Community Development Employment Projects Scheme - Phase Two of Audit

Aboriginal and Torres Strait Islander Commission

Performance Audit

Tabled 11 February 1997

Abbreviations / Glossary

Abbreviations

ANAO	Australian National Audit Office
ATSIC	Aboriginal and Torres Islander Commission
CDEP	Community Development Employment Project
DoF	Department of Finance
DSS	Department of Social Security
GAP	Grant Administration Procedures
GASS	Grant Administration Support Section
MAB/MIAC	Management Advisory Board and its Management Improvement Advisory Committee
MIS	Management Information System
OEA	Office of Evaluation and Audit
PFS	Periodic Financial Statement
PPIR	Project Performance Information Report

PPMR	Program Performance and Reporting System
PPR	Program Performance Report
QA	Quality Assurance

Glossary

CDEP Manager	A computer-based participant schedule management system developed by ATSIC.
Client measures	Performance measures which are relevant to client services. They may be the result of a direct survey of services provided and/or the establishment of service standards, such as the time to respond to clients seeking assistance. Client measures may also be indicative of process efficiency.
Community Development Employment Project	A list of planned work activities to achieve a community's social, cultural and economic development objectives (e.g. housing, arts and crafts and child care). A number of work activities collectively form a project.
Input	Resources, both human and other, used to produce program outputs.
InSight	A computer-based grant administration program developed by ATSIC.
Key Result Area	Lower-level objectives included in the ATSIC Central Office CDEP Administration Section Operational Plan for 1996-97.
Letter of Acceptance	Formal written acceptance of an offer of a grant (including the performance indicators included in the Letter of Offer) by the successful applicant.
Letter of Offer	Formal written offer of a grant to a successful applicant. Includes the terms and conditions of the grant and outlines the project-specific indicators against which performance is to be reported.
Outcome	All the impacts or consequences of the program beyond its direct outputs. Outcomes are sometimes delayed or long-term and they are not necessarily intended or anticipated. Outcomes should be distinguished from outputs. For example, the output of an employment training

program may be skills training, while the (desired) outcome is employment.

Unlike outputs, outcomes are often beyond the direct control of the program. The causal relationship between a program and an outcome must be demonstrated before the outcome can be claimed to have been caused by the program.

Output	The products or services which are produced and delivered by a program in order to achieve the program's objectives.
	Output and through measures (e.g. number of courses run, number of cases processed) are easier to develop and may indeed provide useful background information about the program, but they will generally not of themselves be useful measures of objectives.
Participant Schedule	Schedule of eligible persons who are participating as CDEP workers.
Performance indicator	Provides an indication as to how well a program is proceeding toward meeting its objective and how efficiently and economically it is using the resources available to it.
Performance information	Quantitative and qualitative evidence about performance that is collected and used systematically. Effective performance information should enable judgments to be made on the extent to which program activities are achieving the desired results. The information may relate to program effectiveness, appropriateness, efficiency, social justice, impact and quality of client service.
Periodic Financial Statement	Identifies the financial statements, receipts, payments, capital items, cash balances and a detailed listing of debtors and creditors for each community organisation.
Process measures	Measures of the efficiency and productivity of areas of the organisation responsible for program delivery. Process measures include internal resource usage, process cycle times and the means used to produce the outputs designed to bring about outcomes.
Program performance indicator	Measures of achievement specified in ATSIC's Program Statements.
Project Performance Information Report	Identifies the community organisation, purpose of the grant, and period of the grant, and seeks information on any planned outputs which were not

achieved. Community organisations are also required to submit information on achievements against the planned outputs identified in the Work Plan.

Quality	Quality relates to the characteristics by which an organisation, product or delivery is judged by customers or stakeholders. In the context of this audit, quality is referred to as conformance to requirements (i.e. the ATSIC Funding Procedures Manual).
Quality Assurance	All the planned and systematic activities implemented to provide adequate confidence that an entity (e.g. an activity or process, product and/or organisation) will fulfil the requirements for quality.
Scrutiny Assessment Rating	Rating used by delegates to assess the risk factors when approving grants. It helps determine the frequency of major funding reviews. It is based on materiality, value of assets and capacity to manage.
Spot Checks	A short review which primarily verifies: the existence and eligibility of participants who are listed on the Participant Schedule; the management of participant documentation; and compliance with general grant conditions or other issues at the discretion of senior State management.
Standards	Predefined specifications of levels of performance; may be set across the spectrum of inputs, processes, outputs and outcomes and at different levels (e.g. minimal, average or challenging).
Strategies	Groupings of activities used to achieve an objective (e.g. a strategy to raise awareness of an issue can encompass activities like publishing pamphlets, creating networks, holding conferences and meetings). Strategies provide an essential link between objectives and good performance information.
Targets	Can be set for the achievement of specified levels of performance against identified standards within a set period.
Work Plan	Required to be submitted with the CDEP grant application and is a plan of all activities to be undertaken using the grant money for a twelve-month period. The Work Plan details the types of activities, their relative priority to the community, number of participants in each activity,

