitments. In spite of these challenges we remain committed to working with the Australian Government plus State and Territory Governments to ensure the balance of jobs are filled.

Recommendation

Recommendation No.1

Paragraph 4.41

In order to sustain the focus on shared objectives, DEEWR, in consultation with the AEC prepares advice for the Australian Government on options for the department's ongoing involvement, including clarifying roles and responsibilities under the Covenant and strengthening measures to monitor the delivery of the Australian Government's commitments under the Covenant.

DEEWR's response:

DEEWR agrees with qualification, in particular, with the need for clarity in roles, responsibilities and appropriate monitoring of activities in future partnership arrangements.

DEEWR does not consider that further investment in strengthening monitoring processes specific to the Covenant is warranted; rather the department will ensure that appropriate monitoring arrangements are in place to support the next stage of work with GenerationOne.

The department notes that the nature and focus of the partnership has changed now that the AEC has become part of GenerationOne. The department has developed a good working relationship with GenerationOne and is looking to the future to ensure that the lessons learnt so far about how the partnership should operate, are successfully applied. DEEWR will prepare advice for the Government on options for the department's future involvement, including specifying roles and responsibilities in the context of the department's work with GenerationOne. The department will consult with GenerationOne in the process of preparing this advice for the Government.

Audit Findings

1. Introduction

This chapter covers the background and context for the Australian Employment Covenant and the Australian Government's contribution to the initiative.

Indigenous employment

1.1 Indigenous Australians experience higher levels of unemployment than non-Indigenous Australians. In 2008, the Council of Australian Governments (COAG) committed to closing the gap on Indigenous disadvantage. One of the six Closing the Gap targets relates to employment outcomes—to halve the gap in employment outcomes between Indigenous and non-Indigenous Australians by 2018. To meet this target, the level of employment for Indigenous Australians would need to increase by approximately 100 000 persons, which represents an increase of almost 60 per cent on the number of Indigenous people employed in 2008–09.¹¹

1.2 Employment and participation in the economy is considered to have many benefits in terms of living standards and wellbeing. Being employed leads to improvements in incomes for families and communities, which in turn has a positive influence on health and the education of children. Employment is also considered to enhance self-esteem, increase opportunities for self development, influence interaction at the family and community levels, and reduce social alienation.¹²

1.3 Historical trends show that while there has been some growth in overall Indigenous employment figures, this growth has been slow. In 2008, at the time the Closing the Gap target was set, employment levels for Indigenous people aged 18–64 years had increased only slightly to 64.1 per cent from 60.9 per cent in 1994.¹³ Indigenous employment rates are also still behind those of the non-Indigenous population with 42 per cent of the Indigenous

¹¹ Council of Australian Governments, *National Indigenous Reform Agreement (Closing the Gap)* [Internet], COAG, Canberra, 2008, p. 8, available from <http://www.federalfinancialrelations.gov.au/content/npa/health_indigenous/indigenous-reform/national-agreement_sept_12.pdf> [accessed 21 January 2013].

¹² Steering Committee for the Review of Government Service Provision, *Overcoming Indigenous Disadvantage: Key Indicators 2011*, Productivity Commission, Canberra, 2011, p. 4.59.

¹³ Steering Committee for the Review of Government Service Provision, *Overcoming Indigenous Disadvantage: Key Indicators 2011*, Productivity Commission, Canberra, 2011, p. 8.5. Employment data used in the Overcoming Indigenous Disadvantage report relates to the 18–64 age group which differs from other data which uses the 15 years and over age group.

population aged fifteen years and above employed compared to 61 per cent of non-Indigenous people above fifteen years being employed.¹⁴ In 2011, Aboriginal and Torres Strait Islander people were three times more likely to be unemployed than the non-Indigenous population.^{15,16}

1.4 There are a number of factors which can influence employment outcomes. These include the extent to which opportunities for employment exist and individual circumstances in relation to job-readiness, skills, education and health or disability. Indigenous people often face multiple barriers to finding and sustaining paid employment. The *Indigenous Economic Development Strategy 2011-2018 (IEDS)* released by the Australian Government in 2011 reflects that to improve overall economic participation outcomes and, more specifically, employment outcomes, support needs to be provided across the job-seeker cycle. That is, early investment in education, pre-employment preparation and training, assistance to access and take up employment opportunities, and in some cases, ongoing assistance to support retention.

1.5 The Australian Government administers a number of programs that seek to improve Indigenous employment. The key programs are the Indigenous Employment Program (IEP), Job Services Australia (JSA) (previously Job Network) and, in remote areas, the Community Development Employment Projects (CDEP) Program which will be replaced by the Remote Jobs and Communities Program (RJCP) on 1 July 2013. These programs are directed at meeting the needs of employers and individual job seekers. To meet employers' skill and labour needs, JSA providers: work with employers to identify job and industry specific training needs and how they can be met; refer available job seekers; and respond to employers' inquiries. Through the IEP, DEEWR provides funding to employers for a range of activities relating to pre-employment training, accredited training and post-placement support. In remote areas, from 1 July 2013, the RCJP will replace JSA, IEP, and CDEP to provide a 'one stop shop' for employment and community development services.

¹⁴ Australian Bureau of Statistics, *Census of Population and Housing—Characteristics of Aboriginal and Torres Strait Islander Australians, Cat. No. 2076.0* [Internet], ABS, Canberra, 2011, available from <<http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/2076.0main+features802011>> [accessed 22 March 2013].

¹⁵ *ibid.*

¹⁶ In 2011, the unemployment rate for Aboriginal and Torres Strait Islander people was 17 per cent compared to 5 per cent for the non-Indigenous population.

1.6 The National Indigenous Reform Agreement (NIRA), which provides the framework for the Closing the Gap policy, also identifies the importance of involving the private sector in initiatives to help address Indigenous disadvantage, alongside the efforts of government. As part of this, the Australian Government committed to encouraging the private sector to engage with Indigenous Australians and to contribute to Indigenous Australians' economic development, including through mechanisms such as the Australian Employment Covenant (the Covenant). The NIRA also notes that engagement with the private sector and a focus on industry sectors with strong potential for jobs growth is fundamental to improving economic development opportunities for Indigenous Australians.

Australian Employment Covenant

1.7 The Australian Employment Covenant (the Covenant) was launched on 30 October 2008 by the Covenant founder Mr Andrew Forrest and the then Prime Minister Kevin Rudd with the aspiration of securing 50 000 sustainable jobs for Indigenous Australians (although a timeframe for achieving this was not specified). The Covenant is a national, industry-led initiative designed to facilitate connections between Indigenous job seekers, employers and Commonwealth-funded employment and training service providers. The Covenant recognises that improving Indigenous employment outcomes involves a three-way interaction between the Australian Government, the private sector and Indigenous job seekers (although Indigenous job seekers are not signatories to the Covenant themselves). The Covenant model involves: employers committing to providing jobs for Indigenous people; the government brokering training solutions for job seekers; the placing of job seekers into the Covenant jobs; and providing ongoing placement support for those job seekers. The Covenant also notes that Indigenous people need to commit to accept and remain in employment once trained.

1.8 To coordinate the engagement with the private sector, the Covenant founder, Andrew Forrest, established a not for profit organisation known as the Australian Employment Covenant (AEC). The AEC's role was to work with the private sector and act as the bridge between the sector and the Government. The AEC Executive committed to:

- providing leadership and the facilitation to drive the collaborative efforts of industry in securing 50 000 sustainable jobs;

- raising awareness of the Covenant and endeavour to establish a national consciousness of the issues relating to Indigenous disadvantage; and
- providing support to all stakeholders in meeting their obligations under the Covenant, including:
 - actively encouraging and increasing the commitment by Australian employers to employ Indigenous workers;
 - working with the Indigenous community to encourage participation in the Covenant;
 - sharing industry specifications for pre-employment training;
 - providing support mechanisms and information to employers, mentors, training providers, employment service providers and Indigenous Australians;
 - advising government on barriers to sustainable employment for Indigenous Australians; and
 - providing a network of patrons, ambassadors and champions to support and encourage participation in the program.

1.9 The Australian Government supported the Covenant, as it had the potential to make a significant contribution to its goal to halve the gap between Indigenous and non-Indigenous employment outcomes over a decade and complement other employment initiatives. The Covenant is also consistent with the policy direction of the Government to engage the private sector to increase the participation of Indigenous people in the economy, as emphasised in the NIRA.

1.10 The Covenant was announced and implemented at a time when the Australian Government was already delivering various employment programs aimed at helping Indigenous Australians break the cycle of unemployment. Programs such as the IEP, CDEP, and Job Network (replaced by JSA from July 2009) were all components of the employment infrastructure that was in place during the implementation phase of the Covenant. At the time the Covenant commenced in 2008, there were nearly 81 000 Indigenous job seekers on the Job Network caseload. As at 31 December 2012, DEEWR advised that there were 91 461 Indigenous job seekers on the JSA caseload, which equates to 12.3 per cent of the total JSA caseload.

1.11 The Covenant's point of difference to these existing Indigenous employment programs is that it is industry-led, and focuses on industry and private sector employers to generate explicit commitments on mass to contribute to tackling Indigenous disadvantage. The Covenant offered an alternative approach for the Australian Government's employment services in terms of engaging with employers on a sector or industry basis. As the Covenant is an industry-led initiative, there is a heavy reliance on employers to provide the opportunity for employment outcomes for Indigenous Australians. When the Covenant was announced, many private sector organisations had existing Indigenous employment programs and commitments to reconciliation. The Covenant aimed to build on this base and encourage new organisations to commit to contributing to Indigenous employment.

Australian Government commitments under the Covenant

1.12 The Australian Government's broad commitments under the Covenant were to:

- support and promote the Covenant objective, on a non-discriminatory basis and in accordance with the law;
- engage Employment Service Providers in efforts to attract and support at least 50 000 Indigenous people to participate in Covenant training, placement and support; and
- provide for pre-employment job training in accordance with training tailored to the specifications of Covenant Employers (who will guarantee employment upon completion of specified training by the Indigenous job-seeker).

1.13 To give effect to these commitments the Australian Government agreed to undertake specific activities in support of the Covenant, which were to be implemented by the Department of Education, Employment and Workplace Relations (DEEWR). The four specific roles were:

- facilitating and coordinating training for eligible Indigenous Australians to the appropriate job standards of the employing industry;
- facilitating referral, placement and support processes involving the take up of Covenant jobs by eligible Indigenous job seekers;
- facilitating post placement and mentor support for eligible Indigenous Australians through universal employment services, the Indigenous

Employment Program and the Community Development Employment Projects Program; and

- recording and tracking of Covenant jobs and the placement and retention of Indigenous job seekers into Covenant jobs and training (where the information is recorded within the Australian Government's IT systems) following the implementation date in February 2009.¹⁷

1.14 The Australian Government's commitments had a short and long-term focus. In the short-term, the Government agreed to contribute financially to the establishment of the AEC and provide direct funding to the AEC of up to \$20.9 million for the first three years of the Covenant in addition to support otherwise available to industry through government programs. Over the longer-term, the Australian Government had an ongoing role to support the Covenant achieve its target of 50 000 sustainable jobs. The Government planned to fulfil its commitments to pre-employment training and employment placement support through existing programs such as the IEP, JSA and the CDEP Program. In this respect, the Australian Government expected to contribute up to \$200 million worth of funding to the Covenant through the IEP and JSA alone in the form of funding for pre-employment training and employment placement support, some of which is provided directly to employers.

1.15 In March 2013, the Minister for Indigenous Employment and Economic Development reaffirmed the Australian Government's ongoing support for the Covenant. The Minister also announced that the Australian Government would continue to meet its commitments to by providing direct assistance to many of the employers who have signed up to the Covenant and by providing Indigenous job seekers with pre-vocational training and other support to help them to take up the jobs available through the Covenant.¹⁸

¹⁷ Australian Government, *The Australian Employment Covenant (Fact Sheet)* [Internet], Department of Education, Employment and Workplace Relations, Canberra, available from <<http://www.deewr.gov.au/Employment/Pages/AustralianEmploymentCovenant.aspx>> [accessed 30 May 2012].

¹⁸ J Collins (Minister for Community Services, Indigenous Employment and Economic Development), 'GenerationOne breakfast' [Internet], Speech to the GenerationOne Senior Executive Breakfast, Australian Parliament House, Canberra, 20 March 2013, available from <<http://www.ministers.deewr.gov.au/juliecollins/generationone-breakfast>> [accessed 21 March 2013].

The department informed the ANAO that DEEWR's practice is to report commitments rather than actual expenditure to reflect the amount of support that the Australian Government has agreed to provide as expenditure figures are affected by organisational performance and do not reflect the government's commitment. In the Minister's speech of 20 March 2013, a figure of \$73 million was indicated as having been provided to a group of employers. The department has clarified that this figure is a subset of the overall amount allocated rather than an actual expenditure.

Progress to date

1.16 In March 2013, the AEC reported that more than 330 employers had made public commitments of over 60 000 jobs for Indigenous Australians and that this had led to 14 000 job placements.¹⁹ The ‘covenant jobs’ come from a cross-section of the economy, including industries such as the mining, retail, hospitality, transport and construction sectors. Also in March 2013, the Australian Government reported that it had allocated \$150 million worth of support to Covenant employers through the IEP.²⁰ Activities able to be supported with this allocation included training for specific operations, such as warehousing, meat processing or forklift driving, or general industry training in areas such as hospitality, construction, resources sector, and business administration. Some funded projects also included workplace mentors to provide ongoing support to job seekers once they had commenced in employment. The level of support provided by the Australian Government is discussed further in Chapter 4.

Audit objective, scope, criteria and methodology

1.17 The objective of the audit was to assess the effectiveness of DEEWR’s management of the Australian Government’s contribution to the Covenant. The scope of the audit is the Australian Government’s role in the initial establishment of the Covenant and its ongoing contribution through other employment programs.

1.18 To reach a conclusion against this objective the ANAO examined whether:

- DEEWR established effective governance arrangements to support the Australian Government’s contribution to the Covenant and its objectives;
- DEEWR established implementation arrangements to facilitate the Australian Government’s responsibilities under the Covenant; and

¹⁹ A Forrest, ‘*Expectations Lead – Results Follow*’ [Internet], Speech to the GenerationOne Senior Executive Breakfast, Australian Parliament House, Canberra, 20 March 2013, available from <<http://generationone.org.au/blog/2013/03/speech-generationone-senior-executive-breakfast-canberra>> [accessed 21 March 2013]. In June 2013, the AEC informed the ANAO that 338 employers had made commitments to 62 000 jobs and that 15 000 job placements had been made.

²⁰ J Collins (Minister for Community Services, Indigenous Employment and Economic Development), ‘*GenerationOne breakfast*’ [Internet], Speech to the GenerationOne Senior Executive Breakfast, Australian Parliament House, Canberra, 20 March 2013, available from <<http://www.ministers.deewr.gov.au/juliecollins/generationone-breakfast>> [accessed 21 March 2013].

- DEEWR established performance systems that enabled the department to undertake the Australian Government's performance reporting role under the Covenant agreement and to monitor its broader contribution to the Covenant.

1.19 The audit involved:

- examination of DEEWR documents relating to the Covenant including strategic planning documents, implementation plans, guidelines, Ministerial briefs, employment project information, performance information, and any previous review materials (such as evaluations or audits);
- analysis of data provided by DEEWR relating to Covenant employment projects and the JSA network;
- interviews with relevant DEEWR staff;
- interviews with AEC staff;
- interviews with employment service providers; and
- interviews with Covenant stakeholders such as representatives from industry, peak bodies, and Covenant employers.

1.20 The audit was conducted in accordance with the ANAO's Auditing Standards at a cost of \$313,059.58.

2. Arrangements to Support Collaboration

This chapter examines the arrangements to support collaboration established by DEEWR to guide the delivery of the Australian Government's commitments under the Australian Employment Covenant.

Introduction

2.1 It is increasingly being recognised that complex public policy issues cannot be addressed by governments alone, and that collaboration with non-government, including private sector, organisations is required to leverage resources and capacity of a broader range of organisations.²¹ In these situations, the importance of a clear framework through which parties interact is accentuated due to the distinctive challenges that can arise when operating across public and private sectors in pursuit of common objectives. For an initiative such as the Australian Employment Covenant (the Covenant), where the Australian Government operates in conjunction with the private sector, successful arrangements are likely to feature a number of key factors. These include: identification of a shared goal; clear and distinct roles and responsibilities; understanding of each parties' roles; management of shared risks; and clear lines of accountability for results.

2.2 The ANAO considered whether DEEWR established effective arrangements to support collaboration and the achievement of the Australian Government's commitments under the Covenant. This chapter covers:

- the identification of a shared goal;
- the arrangements to support collaboration between the Australian Employment Covenant (AEC) and DEEWR; and
- DEEWR's own management arrangements to meet its commitments under the Covenant.

²¹ J Bourgon, *A New Synthesis of Public Administration: Serving in the 21st Century*, School of Policy Studies, McGill-Queen's University Press, Ontario, 2011, p. 46.

Identifying a shared goal

2.3 The Covenant was a new initiative that presented opportunities for government and the private sector to develop a complementary relationship. Connecting Indigenous job seekers with employers to improve employment outcomes has been an established policy focus of the Australian Government. As such, there was strong alignment between the goals of the AEC in securing 50 000 sustainable jobs for Indigenous job seekers and the Australian Government's Closing the Gap targets. If successful, the Covenant would contribute significantly to the 100 000 jobs target of the Australian Government.

2.4 In addition to sharing similar goals, the AEC and DEEWR were both able to bring strengths to the partnership: DEEWR's national network of existing employment service providers; and the AEC's industry and business connections in the private sector, which was considered central to bringing forward a 'critical mass' of job vacancies that could be efficiently addressed by employment service providers. Further, both organisations received authoritative commitment from their respective leaderships. Accordingly, in the initial stages of the agreement, appropriate conditions were in place to facilitate successful outcomes through the Covenant.

2.5 While the Covenant established the foundations for a strong partnership, it was also a high-level document that needed supporting arrangements to clarify the details of the partnership. An area requiring further clarity was the overall outcomes and objectives of the Covenant, and the associated timeframes for achievement. Under the signed Covenant, the AEC and the Australian Government agreed to 'an aspiration to secure 50 000 sustainable jobs filled by Indigenous Australians.' A timeframe of two years was initially associated with the Covenant, and DEEWR reflected in its public factsheet the intention to mean 'the placement and long-term retention of 50 000 Indigenous people into 'Covenant Jobs' within a two year period'. However, the signed Covenant agreement refers only to the achievement of 50 000 sustainable jobs filled by Indigenous Australians, without specifying the timeframe for this to be achieved. In March 2013, the Minister for Indigenous Employment and Economic Development reaffirmed the Australian Government's ongoing support for the Covenant and intention to continue to

fulfil the government's commitments.²² DEEWR's factsheet and other public information however does not reflect this commitment.

Arrangements to support collaboration between the AEC and DEEWR

2.6 When working with other organisations, effective relationships, and approaches which favour mutual accountability and transparency between organisations, support the achievement of successful outcomes. There are risks to the development and maintenance of good relationships if there are not clearly understood arrangements and approaches to communicating between parties.

The Covenant

2.7 The Covenant document is the overarching formal agreement that sets out the commitments of both the AEC and DEEWR. The Covenant also outlines the overall goals and intentions that shaped the joint commitments and associated guiding principles.

2.8 The Covenant did not, however, provide a detailed structure or plan through which either party was to execute its commitments or guide the relationship. For this reason, it was important to establish other supporting arrangements to provide detail on specific roles and responsibilities, the operations and processes supporting the agreement, and clear reporting arrangements for both parties against agreed tasks and milestones. Such arrangements would support transparency and mutual accountability for both parties in progressing towards the Covenant's outcomes.

2.9 There were three main mechanisms put in place to help align activities and guide the partnership between the AEC and DEEWR. These were: the establishment of an Australian Government Coordinator; a funding agreement; and a secondment agreement.

²² J Collins (Minister for Community Services, Indigenous Employment and Economic Development), 'GenerationOne breakfast' [Internet], Speech to the GenerationOne Senior Executive Breakfast, Australian Parliament House, Canberra, 20 March 2013, available from <<http://www.ministers.deewr.gov.au/juliecollins/generationone-breakfast>> [accessed 21 March 2013].

Australian Government Coordinator

2.10 The key mechanism for facilitating effective engagement from the Australian Government's perspective was the appointment of an Australian Government Coordinator for the Covenant. The Australian Government Coordinator's role was to lead the team of DEEWR staff established in DEEWR's Perth office and work closely with the AEC Executive.

2.11 The Australian Government Coordinator was a dedicated resource to the Covenant and was the key liaison point with the AEC Executive to ensure the alignment of both the AEC and DEEWR activities in order to progress the Covenant. The coordinator position was designed to be a 'gateway to government' for the initial period of the Covenant implementation, and provided access to government and the services that government could provide to support the AEC. The Australian Government Coordinator held weekly meetings with the then CEO of the AEC, led and directed project management and also reported to the responsible Group Manager in DEEWR's National Office.

2.12 The creation of the role of Australian Government Coordinator by DEEWR to act as the liaison point between the AEC and DEEWR underlined the importance of visibility in supporting the relationship between the two parties. This arrangement created a strong connection point between the AEC, based in Perth, and DEEWR national office in Canberra and enabled the two parties to directly communicate their views and concerns to each other in an efficient manner. The position of Australian Government Coordinator was in place only for the initial implementation period and was not continued past late 2009.

Funding agreement

2.13 As noted in Chapter 1, the Australian Government agreed to fund the AEC to undertake specific activities in the short-term to establish the Covenant. DEEWR was responsible for negotiating the details of the Australian Government's support with the AEC. These negotiations took place from August 2008 until early 2009 and resulted in: an interim funding agreement with the AEC for \$725 000 which commenced on 30 October 2008 and concluded on 30 May 2009; and a longer-term funding agreement under the Indigenous Employment Program from July 2009 until December 2011 (with final payments in March 2012). Throughout this period, discussions were also held in relation to the department's support for the Covenant through existing programs and services. DEEWR considered that these discussions

formed the basis of the department's service delivery response to the Covenant.

2.14 The longer-term funding agreement negotiated with the AEC identified the activities for which the AEC was eligible to receive funding from DEEWR. The Australian Government allocated direct funding of \$20.2 million²³ to the AEC for it to:

- raise awareness of the Covenant and to sign AEC Employers to the Covenant to ensure that 50 000 Covenant job commitments are achieved;
- use its best endeavours to achieve the number of employment places specified;
- ensure that eligible persons are selected and employed as participants;
- conduct additional activities; and
- provide reporting to DEEWR.

AEC reference group

2.15 The funding agreement between DEEWR and the AEC required that a reference group be established within 14 days of the agreement being signed in July 2009. The reference group was to be organised by the AEC Executive and was required to meet monthly for the first three months and then at least quarterly thereafter. The purpose was to bring together senior executives from both the AEC and DEEWR to offer support and recommendations to the project and resolve issues relating to the project.