planned outputs and material required to perform each activity. It also forms the basis of the Project Performance Information Reports.

Summary

Community Development Employment Projects Scheme

1. The Community Development Employment Projects (CDEP) Scheme, which was established in 1977, is the largest single Aboriginal and Torres Strait Islander Commission (ATSIC) Program. In 1995-96 expenditure was $329 million, representing 33 per cent of ATSIC's total program budget for that period. Of the total expenditure for the Scheme, approximately 63 per cent ($211 million) can be offset against potential expenditure by the Department of Social Security (DSS).

2. The CDEP Scheme was developed primarily as an income support and community development scheme for remote Aboriginal communities. It provides part-time paid employment as an alternative to receipt of social security payments. Community organisations apply each year for CDEP grants to undertake a range of community projects and enterprises which serve a wide combination of social, economic and cultural objectives. Such projects include: housing, road maintenance, artefact manufacture and horticultural activities.

3. Since its inception, the Scheme has undergone significant changes and has been extended to rural and urban areas. The Scheme has expanded over a number of years from eighteen CDEP organisations and 1200 participants in 1982-83 to 274 organisations with 28 422 participants in 1995-96.

4. In 1995 the Australian National Audit Office (ANAO) commenced an audit of the administrative efficiency and effectiveness of the Scheme. The audit was divided into two phases. The report on Phase One of the audit, Audit Report No.6 1995-96, was tabled in October 1995.

5. Phase One of the audit was concerned with reviewing the efficiency and administrative effectiveness of the CDEP Scheme and was undertaken at ATSIC Central Office, one State Office and one Regional Office. The report made sixteen recommendations which would lead to significant improvements in the administration of the Scheme. The ANAO concluded that the greatest impact on bringing about improvement to the CDEP administration would be achieved by providing a report to Parliament on Phase One of the audit and deferring the examination of other offices (Phase Two) until 1996.

6. This report provides the ANAO's findings, conclusions and recommendations resulting from Phase Two of the audit in relation to the objective specified below.

Audit objective and criteria

7. The objective of Phase Two of the audit was to examine the efficiency and effectiveness of operations of ATSIC Central, State and Regional Offices in relation to the administration of the CDEP Scheme.

8. The ANAO established key criteria to assess progress against the implementation of the Phase One recommendations and further assess the efficiency and effectiveness of CDEP administration.

Conclusion

Progress

9. The ANAO found that ATSIC had made significant progress since Phase One of this audit in addressing its recommendations, particularly in the following areas:

- clarification of roles and responsibilities at each level of administration;

- implementation of the computer-based participant schedule management system (CDEP Manager) at the Regional Office and community level;

- Regional Office staff complying with CDEP grant administration procedures, analysing performance information and providing support and assistance to the community organisations in the majority of cases examined;

- community plans being developed and monitored appropriately;

- use of the CDEP quality assurance package at a number of State and Regional Offices; and

- provision of training to Regional Office staff in a number of key operational areas.

10. In addition to the progress made since Phase One, the ANAO identified a number of good practices in areas such as monitoring of CDEP projects and quality assurance processes. These practices have been highlighted in the relevant chapters.