2.16 The reference group was also intended to address various issues not specifically relating to the funding agreement. DEEWR expected the reference group to act as the key mechanism for structured engagement with the AEC after the initial implementation period throughout the Covenant. DEEWR considered that the reference group would provide a platform for the development of joint management arrangements including clearly outlining roles and accountabilities. The department also intended the reference group to be the mechanism to drive activity for the team responsible for the Covenant

²³ Total direct funding allocated to the AEC by the Australian Government was \$20.9 million: \$725 000 in establishment funding; and \$20.2 million as part of the longer-term funding agreement.

initiative within the DEEWR national office, other program areas and Covenant contact officers within DEEWR's state and territory offices.

2.17 Although important roles were ascribed to the reference group and it would have fulfilled an important role in the overall governance of the partnership, the group met only once, in August 2010. DEEWR advised the ANAO that the reference group was not formed because the AEC declined to participate in the group. The AEC advised the ANAO that its current management are not aware of any preference for not meeting through the AEC reference group. In the absence of the reference group, DEEWR considered that the opportunity to develop collaborative management processes beyond the initial implementation phase was made difficult. No arrangements were subsequently developed by either the AEC or DEEWR, suggesting that the initial focus and effort evident in the early pronouncements were dissipated over time.

Secondment agreement

2.18 The secondment agreement was a twelve month contract, established on 24 August 2009, to provide for up to five DEEWR staff members to be seconded to an AEC state office. The secondment agreement outlined the DEEWR secondees' role with the AEC as to:

- work with Covenant employers to convert their job commitments into job commencements;
- work with human resources areas of Covenant employers to develop Indigenous employment plans;
- work with DEEWR and state government agencies to help facilitate pre-employment training; and
- work with employment service providers through DEEWR to source Indigenous job seekers for the positions.

2.19 The department agreed to have the DEEWR secondees support AEC State Managers by connecting employers who had signed up to the Covenant, with DEEWR employment services in order to help them convert their commitments into placements. However, despite the agreement that was in place outlining the purpose and function of the secondees in the AEC state office, at times the department considered that secondees were performing regular administrative tasks for the AEC rather than their agreed roles.

2.20 Overall, DEEWR's view was that the secondment agreement did not fulfil its potential as the AEC did not use DEEWR secondees' expertise and knowledge as agreed. Some DEEWR seconded employees indicated to the ANAO that their experience in the AEC did not match their expectations and attributed this to a lack of common understanding of respective roles and responsibilities. Although there were some difficulties in the implementation of the agreement, the secondment arrangement was a new and useful approach to linking the activities of the two organisations and directly supporting the Covenant.

Effectiveness of arrangements to support collaboration

2.21 The Covenant and the funding agreement established a broad framework to support collaboration between the AEC and DEEWR. The Covenant provided the broad responsibilities of each party and the funding agreement outlined the specific process by which the AEC would be supported for their activities, and focused the relationship on the deliverables under the funding agreement. These instruments were supported by the Australian Government Coordinator position and the secondment arrangement of DEEWR staff to the AEC.

2.22 The Australian Government Coordinator was also a useful approach to managing collaboration between the two organisations. After DEEWR's support for the Australian Government Coordinator position finished, strong alternative arrangements to facilitate the Covenant were not established although DEEWR advised the ANAO that the proposed reference group was to be the main way of supporting collaboration. As noted above, the group was not established and no alternative arrangement was developed.

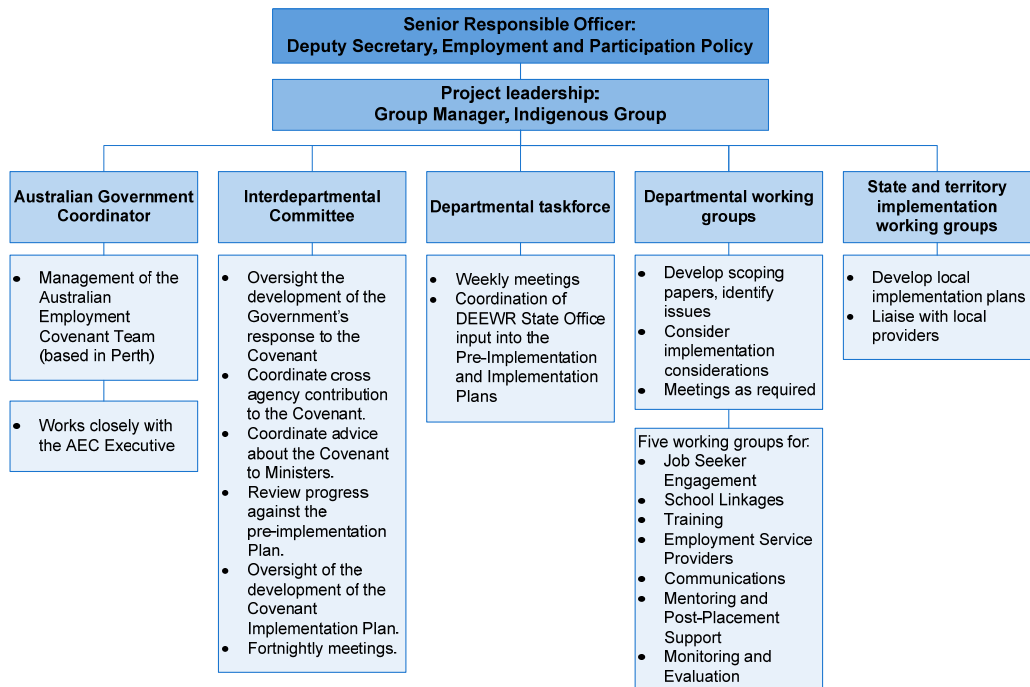
2.23 For partnerships to be successful, it is important that the partners have visibility over the results being achieved by the implementation of agreed strategies and the individual contributions directed to the achievement of a common goal. The arrangements that were established focused attention on the AEC's contribution to the partnership. In contrast, there was limited visibility of DEEWR's contribution to the Covenant in terms of defined roles and responsibilities and clear lines of accountability for tasks and performance. DEEWR advised the ANAO that the department's own ongoing arrangements were limited because of the AEC's lack of engagement with the department. However, the ANAO considers there was scope for a supporting arrangement to more clearly articulate DEEWR's contribution to the partnership to provide greater visibility of the department's contribution towards the shared goal.

DEEWR's internal management arrangements

2.24 As noted in Chapter 1, the Australian Government's contribution to the Covenant included a funding contribution to the AEC and broader commitments to facilitate the identification, recruitment and preparation of Indigenous job seekers for successful placement in the work place. DEEWR developed supporting internal management arrangements in order to give effect to the overarching responsibilities agreed to in the Covenant. These arrangements were developed at the national office level and provided to DEEWR's state and territory offices. Figure 2.1 outlines the structure of DEEWR's internal management structure established to support the successful implementation of the Covenant and the fulfilment of the Australian Government commitments under the Covenant.

Figure 2.1

DEEWR's internal management structure



Source: DEEWR's AEC National Implementation Plan.

2.25 To develop consistent implementation arrangements across its network, an AEC 'Implementation and Management Team' was established in the DEEWR National Office. This team fulfilled a project management role and developed an overarching national implementation plan.

2.26 The intended audiences of the implementation plan were the DEEWR AEC Taskforce and related working groups, State Managers, and the AEC Interdepartmental Committee. The national implementation plan covered areas such as management arrangements, DEEWR's deliverables, the AEC model, risk management and the departmental resourcing for the AEC. The implementation plan was also distributed to DEEWR state and territory networks to facilitate the development of state and territory implementation plans. However, the implementation plan was largely focused on positioning the department for the implementation date of February 2009 and did not outline the department's longer-term approach to the Covenant.

2.27 DEEWR state and territory offices were tasked with organising implementation working groups with responsibilities for developing local implementation plans and liaising with local service providers. State and territory offices were also responsible for targeting job seekers who might be suitable Covenant applicants and developing engagement strategies based on client characteristics, skills profiles, barriers and geography. This was also to include working with schools and other education institutions, such as Technical and Further Education (TAFE) institutions and Registered Training Organisations (RTO), to target potential applicants.

2.28 DEEWR's advice to its Minister in January 2009 indicated that the department had undertaken significant work in preparation for the Covenant implementation date and the department was well placed to be in a position to respond to its role in the Covenant, with most of DEEWR's implementation arrangements being put in place by February 2009. However, implementation planning was largely focused on mobilising the department to meet the commencement date of February 2009 and a more limited focus was given to developing tailored approaches to the ongoing implementation in support of the Australian Government commitments after February 2009. As noted above, the longer-term commitment was not defined in the Covenant agreement.

Taskforce and working groups

2.29 DEEWR established an inter-departmental committee, a departmental taskforce and five state working groups, each of which developed specific components of the department's response to the Covenant model. The AEC Interdepartmental Committee was responsible for overseeing the development of the Australian Government's response to the Covenant, coordination between agencies and monitoring performance against implementation plans. The interdepartmental committee was chaired by DEEWR and included

representatives from the Department of Families, Housing, Community Services and Indigenous Affairs, Department of Human Services, Prime Minister and Cabinet, Infrastructure Australia, and the then Centrelink. The AEC departmental taskforce was mainly responsible for the coordination of the DEEWR state office input into the implementation plans.

2.30 At the national office level, the AEC taskforce working groups were established to develop scoping papers and consider implementation approaches. At the state level, the implementation working groups were responsible for developing the local implementation plans and liaising with local employment service providers as mentioned above.

2.31 The working groups established by DEEWR are an indication of the investment by the department in the planning phase of the Covenant. Once the initial implementation period was over, formal revised management structures were not developed for the longer-term which affected the clarity of ongoing roles and responsibilities within DEEWR.

Risk management

2.32 Initiatives that involve working with other organisations face new and often complex risks. For this reason, it was important to ensure that there is a common understanding of the risks associated with shared implementation of the Covenant.

2.33 DEEWR undertook risk and implementation monitoring throughout 2009 (the Covenant launch year). The majority of the risks identified, however, focused on risks associated with the AEC and its activities. Less attention was given to risks associated with DEEWR's activities. Some examples of risks that were identified by DEEWR were 'AEC processes don't operate smoothly' and 'failure to get sufficient employers buy in.' Similarly, the majority of the potential risks identified by DEEWR were focused on the short-term or initial phases of the Covenant.

2.34 Although the Covenant was a new way of operating and brought together two differently focussed and structured organisations, DEEWR's risk assessment did not include consideration of risks relating to managing the relationship between the two organisations. Further, while DEEWR undertook risk assessments relating to the Covenant initiative, there was limited focus on assessing the joint risks associated with the collaborative implementation and delivery of the Covenant to achieve its desired outcome. Additional risks can arise from a joint commitment which makes it increasingly more important to

undertake a structured approach to risk management. Equally, taking a shared approach to each party's risks may also allow additional perspectives to be brought to bear. In this respect, risk management would have been strengthened by DEEWR and the AEC conducting a joint risk assessment, with a particular focus on identifying and managing shared risks in relation to the overall desired outcome, as well as the specific risks relating to the process of collaboration.

Ongoing management arrangements

2.35 The Covenant committed the Australian Government and the AEC to the 'aspiration to secure 50 000 sustainable jobs filled by Indigenous Australians'. Initially, planning reflected that this would be achieved within a two-year timeframe (although this was not specified in the Covenant). However, the Australian Government has confirmed its ongoing support for the Covenant and continued commitment to fulfil the Australian Government's role to pre-employment training and support to Indigenous job seekers, and direct funding support to Covenant employers.²⁴

2.36 DEEWR established implementation arrangements that were designed to support the establishment and initial commencement phase of the initiative by February 2009. The department's management arrangements were also focused on this date, with some taskforces and working groups convened on an 'as needed' basis after February 2009. DEEWR advised the ANAO, however, that there continue to be arrangements that allow and encourage communication between program areas and state office staff to facilitate a shared understanding of the program implementation arrangements, but during this audit the ANAO observed that the level of communication has been limited.

2.37 As discussed above, the reference group was intended to provide the framework for the ongoing collaboration between DEEWR and the AEC although this was not put in place, apart from a single meeting. Neither DEEWR nor the AEC put in place any formal arrangements to assist collaboration since the initial two-year funding agreement expired and the AEC stopped reporting employment outcomes to DEEWR in 2012 (discussed

²⁴ J Collins (Minister for Community Services, Indigenous Employment and Economic Development), 'GenerationOne breakfast' [Internet], Speech to the GenerationOne Senior Executive Breakfast, Australian Parliament House, Canberra, 20 March 2013, available from <<http://www.ministers.deewr.gov.au/juliecollins/generationone-breakfast>> [accessed 21 March 2013].

further in Chapter 4). DEEWR linked the development of the department's own internal arrangements with the level of engagement of the AEC with the department. That is, the department's view was that capacity within DEEWR would have evolved if the AEC had more fully engaged with the department in the post-implementation period.

Conclusions

2.38 Successful partnerships are supported by strong management arrangements that facilitate effective collaboration between the different parties. It is also important that the partners have visibility over the results being achieved by the implementation of agreed strategies and the individual contributions directed to the achievement of common goals. In the case of the Covenant, the preconditions for successful collaboration were present with, in the first instance, the establishment of a shared goal, the authoritative support of the respective organisations' leaderships and formal supporting arrangements.

2.39 The two main formal arrangements between the AEC and DEEWR were the Covenant document and the funding agreement. These were supported by the establishment of the role of the Australian Government Coordinator and further by the secondment of DEEWR officers to the AEC. However, the Covenant was a high level document and did not provide a detailed description of the roles and responsibilities to support implementation by each party. The funding agreement set out the AEC's responsibilities specifically in relation to the initial funding, although not broader responsibilities in relation to the Covenant's outcomes. Further tailored arrangements were not developed to direct and provide visibility over DEEWR's ongoing contribution to the Covenant or the specific outcomes to be achieved.

3. Implementation Arrangements

This chapter examines the implementation arrangements established by DEEWR to coordinate and implement the Australian Government's commitments under the Australian Employment Covenant.

Introduction

3.1 Australian Government policy has emphasised the importance of engaging with the private sector in addressing Indigenous Disadvantage.²⁵ Working with other organisations external to government to achieve common policy objectives presents opportunities for governments as well as additional implementation considerations. In particular, consideration needs to be given to the potential for different organisations to have different: implementation approaches; stakeholder and governance requirements; and organisational cultures. Attention needs to be given to the effect these differences can have on the development of a complementary partnership. The Australian Employment Covenant (the Covenant) initiative brought together a government agency with experience in the area of employment services, with an established service delivery infrastructure, and a newly created private sector focused entity with access to a wide network of employers.

3.2 Where multiple programs or initiatives contribute to a high-level objective, such as reducing Indigenous unemployment, a key issue underlying effectiveness is to identify the relationships with other, similar or complementary, programs within the department, other agencies and other jurisdictions so as to inform decisions about strategies supporting implementation.²⁶ As the Australian Government's support for the Covenant was to occur from within existing programs, an important element of implementation was coordination. In particular, coordination of the relevant programs, staff and employment service providers across the Department of Education, Employment and Workplace Relations (DEEWR) network and with the Australian Employment Covenant (AEC).

²⁵ Council of Australian Governments, *National Indigenous Reform Agreement (Closing the Gap)* [Internet], COAG, Canberra, 2008, p. A-40, available from <http://www.federalfinancialrelations.gov.au/content/npa/health_indigenous/indigenous-reform/national-agreement_sept_12.pdf> [accessed 21 January 2013].

²⁶ ANAO Better Practice Guide—*Innovation in the Public Sector: Enabling Better Performance, Driving New Directions*, December 2009, Canberra, p. 28.

3.3 The ANAO considered whether DEEWR established effective implementation arrangements to support the Australian Government's responsibilities under the Covenant. This chapter covers:

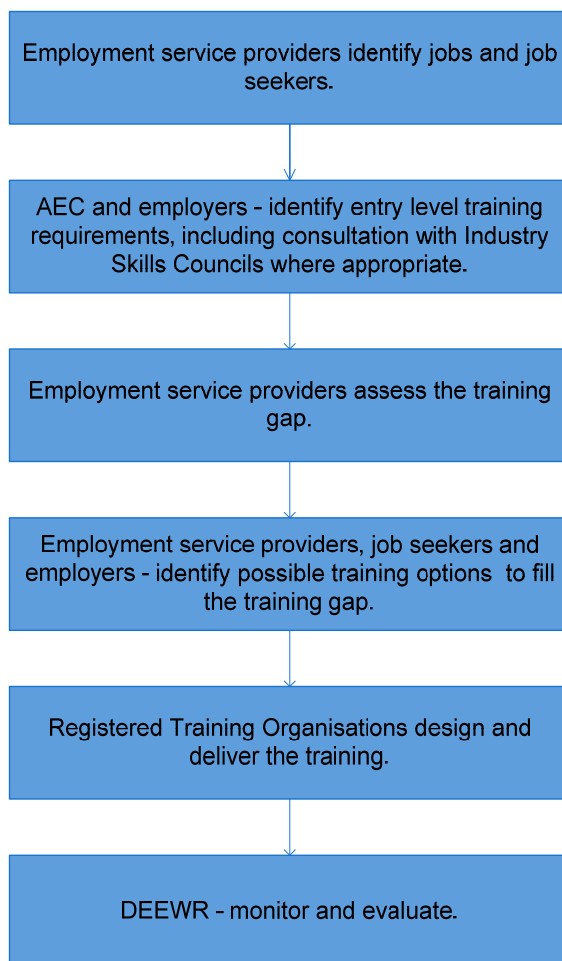
- implementation model of the Covenant;
- DEEWR's role in implementation;
- strategies to engage with Indigenous job seekers;
- employer and industry training requirements; and
- Australian Government programs supporting the Covenant.

Implementation model for the Covenant

3.4 To support the implementation of the Australian Government's commitments under the Covenant, DEEWR developed a Covenant implementation model to guide the department's efforts. Figure 3.1 represents a high-level overview of how DEEWR considered the Covenant implementation model was intended to work.

Figure 3.1

DEEWR's internal Covenant implementation model



Source: ANAO from DEEWR's National Implementation Plan for the Australian Employment Covenant.

3.5 In overall terms, the implementation model for the Covenant allocated to DEEWR the responsibility for the 'supply' of Indigenous job seekers and to the AEC the responsibility for creating the 'demand' for Indigenous job seekers, at an industry and/or regional level. One of DEEWR's major assumptions was that sufficient numbers of Covenant jobs would be made available by Covenant employers and identified to DEEWR by the AEC. While the model is presented as a linear sequence, in reality the steps were not necessarily intended to occur in this order and DEEWR saw the department's model operating alongside the AEC's activities. DEEWR recognised this in its implementation plan and planned for concurrent activity such as advancing its engagement strategies with Indigenous job seekers. However, there were

constraints to the extent that training activities could be developed in the absence of identified vacancies. The Covenant model was premised on training for a specific job and DEEWR could not advance training activities in the absence of clearly identified, as opposed to projected, job vacancies and staff requirements. In this respect, DEEWR considered that a balance was required between the momentum of the Covenant initiative and the risk of delivering 'training for training's sake'.

DEEWR's role in implementation

3.6 DEEWR developed a detailed and operationally focused plan describing the Australian Government's role and how the department intended to support this role. In its implementation plan, the four key roles that DEEWR described to support the Australian Government's commitment were:

- facilitating and coordinating training for eligible Indigenous Australians to the appropriate job standards of the employing industry;
- facilitating referral, placement and support processes involving the take up of Covenant jobs by eligible Indigenous job seekers;
- facilitating post-placement and mentor support where required; and
- recording and tracking Covenant jobs and the placement and retention of Indigenous job seekers into Covenant jobs and training (where the information is recorded within the Australian Government's IT systems) following the implementation date of February 2009.

3.7 Connecting employers with Indigenous job seekers has been a long-term focus of the department. Before the Covenant was announced, DEEWR administered a range of employment-related programs to support Indigenous employment outcomes. Some of these programs focused on providing assistance directly to employers and others focused on supporting individual job seekers.

3.8 The Covenant offered an additional approach for DEEWR to connect with employers in the private sector on a wider front. DEEWR considered that the Covenant had the potential to offer the department information about a critical mass of vacancies which would have opened opportunities for an industry and/or regional-led approach. As noted in Chapter 1, the Job Network had approximately 81 000 Indigenous job seekers on the case load in 2008 when the Covenant started. In this way, the Covenant had the potential to

generate significant demand for Indigenous job seekers from employers. DEEWR saw the Covenant as an opportunity to strengthen linkages between employment service providers, employers, and Indigenous job seekers. DEEWR's approach was reliant on employers committing jobs that were suitable to the candidates on the department's employment services caseload.

Strategies to engage with Indigenous job seekers

3.9 As part of the department's response to the Covenant, DEEWR identified considerable opportunity to advance a robust job seeker strategy, as the department was well placed at the state and national level to facilitate the transition of Indigenous Australians into Covenant positions. The three key components of DEEWR's active job seeker engagement approach were:

- examination of data relating to the profile, characteristics and distribution of a potential Covenant participant pool;
- engagement with Employment Service Providers, Centrelink and other intermediaries to develop training and other job-ready interventions for potential Covenant participants; and
- engagement with the AEC to influence and shape the demand-side response to reflect more closely the job-ready interventions undertaken, and the characteristics and distribution of potential participants.

3.10 In December 2008, the department's AEC Taskforce advised State Coordinators that the department intended to drive an interventionist approach to engagement with the AEC by identifying suitable jobs based on the extensive data on Indigenous job seekers in the Active Case Load²⁷. The AEC Taskforce also encouraged State Coordinators to start considering which Job Network providers (now Job Services Australia providers) might be targeted for Covenant related activities. This strategy was supported by preliminary supply side analysis and distributed to DEEWR's state and territory offices. An overview of DEEWR's preliminary analysis of Indigenous job seekers is presented in Figure 3.2.

²⁷ Active Caseload is a point in time measure of job seekers currently referred to Job Services Australia.

Figure 3.2**DEEWR's preliminary analysis of Indigenous job seekers**

	Where is the labour supply?	What is the priority?	Who interacts?	Intervention / strategies
Workforce-aged population	43.2 % Not in the labour force (133 000)	Incentives and foundations skills to join the labour force	<ul style="list-style-type: none"> • Centrelink • Universities • TAFEs 	<ul style="list-style-type: none"> • Indigenous Employment Program • Industry strategies • Workforce strategies • Regional strategies
	8.9 % Unemployed (27 000)	Skilling to obtain a job	<ul style="list-style-type: none"> • Job Network/Job Services Australia • Community Development Employment Projects • Disability Employment Network • Centrelink 	<ul style="list-style-type: none"> • Indigenous Employment Program • Structured Training Employment Projects • Community Development Employment Projects • Universal Employment Services
	81 000 in Job Network			
	48.0 % Employed (148 000)	Upskilling to retain jobs and career development	<ul style="list-style-type: none"> • Unions • Industry representative bodies • Australian Taxation Office 	<ul style="list-style-type: none"> • Indigenous Employment Program • Workforce strategies

Source: Information provided by DEEWR (based on DEEWR's analysis from 2008).

Note: The 8.9 per cent unemployed does not reflect the unemployment rate at the time. This figure is based on the percentage of the Indigenous population who were unemployed out of the total Indigenous population of working age at the time, rather than the unemployment rate which reflects the percentage of the Indigenous labour force who are unemployed.