Areas in need of improvement

11. However, the ANAO considers that the efficiency and effectiveness of ATSIC's administration of the Scheme could be further improved by:

- implementing operational planning and reporting processes which clearly identify the value added by each level of administration as well as the value of key tasks critical to the success of the CDEP Scheme;

- developing appropriate outcome measures of performance at both the community and national level;

- developing performance measures to adequately assess the efficiency and effectiveness of ATSIC's administration of the CDEP Scheme;

- overseeing the performance reporting framework to ensure that it provides meaningful information on the effectiveness of the Scheme and useful feedback to community organisations;

- ensuring that a risk management approach is taken in relation to determining the appropriate level of monitoring activity for each community organisation and ensuring that the results of these activities are documented, including the identification and implementation of any necessary follow-up action;

- clarifying the procedures relating to reviews as outlined in the Project Monitoring section of the ATSIC Funding Procedures Manual;

- ensuring that the management information systems developed to improve grant administration are used to their maximum potential for reducing the manual processing of information and

facilitating improved project performance analysis, monitoring and follow-up;

- adopting an approach to quality assurance which includes ongoing monitoring together with a point-in-time assessment; and

- focusing its training efforts more specifically towards ensuring that Regional Office staff have a good understanding of the more complex aspects of the procedures.

12. While the ANAO's comments in this report relate specifically to CDEP, there would be benefit in ATSIC applying the principles discussed in this report in relation to planning, reporting, performance information and project monitoring across all programs. In particular, the ANAO considers that a comprehensive approach should be adopted to planning and reporting by ATSIC.

13. The ANAO has made seventeen recommendations aimed at facilitating improvements in the areas listed above. The recommendations flowing from Phase One focused mainly on the one State visited. Given Phase Two would cover a larger number of State and Regional Offices, there was the potential that broader issues would be raised and, as a result, further improvements to the Scheme identified.

ATSIC's response

14. ATSIC welcomes this positive report from the ANAO. ATSIC believes that the ANAO has found that the administration of the CDEP Scheme is efficient and effective although there is room for improvement. It is noted that the audit found several instances of good practice throughout the ATSIC network.

15. ATSIC welcomes ANAO's comments that it recognises the considerable effort ATSIC has devoted to the development of planning, performance information, monitoring systems and to improving CDEP and Generic Procedures.

16. Many of the ANAO's recommendations are not CDEP specific. That is, they are equally applicable to all ATSIC grant funded programs. Consequently, it is intended that such recommendations will be addressed through ATSIC-wide initiatives such as the Performance Information Review (PIR) and Generic Grant Procedures Review.

Performance Information Review

17. ATSIC plans to further enhance planning, program performance monitoring and reporting systems as an important element of its Continuous Improvement Strategies and through the ATSIC PIR to be conducted jointly with the Department of Finance (DoF). ATSIC expects that the planned outcomes of the review will include, inter alia:

- a mechanism to improve ATSIC's capacity to demonstrate what performance has been achieved against the objectives set by the Government and the ATSIC Board;

- an assessment of the quality and clarity of existing objectives; and

- the development of a strategic framework which will include a policy and a strategy for, improving the clarity of objectives and performance information, and improving program performance monitoring and reporting especially the ability to better report on program outcomes.

Grant Procedures Review

18. ATSIC is currently assessing tenders for a consultancy to undertake a major review of the ATSIC's generic Grant Procedures and Terms and Conditions of Grant. The consultants will be asked to frame the review within the current policy environment, including:

- the effort to improve the balance between the achievement of outcomes and the requirements for public accountability (the current focus weighs heavily on accountability);

- increased focus on outcomes and outputs reporting;

- a more holistic approach to organisational funding rather than grant by grant; and

- contestability.

19. The procedural review then establishes the basis for ATSIC's responses to particular recommendations of the Efficiency Audit. While the consultancy should be completed by 31 May 1997, the review aims to take ATSIC's entire grant funding process back to fundamentals, its impact in terms of improving processes may take some time to bear fruit.

Lessons to be Learnt

21. ATSIC has initiated a series of Staff Circulars entitled *Lessons to be Learnt*. These are developed from analysis of various Office of Evaluation and Audit (OEA) and ANAO audits and evaluations as they arrive. The *Lessons to be Learnt* circulars inform staff of best practice found within particular ATSIC offices, and provide clear instructions on correct administration where problem areas have been identified.

22. Several ANAO recommendations flowing from the Efficiency Audit of CDEP will be highlighted in upcoming *Lessons to be Learnt* circulars.

Key Findings

Planning and Reporting

23. ATSIC had devoted considerable effort since Phase One to improving its operational planning process. The emphasis to date has been on clarifying the roles and responsibilities at each level of administration. The ANAO considers that ATSIC should now undertake further improvements in the following areas:

- the operational plans should clearly identify the value being added by each level of administration;

- appropriate performance indicators should be developed which link to each key result area in order to adequately measure performance;

- the tasks/activities which are critical to the success of the Scheme should be identified and prioritised; and

- appropriate mechanisms for reporting progress against operational plans should be developed. In implementing these reporting processes a coordinated approach should be adopted.

24. The ANAO considers that it is particularly important to adopt a whole-of-ATSIC

approach to planning and reporting. This will ensure that all efforts are directed in a coordinated way to achieving the objectives of the CDEP Scheme. Without this approach there is a risk that activities will be duplicated or that one level of administration may have disproportionate responsibilities and may not be able to provide an appropriate level of service.

Performance Information

25. It is important that ATSIC measure both the achievements of the Scheme as a whole and the efficiency and effectiveness of its administration of the CDEP Scheme because of their inter-relationship. The ANAO's findings in relation to the performance information developed for each of these areas are discussed below.

Effectiveness of the CDEP Scheme

26. The ANAO noted that ATSIC had improved its Program Performance Indicators since 1995-96 (Phase One audit) in that the outcome measures have been expanded in light of the revised objective for the CDEP Scheme for 1996-97.

27. However, the ANAO found that the performance measures for individual CDEP projects were not yet adequate. ATSIC should:

- develop appropriate outcome measures;

- include project-specific indicators in all the Letters of Offer which measure outcomes and the types of activities undertaken; and

- tailor the specific outcome indicator(s) to suit the objectives of each CDEP project.

28. As well as developing appropriate performance indicators, ATSIC should review its reporting framework to ensure that data against these indicators is collected and analysed to provide meaningful information on the effectiveness of the Scheme and useful feedback to the relevant community organisations.

Efficiency and effectiveness of CDEP administration

29. The ANAO found that ATSIC had made a considerable effort to develop performance information at all three levels (Central, State and Regional) of its administration. The emphasis to date has been on ensuring that suitable strategies are developed to achieve appropriate outputs/outcomes in relation to the key result areas. ATSIC would now benefit from the development of appropriate performance measures for **each** of these strategies to adequately assess the efficiency and effectiveness of the three levels of administration in achieving the overall objective of the CDEP Scheme.

30. ATSIC's Annual Report provides general information on program management issues. This could be improved by reporting on the contribution of ATSIC administration to the achievement of the CDEP objective. As well, ATSIC should develop an ongoing internal performance reporting mechanism to provide information on the progress made towards completing critical tasks or the impact of administrative activities on progressing the CDEP Scheme.

Monitoring

31. ATSIC has improved its monitoring activities in terms of complying with procedures,

analysing performance information and providing support and assistance to the community organisations.

32. However, for these monitoring activities to be fully effective, ATSIC should ensure that:

- a risk management approach is taken in relation to determining the appropriate level of monitoring activity for each community organisation;

- Regional Office staff have adequate guidance on the analysis of performance reports and that the basis of the overall assessment of performance is documented; and

- the results of monitoring activities are documented, including the identification and implementation of appropriate follow-up action.

Management information Systems

CDEP Manager

33. ATSIC has made significant progress in terms of completing the implementation of the CDEP Manager at the Regional Office and community level. Overall, CDEP Manager was being widely used by community organisations and Regional Offices. Discussions with Regional Office staff indicated that the majority found that the system was proving to be effective and efficient in processing and verifying the accuracy of the Participant Schedules.

InSight

34. The ANAO found that, in the majority of Regional Offices visited, ATSIC was not maximising the benefits of the computer-based grant administration system, InSight, to improving the administration of the CDEP Scheme. There were variations in the understanding and use of InSight and many Regional Offices had developed other methods, such as spreadsheets, to manage and monitor the performance of the projects.

35. The ANAO has made recommendations for the enhancement of InSight with the aim of improving:

- the efficiency of the grant administration process; and

- the comprehensiveness of information recorded in relation to performance analysis and follow-up.

Other administration issues

Quality Assurance

36. The ANAO found that considerable progress had been made in the area of quality assurance (QA) at the State and Regional Office level. The majority of the State Offices visited by the ANAO had developed separate QA policies and strategies and had tailored the implementation of QA to suit their specific requirements. The QA package developed by the Office of Evaluation and Audit (OEA) was being used in two different ways (ongoing monitoring or a point-in-time assessment) by the State and Regional Offices.

37. The ANAO has recommended a combined approach to QA to provide complementary processes which are aimed at improving quality during the project administration process for each grant as well as providing higher level information across a Region/State.