The Job Network case load can include clients who are employed but still receiving employment assistance in the form of training and/or placement support.

3.11 DEEWR completed its analysis of Indigenous job seekers in early 2009. The Covenant was based on a model that relied on the provision of information from employers about training needs—either directly to DEEWR or through the AEC. After which, the department would initiate tailored solutions for the Covenant employer, through either the Indigenous Employment Program (IEP), Job Services Australia (JSA) or other institutions such as TAFE. As such, DEEWR advised that their strategies focused on linking Covenant employers with employment services and accommodating employer-related requirements within existing services rather than focusing on engaging with job seekers.

3.12 While training and development needs for individual Covenant job applicants would be determined by training specifications identified by employers, an underlying assumption by the department was that employers

offering vacancies within common industries were likely to have shared basic entry-level requirements. Further, preliminary investigation into the numbers and characteristics of potential Covenant candidates, combined with known AEC target areas and industry information, would assist in identifying likely training needs to allow for early planning of training and development of activities by location.

Employer and industry training requirements

3.13 The Covenant reflects a focus on the provision of both employer-specific and industry training needs. In order to effectively fulfil its responsibilities, in line with the Covenant approach, DEEWR needed specific information regarding the available jobs committed by Covenant employers.

3.14 DEEWR's understanding was that the AEC would provide this information, and the department would then develop an appropriate response to employers through existing programs. DEEWR advised the ANAO:

under the principles of the Covenant the AEC was responsible for generating increased demand for Indigenous employment with employers. The Government committed, through its employment services, to supporting the recruitment of Indigenous job seekers and supporting pre-employment training for AEC employers who wished to access that support. Under this model the AEC was to introduce employers who had made job commitments to DEEWR so that these employers' needs could be actioned.

3.15 DEEWR considered that the department's commitments were dependent to a large extent on the AEC's performance against its commitments, to provide information on jobs, and that advancing and promoting the Covenant relied on having a critical mass of job vacancies. However, issues in this model emerged early on, even before the official implementation date. DEEWR advised its Minister in January 2009:

Despite repeated requests for details about the positions, we have yet to receive any information that would assist us in fulfilling the Australian Government's obligation to facilitate the referral, training and job placement activities. To date, we understand that only three organisations have signed a Covenant, representing a commitment of 310 jobs, however, the job specifications are not yet known.

3.16 While DEEWR's expectation was for the AEC to provide this level of information from employers, this was not made explicit in either the Covenant or the Funding Agreement, other than the AEC sharing industry specifications with relevant stakeholders.

Identifying industry skills requirements

3.17 Leading up to the implementation date in February 2009, DEEWR undertook planning that reflected an intention to provide an industry-based approach to supporting training for Indigenous job seekers in relation to the Covenant initiative. DEEWR's intention was to aggregate data from the AEC to provide a more strategic approach to employer training needs for example, from a regional or industry perspective.

3.18 In addition to engaging with individual employers, DEEWR expected that the AEC would liaise with relevant industry associations such as Industry Skills Councils to obtain training requirements. However, the department also saw a role for itself in approaching industry level bodies to examine possible applications of shared entry-level requirements. DEEWR saw this as enabling an understanding of employer specifications within the context of broader industry standards. Through its own analysis, DEEWR was able to identify the main industries that Covenant employers belonged to as hospitality, retail, construction and mining. However, the department did not pursue industry-based strategies because it considered the AEC hadn't provided sufficient information. DEEWR indicated that the department's main response under the Covenant would be to employers as the AEC employers were the signatories to the AEC commitments, not Industry Skills Councils. There was some limited engagement by DEEWR through inviting employer groups and Industry Skills Councils to stakeholder information forums held in January and February 2009, but overall, DEEWR gave little specific attention to engaging with industry or industry representative bodies.

Covenant Action Plans

3.19 Following early difficulties, it was recognised that a revised approach was needed to gather the necessary information from employers so that DEEWR could action their training needs. Covenant Action Plans (CAPs) were introduced in 2009 as a mechanism for the AEC to work with employers to establish employers' needs, and then provide the necessary information to the department. The CAPs included information about the workplace, mentoring arrangements, recruitment processes (including training, sourcing and retention strategies), and reporting arrangements relating to the AEC. DEEWR was involved in the development of the CAPs and provided feedback to the AEC throughout the process of their development.

3.20 Approximately 50 CAPs were provided to DEEWR from 2010 to 2011. While the CAP process provided for a more structured approach to the

identification of employer needs, from DEEWR's perspective it was only a partial solution. In particular, the CAPs process still didn't provide the information that DEEWR considered it needed to respond to employers' training needs. DEEWR also advised that the department didn't receive enough CAPs from the AEC to sufficiently action the Australian Government's role; and considered that the AEC had difficulty in fulfilling its role of providing employer information and CAPs because, in the department's view, the AEC lacked focus on translating employer demand into vacancies that could be filled. The department also expressed concerns about the AEC's capacity to fulfil its key role of engagement and facilitation with employers.

3.21 Although the Covenant model required the AEC to bring employer demand to DEEWR, the department acknowledged that:

Waiting for full CAP processes to be completed was not actually required for an effective start in introducing employers to the Department. Engaging with employers to determine how to meet their employment demand was normal business for the Department.

3.22 The AEC advised the ANAO that it worked with employers to obtain the necessary information needed by DEEWR but faced some challenges as only employers with regularly recurring demand were able to provide detailed forecasts of jobs. Further, the AEC noted that many businesses can only provide detailed job specifications of particular jobs as the jobs become available. In response the AEC created the AEC jobs board to provide a portal for AEC employers to post the specifications and key competency requirements of a job (rather than just a job advertisement). This information was then available to employment service providers to connect positions with candidates and subsequently tailor training for the candidate. The AEC considered that this approach would provide a more responsive alternative to the previous static process of compiling a CAP report that would be dated by the time it could be acted on, and that the jobs board would provide timely information about jobs, as they became available, to DEEWR and employment service providers.

3.23 As the Covenant was an innovative way of working, it is reasonable to expect that some unforeseen obstacles would occur during implementation. The Covenant's approach and the AEC's activities brought new employers to the department, however available departmental data does not support an accurate measure of the numbers (discussed further in Chapter 4). In the absence of an industry-based or regionally driven approach to the Covenant, DEEWR continued its service delivery approach which involved engaging

with individual employers. DEEWR considered that they had no alternative to this approach because they didn't have the intelligence from the AEC to take a more strategic approach.

Australian Government programs supporting the Covenant

3.24 DEEWR's approach to meeting the Australian Government's commitments for training, placements and ongoing support under the Covenant was planned to occur through existing program and service infrastructure. The challenge for the department was to bring together a range of Indigenous, and mainstream, education, training and employment services into a cohesive support package for job seekers and employers wishing to participate in the Covenant while not adversely diverting these service providers from their existing activities.

3.25 To meet the Australian Government's commitments, DEEWR identified a number of existing programs and services that could be used to support the delivery of the training elements of the Covenant. While some of the program arrangements have since changed, at the time the Covenant was introduced, there were a significant number of programs identified within DEEWR that could support the Covenant. These programs are outlined in Table 3.1.

Table 3.1**Australian Government programs supporting the Covenant**

Program	Overview of Program
Programs currently managed by DEEWR	
Job Services Australia	<p>Job Services Australia provides job seekers with flexible and tailored support to help them find a job. Assistance includes pre-employment training, mentoring, job search training, job placement, limited post-employment training.</p> <p>Employers are able to use Job Services Australia to find staff to meet their recruitment needs.</p> <p>Job Services Australia is delivered by a network of organisations across Australia.</p>
Indigenous Employment Program	Pre-employment training, post-employment training, mentoring, job placement.
Youth Connections Program	The Youth Connections Program helps young people who have left school, or who are thinking of leaving school, to continue with their education and ultimately gain a Year 12 (or equivalent) level education. Youth Connections providers also run outreach activities for young people in the community and aim to strengthen services so young people are better connected to education.
Indigenous Youth Mobility Program	Mentoring and other support, and infrastructure for Indigenous people from remote areas, to access Australian Apprenticeships, vocational education and training, and higher education available in ten participating major centres.
Local Employment Coordinators	The Australian Government has employed Local Employment Coordinators to work in 20 Priority Employment Areas across Australia identified as needing extra assistance. Local Employment Coordinators work in collaboration with employers, community groups and all levels of government to help develop local solutions to meet local labour market needs.
Regional Education, Skills and Jobs Coordinators	The primary objective of the Regional Education, Skills and Jobs (RESJ) Coordinators is to develop and implement Regional Education, Skills and Jobs Plans which provide local strategies to improve participation in and outcomes from education, skills training and employment. Improved coordination and integration of existing programs and services and more effective local planning will maximise opportunities for regional communities to participate in education, skills development and employment.

Program	Overview of Program
School Business Community Partnership Brokers	<p>The School Business Community Partnership Brokers (Partnership Brokers) program is focused on building partnerships to support young people to attain Year 12 or equivalent qualifications and reach their full educational and social potential.</p> <p>The program is designed to foster a strategic, whole of community approach to improving education and transition outcomes for all young people. This is achieved through a national network of Partnership Brokers that create new partnerships and enhance existing partnerships between and among four key stakeholder groups: education and training providers; business and industry; parents and families; and community groups.</p>
Programs previously managed by DEEWR (now managed by Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education)	
Productivity Places Program	<p>The objective of the Productivity Places Program (PPP) was to provide targeted training to support the development of skills in Australia to meet existing and future industry demands. Under the Skilling Australia for the Future initiative, the PPP provided access to up to 711,000 qualification commencements over five years, from 2007–12, for existing workers wanting to gain or upgrade their skills and for job seekers wishing to enter the workforce.</p> <p>Responsibility for the program was transferred to Department of Industry, Innovation, Science, Climate Change, Research and Tertiary Education (DIICCSRTE) in 2011. The program ended on 30 June 2012.</p>
Australian Apprenticeships/User Choice	<p>Employer and employee enter into a contract of training for apprenticeship or traineeship training arrangements. When eligible, under User Choice, the employer/employee has the capacity to select training provider and delivery options.</p>
Australian Apprenticeships Access Program	<p>The Australian Apprenticeships Access Program provides vulnerable job seekers who experience barriers to entering skilled employment with nationally recognised pre-vocational training, support and assistance. The Access Program is delivered locally by brokers and providers who work closely with employers to deliver training that meets industry needs. The program is provided at no cost to participants and assists them to find and keep an Australian Apprenticeship, or to enter employment or further education or training.</p>
Access Providers	<p>Pre-vocational training and post placement support to assist disadvantaged job seekers to gain an Australian apprenticeship or other training or employment outcomes.</p>
Language, Literacy and Numeracy Program (LLNP)	<p>Helps job seekers improve language, literacy and numeracy skills. Job seekers are referred to local LLNP Providers via Centrelink or Employment Service Providers who do the initial assessment of eligibility to enter the program.</p>
Workplace English Literacy and Language (WELL) Program	<p>Funds employers to provide workplace based English language, literacy and numeracy.</p>

Program	Overview of Program
Other	
Other Registered Training Organisations	Vocational Education and Training (VET) and pre-VET training. Scheduled courses as well as possibility of entering into specific arrangements with employers and industry groups. Some operate in similar ways to Technical and Further Education (TAFE), while others are geared to specific enterprises and industries.
Technical and Further Education (TAFE) system	VET and pre-VET training. Scheduled courses as well as possibility of entering into specific arrangements with employers and industry groups.

Source: DEEWR National Implementation Plan for the Australian Employment Covenant, advice from DEEWR and the DEEWR website.

3.26 DEEWR intended that most of the Australian Government support would be delivered by Job Services Australia (JSA)²⁸ and the Indigenous Employment Program (IEP). The contribution of the other programs listed above was not monitored by DEEWR and, accordingly, no information is available about the support that may have been provided.

Job Services Australia and the Covenant

3.27 JSA is the Australian Government's primary employment program. The JSA network includes 93 providers delivering services from over 2100 sites across Australia and is available to all job seekers. As an existing and well established program, JSA (previously Job Network) providers were considered to be well placed to contribute to the objective of the Covenant.

3.28 Initially, DEEWR made a number of attempts to promote the Covenant to its service provider network. These efforts included:

- A letter to all employment service providers on 18 December 2008 advising them of the Covenant and that their role will build on their usual business practices in placing Indigenous job seekers into employment.
- Workshops in January and February 2009 with employment service providers and other stakeholders such as Indigenous organisations, group training organisations, businesses, education and training stakeholders, and other tiers of government. These workshops included

²⁸ At the time the AEC was launched the main employment services program in operation was Job Network. In July 2009, major reforms to employment services were introduced and Job Network was replaced by Job Services Australia.

general information from both DEEWR and the AEC on maximising Covenant success in that location.

- Posting of general information for employers and jobseekers about the Covenant on the Australian Job Search website.
- A factsheet about the Covenant on the Provider Portal, a secure website for providers of government employment services and DEEWR staff.

3.29 A survey by DEEWR of Employment Service Providers (including Job Network Providers) in April 2009, just after DEEWR's promotional activities, found that just over half of the providers had heard of the Covenant (53 per cent) and only 35 per cent of these providers understood their role in the delivery of the Covenant. A preliminary evaluation conducted by DEEWR in February 2010, found that no referrals of job seekers were made by JSA providers to at least 41 advertised AEC jobs (each of which may have related to multiple vacancies, meaning there was potential to increase AEC referral activity by encouraging JSA providers to refer clients to advertised AEC jobs). The evaluation suggested that considerable gains were likely to be made by increasing employment service providers' awareness and understanding of the Covenant.

3.30 DEEWR advised that in the first half of 2009, the department decided against further large-scale awareness raising, as it considered it would not be an effective use of resources as the number of Covenant employer introductions to the department remained limited. Later, in December 2010, DEEWR requested JSA Account Managers within the department to disseminate information about the Covenant and the AEC Jobs Board²⁹ to JSA stakeholders.

3.31 The ANAO observed during audit fieldwork in 2012 that there were service providers who indicated limited awareness of the Covenant and their role in relation to supporting the Covenant. While there was high-level awareness at the peak body level, this awareness had not filtered down to the operational level. A number of employment service providers noted that they had received information from DEEWR early on in relation to the Covenant, but had received limited contact or information in relation to the Covenant since. In the view of the department, this lack of awareness from providers is

²⁹ The AEC Jobs Board was developed by the AEC to advertise online, in a single place, the jobs committed by Covenant employers.

largely explained by the limited engagement of the AEC with the network, specifically the AEC not bringing employers to the department in significant numbers to have their commitments actioned. However, the Covenant makes clear that engagement with employment service providers was the Australian Government's responsibility.

3.32 In general, Covenant employers interviewed by the ANAO expressed limited success in engaging with JSAs. Some of the difficulties included a lack of proactive engagement by JSAs, inappropriate candidates for positions, and non-vocational barriers to employment. In other cases, Covenant employers had worked with a few select JSAs and achieved successful outcomes. DEEWR's own data does not provide a clear indication of the contribution of JSAs to the Covenant. This is discussed further in Chapter 4.

3.33 JSAs were intended to be one of the major vehicles through which DEEWR facilitated its commitments under the Covenant. A key risk that was not formally identified by the department was a disengaged JSA network. DEEWR would have benefitted from a more active approach to assessing and managing the network of JSAs. There was also scope for DEEWR to engage and promote the Covenant more—particularly with JSA Indigenous specialists—which was likely to lead to greater awareness within the network.

3.34 The switch to new IT systems and contracts from 1 July 2009 was an opportunity to promote the Covenant as part of the new service delivery arrangements, and monitor the ongoing activity within the JSA network. Consideration was not given to the existing contractual incentives for JSA providers to engage with Covenant employers through the Covenant model. While there were efforts to engage the employment services network early on, a more sustained approach to engaging with JSAs, such as by industry and/or employer, may have supported additional engagement with employers in regions. Further, this would have differentiated the department's approach to supporting the Covenant in addition to its usual service delivery approach.

Indigenous Employment Program and the Covenant

3.35 The Indigenous Employment Program (IEP) provides support to employers, businesses and other organisations for activities or projects to help increase employment outcomes and economic participation for Aboriginal and Torres Strait Islander people. Employment support is provided by either directly funding an employer to deliver an employment program or, by

funding an IEP provider. The IEP became the main vehicle through which the department responded to the Covenant.

3.36 Through the IEP, DEEWR provided funding to employers for a range of activities relating to pre-employment training, accredited training and post-placement support. These activities included training for specific operations such as warehousing, meat processing and forklift driving, or general industry training in areas such as hospitality, construction, the resources sector, and business administration. Some funded projects also included workplace mentors to provide ongoing support to job seekers once they had commenced employment.

3.37 Using the IEP was consistent with DEEWR's strategy of providing tailored responses to Covenant employers. In this way, DEEWR was able to provide funding for approximately 70 Covenant employers according to a May 2012 announcement by the Minister for Indigenous Economic Development. However, these employers also included employment service providers, such as JSA or IEP providers, receiving funding for their usual business activities and did not necessarily relate to commitments under the Covenant in that organisation (discussed further in Chapter 4). The IEP also tended to support projects with larger organisations. While this is a positive result, there was also potential for smaller organisations to miss out in this approach.

3.38 The department's initial intention was to advance industry and/or regional responses to the Covenant through the IEP. However, this became an employer-by-employer basis, consistent with the department's existing approach through the IEP. The department also advised that it had pre-existing relationships with many of the employers included in the 70 Covenant employers listed above. This indicates that the department did not adopt a significantly different approach through the IEP to support the Covenant.

Conclusions

3.39 To implement the Australian Government's commitments, DEEWR relied heavily on the AEC to provide information from employers regarding training requirements. In general, DEEWR considered that information provided by the AEC on job commitments did not include sufficient specification of job details to enable service providers to take appropriate action. When this information approach demonstrated limited success,

DEEWR developed several alternative strategies to collect information about training needs but these were not fully effective and the result was that DEEWR did not develop an industry or regional approach to addressing employer needs in line with the Australian Government's agreed role.

3.40 While there was some early engagement with existing programs and service providers, a survey by DEEWR of employment service providers in April 2009, just after DEEWR's promotional activities, found that only 35 per cent of providers understood their role in the delivery of the Covenant. An outcome of an internal preliminary evaluation report developed by DEEWR in February 2010 found that significant gains were likely to be made by increasing employment service providers' awareness and understanding of the Covenant but DEEWR did not pursue this strategy. Consideration was also not given to the existing contractual incentives of employment service providers and whether there was scope to modify these to accommodate the AEC model.

3.41 In implementing the Australian Government's commitments under the Covenant, DEEWR considered that its approach was to ensure that the needs of Covenant employers were met by the existing employment and training systems. Further, the department considered that the nature of the existing service delivery model could address the needs of individual employers and that significant change to service delivery was not necessary to support the Covenant. While it was intended that the Covenant would be supported through existing programs, the Covenant also presented opportunities for DEEWR to engage with new employers and implement new approaches to training and employment. A more sustained approach to engaging with employment service providers, such as by industry and/or employer, may have supported additional engagement with employers in regions. Future joint initiatives would benefit from consideration as to where service delivery models can be adapted to better support partnership approaches.

4. Performance Measurement

This chapter examines how the Department of Education, Employment and Workplace Relations approached its recording and tracking role under the Australian Employment Covenant, and monitored and measured the Australian Government's performance in meeting its commitments under the Covenant.

Introduction

4.1 Understanding the performance of an initiative is a key part of sound management. Performance monitoring and reporting is important throughout the life of an initiative as it enables a department and other stakeholders to assess progress against objectives, identify and address emerging issues, make management improvements, and review ongoing relevance and priority.³⁰ A performance framework allows an agency to set, and measure progress towards, objectives and goals.

4.2 As the Covenant was a partnership that DEEWR was contributing to, the department was not responsible for establishing a performance framework for the Covenant as a whole. However, the Australian Government made a commitment to recording and tracking jobs, and placements into Covenant jobs, as well as a commitment to engaging its existing employment service provider network to attract and support job seeker participation in Covenant jobs and training. In this respect, the development of a targeted performance framework with relevant and reliable key performance indicators was an important role for DEEWR to track and assess the Australian Government's commitments to the Covenant.

4.3 The ANAO considered whether DEEWR has established performance systems to enable it to undertake its performance reporting role under the Covenant agreement and to monitor the broader commitments to the Covenant. This chapter covers:

- the Australian Government's monitoring commitments under the Covenant;
- measurement of the Australian Government's contribution to the Covenant; and

³⁰ ANAO Better Practice Guide, *Implementation of Programme and Policy Initiatives*, October 2006, Canberra, p. 51.

- evaluation of the Australian Government's contribution to the Covenant.

Australian Government's monitoring commitments under the Covenant

4.4 One of the roles identified by DEEWR to fulfil the Australian Government's commitments under the Covenant was :

Recording and tracking of AEC jobs and the placement and retention of Indigenous job seekers into AEC jobs and training (where the information is recorded within the Australian Government's IT systems) following the go-live date in February 2009.³¹

4.5 In addition to providing information on AEC outcomes, this information would also allow DEEWR to monitor and report on the extent to which the Australian Government's existing employment programs were supporting the objective of the Covenant.

4.6 As part of its implementation planning, DEEWR identified a number of proxy indicators for the Closing the Gap targets that could support assessment of Covenant outcomes, including indicators based on DEEWR's administrative data. These included:

- Indigenous job placements and paid outcomes from universal employment services (now Job Services Australia);
- job placements from the Indigenous Employment Program;
- three-month employment outcomes (through post-program monitoring); and
- numbers of people on workforce-aged income support payments.

4.7 DEEWR recognised that a requirement of its information systems was to facilitate connections between employers, job seekers, service providers and the department. To support its monitoring commitments, DEEWR identified a range of other indicators against which it could regularly report and assess its own progress against. These included counting the number of:

- employers who registered their interest in the Covenant;

³¹ Australian Government, *Fact Sheet – The Australian Employment Covenant* [Internet], Department of Education, Employment and Workplace Relations, Canberra, 2008, available from <<http://www.deewr.gov.au/Employment/Pages/AustralianEmploymentCovenant.aspx>> [accessed 30 May 2012].

- Covenant jobs advertised via DEEWR systems;
- job seekers placed into a Covenant job using DEEWR systems;
- job seekers who are undertaking training for a specific Covenant job advertised through DEEWR systems and whether this results in an employment outcome;
- job seekers undertaking training through STEP or STEP ERS contracts³²;
- job seekers placed into employment through STEP or STEP ERS contracts;
- job seekers who receive mentoring through STEP ERS;
- job seekers whose employers are accessing Wage Assistance; and
- job seekers who remained in Covenant employment for a minimum of 26 weeks.

4.8 To complete its approach to monitoring and measuring its performance in relation to the Covenant, DEEWR also planned to track Covenant-related expenditure made through DEEWR's employment services. In particular:

- total job seeker account funds expended for job seekers placed in Covenant training or employment;
- total wage subsidies paid to employers for Covenant jobs; and
- total STEP and STEP ERS funds paid to support the Covenant.

³² Structured training and employment projects (STEP) and structured training and employment projects employment and related services (STEP ERS) were rolled into the Indigenous Employment Program from 1 July 2009.

4.9 Collecting and analysing this data at regular intervals would have provided DEEWR with a comprehensive picture of Australian Government activity in relation to the Covenant, and position the AEC and DEEWR to make informed assessments about the effectiveness of the initiative. At the time of the Covenant's commencement, DEEWR's existing information systems were not able to capture all of these proposed indicators. In order to collect the required data, DEEWR planned to make a number of changes to its information systems to be ready for deployment and use by February 2009. The changes were designed to capture the central event of the 'Covenant Job', against which other events would be defined.

4.10 DEEWR was able to make these changes as anticipated by 1 February 2009. However some limitations remained to DEEWR's ability to fully report on AEC outcomes achieved through the Australian Government's employment services. Primarily, data would not be captured when Covenant jobs or placements occurred outside of the DEEWR network. However, as DEEWR anticipated that the majority of Covenant job placements were to be filled by the most disadvantaged cohort of job seekers, the department also considered it was likely that most would access the Covenant through DEEWR's employment services network and the overall impact on the quality of data would be minimised.

4.11 As noted in Chapter 2, a specific funding agreement was developed between DEEWR and the AEC in July 2009 to support the AEC's delivery of its commitments. A key responsibility given to the AEC in this agreement was the requirement for the AEC to provide six-monthly reports to DEEWR on:

- registered Covenant job commitments with details of employer, employment conditions and locations;
- Covenant project participants commencing employment into a Covenant job commitment, including the start date and employer details; and
- Covenant project participants who have stayed in employment for 26 weeks continuously with Covenant employers.

4.12 The reporting requirements under the funding agreement were primarily designed to serve as a basis for managing outcomes-based payments to the AEC. This had the effect of transferring the primary responsibility for reporting from DEEWR to the AEC. Once the monitoring and tracking role had been taken on by the AEC, DEEWR placed less priority on the department's

own collection of relevant and reliable data. This had the effect of reducing the department's ability to monitor the Australian Government's contribution.

4.13 DEEWR informed the ANAO that the changes to its system were unable to capture the full suite of Covenant outcomes without provision of detailed placement information being provided by the AEC to DEEWR. This reliance on data from the AEC was not identified by DEEWR as a key risk during the planning phase following its initial efforts. The department decided against making further changes to its IT systems because the contract with the AEC was only for two years and, as noted in Chapter 2, the nature of the longer-term commitment was not defined at the time the Covenant was entered into. Instead, the department opted for using the reporting obligations required of the AEC and IEP data. While DEEWR's initial analysis and identification of required information would have placed the department in a strong position, overall, DEEWR did not ultimately capture sufficient information from its own systems to provide a reflection against its own initial monitoring commitments.

4.14 On a regular basis, there was no formal framework for DEEWR to report its progress in meeting its commitments to the AEC and the AEC's regular reporting was tied to its funding arrangements. This led to limited visibility around the Australian Government's progress towards meeting its commitments. Further, the lack of an overall reporting framework which applied to both parties' broader contributions, meant that there was not a strong mechanism to support alignment of activities.

Measurement of the Australian Government's contribution to the Covenant

4.15 In addition to its public commitment to record and track jobs in relation to broader Covenant outcomes, monitoring and measuring progress towards meeting the Australian Government's own commitments around training and employment support was also important. The Australian Government expected to contribute up to \$200 million in funds through the IEP and JSA in support of these commitments.

4.16 DEEWR did not identify any business targets to be achieved in relation to the Australian Government's commitments under the Covenant. This has made it difficult for the department to effectively track its success in contributing to the Australian Government's commitments.

4.17 Participants who entered the Covenant through JSA or the IEP were recorded in DEEWR's administrative data, though the data recorded differs for the two programs. In DEEWR's system, information on both vacancies and referral outcomes is recorded for clients participating through JSA, while only referral outcomes are recorded for Covenant jobs referred from the IEP. The department expected that its own administrative data would be used as the primary data source for Covenant participants who are also JSA or IEP clients.

4.18 Following the initial stages of implementation, DEEWR did attempt to assess the Covenant in terms of referral outcomes and placement activity using data recorded in DEEWR's administrative system. While these measures were imperfect, in the absence of any better measures, they provided an indication of the levels of engagement of the employment services network in contributing to the Covenant.

4.19 Once the recording and tracking of AEC outcomes became primarily an AEC responsibility, DEEWR didn't formally develop a revised performance framework and placed less priority on its own collection of reliable data against the Australian Government's commitments. Instead, DEEWR moved to an approach where contracts with AEC employers under the IEP were used as an indication of DEEWR's involvement with the Covenant.

4.20 On occasion, DEEWR undertook informal monitoring of activities in state and territory offices by asking contact officers about the activities that had been initiated. While this is useful, regular and systematic monitoring against agreed measures provides a more reliable indication of levels of activity. There were no formal mechanisms set up to monitor progress from state and territory offices and to consolidate this in a meaningful way.

Indigenous Employment Program data to assess Covenant outcomes

4.21 In the Employment Services System (ESS), IEP job seeker participation is recorded against an IEP Activity (which corresponds to an IEP contract). Initially, DEEWR anticipated tracking the placement and retention of Indigenous job seekers into Covenant jobs and training by way of an AEC placement field or 'AEC flag'. DEEWR added the AEC flag to the IEP activity details however, this placement field has not been used to draw information for reporting purposes because it is unreliable.

4.22 DEEWR relied largely on IEP information in ESS to provide an indication of the Australian Government's contribution to the Covenant. An

IEP-related report was developed to inform briefings to Ministers and the department's Executive, however, there was no single reporting methodology used by DEEWR as reporting needs varied according to the purpose of the briefing. In order to prepare the Covenant report, DEEWR manually links Covenant employers to IEP projects within its system. As such, different cohorts of employers and projects were chosen to suit the reporting question with the result that no consistent reporting over time exists.

4.23 DEEWR is not responsible for measuring the overall results of the Covenant, but it is a partner to the agreement and should, at a minimum, have been able to measure the Australian Government's contribution. DEEWR's public reporting on this contribution has a number of limitations. For example, in May 2012, the Australian Government announced that since the commencement of the Covenant, the Australian Government had assisted 73 employers with up to \$132 million in funding. Some caution needs to be applied when considering the department's performance data because of a number of errors and inconsistencies, such as:

- The information publicly announced by DEEWR includes information going back to projects approved as far back as 2007, including 10 activities valued at \$16.9 million approved before the Covenant was announced on 10 October 2008. The department has indicated that these projects were included as some of the expenditure may have occurred after the employer joined the Covenant.
- The report on which the Minister's May 2012 announcement was based includes three providers which appear to be listed twice. This indicates that the number of employers assisted was only 70, or less if projects approved before the Covenant was announced are also excluded.
- The dataset includes a duplicate record, reducing the total amount of funding although not significantly.
- The report includes a number of school-based traineeships and apprenticeships valued at \$5.7 million, although it was agreed that these were not part of AEC commitments.
- The report includes at least 13 IEP business projects valued at \$1.4 million, although it was agreed that only employment projects were relevant. That is, the report includes projects where a panel member has been engaged to, for example, prepare a business plan for another organisation.

4.24 In some cases, Covenant employers were also employment service providers funded by the department, such as JSA or IEP providers. As such, the Covenant commitments made by these service providers could include Indigenous employment placements achieved with other employers, as part of their service provision role. This means that the funding reflected by DEEWR includes payments to service providers for their existing service delivery role and does not necessarily link to Indigenous employment outcomes within that Covenant employer. DEEWR considered that the wording in the Covenant did not preclude this from happening, and as such, incorporated this into the department's performance information.

Job Services Australia data to assess Covenant outcomes

4.25 Data was also intended to be collected from the JSA system, although similarly to IEP data, some gaps and issues with data collection affect its useability. Primarily, these gaps related to the use of the AEC flag in the JSA system.

4.26 The use of the AEC flag as a data source does not provide a strong basis for collecting data. DEEWR advised that adding an AEC flag to a vacancy is optional and reliant on users entering the information. As such, use and knowledge of the AEC flag has varied considerably across the DEEWR network. This includes the AEC flag being applied to vacancies with employers not signed up with the Covenant. The department is aware that the AEC flag has not always been applied correctly and that this has affected the quality of reporting.

4.27 DEEWR advised that its AEC system flags and related reporting methodologies would not have been reliable without significant additional investment in training, communication and quality assurance processes. The department considered this investment disproportionately large relative to the Covenant's initially understood two-year time period, number of employers and momentum in obtaining Indigenous employment outcomes. Nonetheless, the department adopted the flag system and it remains an element of DEEWR's system but it was not used for reporting purposes.

4.28 Covenant employment outcomes achieved through JSA providers are listed in Table 4.2. DEEWR reported that approximately 3000 Indigenous job seekers had been placed in employment with Covenant employers since 2009 with the assistance of JSA. Over the period February to November 2012, 1276

Indigenous job seekers were still in their positions after 13 weeks, however, by 26 weeks, this figure had dropped to 820.

Table 4.1

JSA 13 and 26 week outcomes for Indigenous job seekers placed with a Covenant employer (1 February 2009 to 12 November 2012)

	13-week outcomes	26-week outcomes
Job Services Australia provider outcomes	1276	820

Source: JSA data provided by DEEWR based on manually matching job seeker employment placements with Covenant employers.

4.29 Similarly to IEP data, the preparation of these figures relies on manually matching employer placements with Covenant employer names. This process can produce different results across reporting periods and may result in records being missed. Further, the process does not take into account when the employer signed the Covenant.

Effectiveness of data collection

4.30 Based on the data provided by DEEWR, since 2009, JSAs have achieved 820 26-week outcomes with Indigenous job seekers placed with Covenant employers. It is more difficult to determine an accurate figure for 26-week outcomes determined through the IEP because of the reporting methodologies used and the quality of the data. The department's figures indicate that approximately 5500 26-week outcomes have been achieved through the IEP. The IEP figures include some errors, information that is not relevant for Covenant reporting purposes and relate to different timeframes and outcomes achieved by service providers. DEEWR has generally not reported placement and outcome data for the Covenant publicly and instead focused on funds committed (rather than spent).

4.31 DEEWR considers that its reporting mechanisms understate the Australian Government's contribution to the Covenant. The department advised that there are other programs supporting the Covenant, but, as noted in Chapter 3, these were not monitored.

4.32 Given the relatively small number of Covenant employers, there are advantages for DEEWR in not making full-scale changes to its systems on account of the Covenant. Manual intervention in reporting, without a clear

reporting framework, can produce vulnerabilities in the quality and consistency of data. DEEWR has also regularly changed the parameters of what it reports on, to suit particular questions. As such, information that is publicly reported is based on different parameters, reducing the opportunity for comparisons over time.

4.33 When compared with the Australian Government's initial commitments under the Covenant, IEP expenditure on Covenant employer projects does not provide a clear reflection of the Australian Government's progress towards meeting its own commitments. While IEP expenditure provides some indication of the Australian Government's performance, it is not sufficient to assess the performance of the department against the Australian Government's commitments. Overall, the approach to reporting presents difficulties in obtaining an accurate picture of the Australian Government's contribution to the Covenant.

Evaluation

4.34 DEEWR's original monitoring and evaluation strategy included a plan to conduct an evaluation of the Covenant initiative. The initial plan was for a mid-stage and final evaluation report.

4.35 An evaluation strategy and preliminary evaluation report were finalised in February 2010, twelve months after the Covenant implementation date. The scope of the evaluation was the progress of Covenant implementation, with an assessment of the overall effectiveness of the Covenant scheduled for June 2011. The report used data available as at 30 September 2009 consisting of: DEEWR administrative data; the 2009 Employment Service Provider Survey; and the September 2009 AEC Executive's Report. The preliminary report found that the Covenant implementation had been slower than expected but this was likely to have been affected by the global recession. The evaluation also found that the Covenant was able to provide training and work opportunities for Indigenous job seekers and that there were opportunities to increase Covenant activity nationally. However, the report noted that the results needed to be interpreted with caution as the results were based on limited data and small participant numbers.

4.36 Following the preparation of the preliminary report, the department decided that work on the evaluation should cease due to a range of factors including:

- the investment in continuing would have been disproportionate to the original timeframe of the initiative;
- the department did not have control or responsibility for the program;
- the department didn't have access to the information required as it considered that most activity occurred outside the department's program;
- resource constraints; and
- the low impact the Covenant was having in terms of generating outcomes for Indigenous job seekers.

4.37 It is reasonable that DEEWR did not have the data to conduct an examination of the Covenant initiative, although this may have been possible in conjunction with the AEC. However, the evaluation also highlighted that DEEWR had limited data and information within its own system to effectively assess the department's contribution to the initiative. Further, a more effective use of DEEWR's evaluation effort might have been applied to its own administration or contribution to the partnership. The decision not to continue with the evaluation was a missed opportunity to both address data deficiencies and identify potential issues within DEEWR's approach. More broadly, an evaluation would have identified lessons learned and provided analysis that may have informed future partnerships of this nature.

Conclusions

4.38 DEEWR is not responsible for measuring the overall results of the Covenant, but it is a partner to the agreement and should, at a minimum, have been able to measure the Australian Government's contribution. DEEWR's public reporting on this contribution has a number of limitations. For example, in May 2012, the Australian Government announced that since the commencement of the Covenant, the Australian Government had assisted 73 employers with up to \$132 million in funding. Some caution needs to be applied when considering the department's performance data as the figures include funding committed to employers (not actual expenditure on training and support), the figures include a number of errors, projects entered into before the Covenant was announced and funding to some service providers (who were also Covenant employers). Data from the department's system also indicates that approximately 6000 26-week outcomes have been achieved with

Covenant employers. Similarly, a more accurate figure cannot be determined due to the limitations in the department's systems.

4.39 DEEWR did not establish a formal or regular monitoring mechanism in relation to each of its four roles under the Covenant and did not set business targets to be achieved in each area. Without detailed operational targets against the Australian Government's commitments, it was difficult for the department to specifically measure its progress and achievements. In the absence of a well developed performance framework, DEEWR was unable to regularly assess its own overall performance, or readily identify the extent to which it was meeting commitments made by the Australian Government.

4.40 DEEWR initially made a number of changes to its employment services systems to enable the department to track information and expenditure in relation to Covenant placements and employers. In 2009, DEEWR identified concerns with quality of data collected through its own systems. However, the department decided against further investment in its systems. Similarly, after undertaking initial evaluation work, the department decided not to complete a final evaluation. The lack of performance information and evaluation represents a missed opportunity for the department to assess the value of the Covenant model, and importantly, to inform future partnerships of this nature.

Recommendation No.1

4.41 In order to sustain the focus on shared objectives, DEEWR, in consultation with the AEC, prepares advice for the Australian Government on options for the department's ongoing involvement, including clarifying roles and responsibilities under the Covenant, and strengthening measures to monitor the delivery of the Australian Government's commitments under the Covenant.

DEEWR's response:

4.42 *DEEWR agrees with qualification, in particular, with the need for clarity in roles, responsibilities and appropriate monitoring of activities in future partnership arrangements.*

4.43 *DEEWR does not consider that further investment in strengthening monitoring processes specific to the Covenant is warranted; rather the department will ensure that appropriate monitoring arrangements are in place to support the next stage of work with GenerationOne.*

4.44 *The department notes that the nature and focus of the partnership has changed now that the AEC has become part of GenerationOne. The department has developed a good working relationship with GenerationOne and is looking to the future to ensure that the lessons learnt so far about how the partnership should operate, are successfully applied. DEEWR will prepare advice for the Government on options for the department's future involvement, including specifying roles and responsibilities in the context of the department's work with GenerationOne. The department will consult with GenerationOne in the process of preparing this advice for the Government.*



Ian McPhee
Auditor-General

Canberra ACT
26 June 2013

Appendices

Appendix 1: Agency response to proposed report



Australian Government

Department of Education, Employment and Workplace Relations

Secretary
Lisa Paul AO PSM

Dr Andrew Pope
Group Executive Director
Australian National Audit Office
GPO Box 707
CANBERRA ACT 2601

Dear Dr Pope

Performance Audit of Indigenous Employment: The Australian Government's Contribution to the Australian Employment Covenant.

Thank you for the opportunity to provide comment on the Australian National Audit Office's proposed audit report of *Indigenous Employment: The Australian Government's Contribution to the Australian Employment Covenant*.

The department's response to the recommendation is presented at [Attachment A](#). The department's formal response to the report is presented at [Attachment B](#) and the summary of the formal response is at [Attachment C](#).

If you have any queries about the department's response please contact Ms Jo Wood, Group Manager Indigenous Economic Strategy on (02) 6121 5486.

Yours sincerely

Lisa Paul

31 May 2013



50 Marcus Clarke Street, Canberra ACT 2601
GPO Box 9880, Canberra ACT 2601 | Phone (02) 6121 6000
www.deewr.gov.au | ABN 63 578 775 294

DEEWR formal response for Audit Report on: Indigenous Employment: The Australian Government's Contribution to the Australian Employment Covenant.

The ANAO has acknowledged in its report that DEEWR engaged positively with the initiative and saw the Covenant as an opportunity to strengthen linkages between employment service providers and, employers and Indigenous job seekers. In looking at DEEWR's approach to implementation the ANAO highlights the deployment of an SES officer as the Australian Government Coordinator which created a strong connection point between the AEC, based in Perth, and DEEWR national office in Canberra and facilitated communication. The ANAO recognises both the deployment of the Australian Government Coordinator and the secondment of a number of department staff to the AEC as new and useful initiatives. The report recognises other elements put in place by the department at the outset of the initiative including: supporting internal management arrangements, an overview implementation model to guide its efforts, preparatory labour market analysis and assistance to the AEC in the development of employer engagement materials to help target the activities of the AEC and its own services.

The audit has pointed to several broad areas in which the department could have been more responsive, over time, to the opportunities presented by the initiative and to the need for clarity in roles, responsibilities and appropriate monitoring of activities.

DEEWR believes that as this is an audit of a partnership rather than a program, it represents a relatively untested approach for audits. As the ANAO has audited only one side of the partnership the conclusions that can be drawn are necessarily limited. Without a similarly in depth audit of the AEC side of the partnership the audit missed the opportunity to examine the interdependencies between partner roles and responsibilities - for example the capacity of government-funded employment services to prepare and train Indigenous job seekers for Covenant jobs was dependent on the ability of the AEC to work with employers to identify the availability of specific jobs and skill requirements so providers could tailor training and other services to meet these specific needs. This was a core function for the AEC under the Covenant. The department also worked extensively to assist the AEC to achieve this, including seconding departmental staff. However, the AEC was largely unable to deliver employer requirements to the department and this limited the job outcomes that could be achieved.

DEEWR is strongly committed to increasing employment outcomes for Indigenous Australians. The department works actively with Indigenous Australians, employers, industry groups and providers to maximise employment outcomes for Indigenous Australians. The success of this partnership approach is evidenced by the outcomes achieved through Government-funded employment services over the period of the Australian Employment Covenant. To illustrate this, the department notes that, from 1 July 2009 to 31 March 2013, over 152,000 job placements were achieved with Indigenous Australians by Job Services Australia (JSA).

The partnership with the Australian Employment Covenant provided an opportunity to support a new approach to collaboration between the public and private sectors through an industry-led initiative supported by Government funding. The initiative has been successful in generating aspirational commitments from employers, with the AEC reporting over 60,000 commitments to date. However, job commitments from employers did not necessarily lead directly or immediately to identified jobs that could be filled by Indigenous Australians. The commitments made by employers reflect the forward commitments of companies across Australia which will need to be filled progressively over a number of years.

DEEWR provided funding to support the AEC, including outcome payments for job outcomes achieved. The AEC's last public statement about progress in filling jobs with AEC employers claimed that 14,000 job outcomes had been achieved. The AEC relied on self-reporting from employers in order to

determine this figure and was unable to verify its reported outcomes to enable outcome payments to be made under the contract with DEEWR.

A number of these outcomes have been supported through DEEWR's Indigenous Employment Program and JSA network of providers. The JSA job outcome data reported above shows that when employers have identified vacancies with clear skill requirements, jobs are filled.

The ANAO has noted that since 1 July 2009 the Government has committed over \$150 million in support to over 70 AEC signatories through the IEP. The department would like to further note that while there are some minor discrepancies in the calculation of this figure, the overall total of Government assistance to AEC employers is significantly larger than the \$150 million as it does not include IEP support to multiple employer projects, wage subsidies and cadetships or support provided through JSA and other programs.

Appendix 2: Australian Employment Covenant's response to proposed report

The AEC organisation was not audited by the ANAO, however due to its role in the Covenant initiative the AEC was provided with relevant extracts of the proposed report.



12 June 2013

Dr Andrew Pope
Group Executive Director
Performance Audit Services Group
Australian National Audit Office
GPO Box 707
CANBERRA ACT 2601

Dear Dr Pope,

Indigenous Employment: The Australian Government's Contribution to Australian Employment Covenant

Thank you for the opportunity to provide comment on the proposed audit report on the Australian Government's Contribution to the Australian Employment Covenant.

On 30 October 2008 business leaders gathered together at Kirribilli House to participate in the launch of the Australian Employment Covenant. The launch was set at a significant point in our nation's history. The apology to the Stolen Generation had been made in Parliament earlier that year and Australia's conscience was focused on delivering meaningful reconciliation.

The message from business leaders to both the Australian Government and Indigenous Australians was that the issue of Indigenous disparity was not just a Government or Indigenous Australia problem but was in fact an opportunity for all Australians to solve together and business leaders, who carry the responsibility for the future hiring decisions, could play a significant role in ending the disparity through employment.

338 employers have committed over 62,000 jobs under the Covenant. To date nearly 15,000 jobs have been filled by Indigenous Australians. We acknowledge the efforts of Indigenous people, employers and the Australian Government, in particular DEEWR in driving these results.

The Proposed Audit Report acknowledges the challenges faced in the implementation and fulfilment of the Covenant's commitments. In spite of these challenges we remain committed to working with the Australian Government plus State and Territory Governments to ensure the balance of jobs are filled.

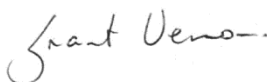
The AEC now operates as a cornerstone program within GenerationOne. With support from AEC employers GenerationOne has focused its attention on advocating for the establishment of a network of Vocational Training Employment Centres (VTEC's) to empower Indigenous job seekers to build on their strengths, address their barriers to employment and be trained to the specifications of an employer offering a guaranteed job.

A network of VTECs will provide the mechanism for AEC employers to deliver on their commitment under the covenant (a guaranteed job at the completion of training), by ensuring that the pre-employment training is done to the requirements of the employer and the needs of the job seeker.

The opportunity to end the disparity of Indigenous employment and break the welfare cycle that has undermined the culture of Indigenous Australians is now very real. From those first steps in 2008 we have progressed to the point where employers have guaranteed more than 62,000 jobs and we know the best model to train and prepare job seekers to be successful in those jobs.

We look forward to the reconciliation that can come from ending the disparity.

Yours sincerely,



Grant Vernon
Chief Operating Officer

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