Guidelines and procedures

38. Regional Office staff found the revisions to the CDEP procedures using the Information Mapping technique had resulted in a more user-friendly and comprehensive document. All relevant staff had access to the Procedures and a summary of changes was being prepared by Central Office on an annual basis.

Training

39. ATSIC has made adequate progress in addressing the recommendations relating to training made in Phase One. Training has been provided in CDEP Manager, InSight and the recent changes to the Procedures. As well, ATSIC has made partial progress in following-up the initiatives discussed in Phase One to upgrade the level of staff skills within the Regional Office.

40. The ANAO considers that ATSIC should now direct its training efforts more specifically towards ensuring that Regional Office staff have a good understanding of the more complex aspects of the procedures (for example the requirements of analysing Periodic Financial Statements and Project Performance Information Reports). As well, ATSIC should further progress its training initiatives particularly in the area of the CD-ROM training package and the Staff Training Handbook.

Recommendations

Set out below are the ANAO's recommendations with Report paragraph reference and ATSIC's abbreviated responses. More detailed responses and any ANAO comments are shown in the body of the report. The ANAO considers that ATSIC should give priority to Recommendations Nos. 1 to 7, 9, 10, 11, 14 and 17.

Recommendation No. 1 Para. 2.33	The ANAO recommends that ATSIC: link Central, State and Regional Office operational plans in a way which clearly demonstrates how each of the three levels of administration is to contribute to the achievement of the overall objectives for CDEP; establish clear links between the key result areas, associated strategies and performance measures within each plan; identify critical tasks and associated priorities, and develop and apply an appropriate model for the allocation of staff resources. **ATSIC response**: Agreed.
Recommendation No. 2 Para. 2.45	The ANAO recommends that ATSIC implement formal mechanisms for reviewing and reporting progress against operational plans which ensure that: planned activities are undertaken; the information collected is analysed at various levels to draw meaningful conclusions; achievements are highlighted;

any problems are identified and appropriate solutions adopted; and

appropriate feedback on performance is provided to the various levels of administration.

ATSIC response: Agreed.

The ANAO recommends that ATSIC review its overall strategy for community-based performance information to ensure that:

appropriate outcome measures of program performance are developed;

targets are developed and a benchmark analysis is undertaken to measure improvements in the performance of the CDEP Scheme over time;

it is mandatory to include in the Letter of Offer (therefore becoming a condition of the grant) at least one project-specific performance measure for each of the following Program performance indicators:

Recommendation No. 3 Para. 3.43	contribution of CDEP to communities; and

types of activities undertaken;

the type of outcome measure/s selected are tailored to suit the prime objective of the individual project (for example social, economic and/or cultural outcomes);

community organisations are requested to report against only those indicators for which information cannot be collected by other means; and

a risk management approach is adopted to selecting the project-specific indicators to be used to monitor and assess the performance of individual CDEP projects.

ATSIC response: Agreed.

Recommendation No. 4 Para. 3.72	The ANAO recommends that ATSIC review the program performance reporting framework to ensure reporting is meaningful and reliable and that it facilitates analysis of information to determine whether the program has met its performance objectives and targets efficiently and effectively.

ATSIC response: Agreed.

The ANAO recommends that ATSIC review the administrative performance measures developed for each level of administration as soon as possible. The performance measures developed should demonstrate:

Recommendation No. 5 Para. 4.12	that the type and level of administrative support provided to community organisations have led to improved outcomes for CDEP;

the contribution and value added by each level of administration to achieving the objectives of the CDEP Scheme;

that ATSIC's administrative activities are being undertaken in the most efficient and cost-effective manner; and

that resources are being directed to the highest-priority tasks.

ATSIC response: Agreed.

Recommendation No. 6 Para. 4.25	The ANAO recommends that ATSIC review the existing external reporting requirements to include the provision of information on ATSIC's administrative efficiency and effectiveness in the 1996-97 Annual Report.
	ATSIC response: Agreed.
Recommendation No. 7 Para. 4.28	The ANAO recommends that ATSIC introduce ongoing internal performance reporting mechanisms which will provide managers with timely information on key aspects of performance. This information should allow progress on tasks critical to the achievement of the objective to be assessed and assist with the early identification of the need for any remedial action or change of priorities.
	ATSIC response: Agreed.
	The ANAO recommends that ATSIC ensure that:
	more training and guidance given to relevant staff in relation to the factors which need to be taken into account when assigning the scrutiny assessment rating;
Recommendation No. 8 Para. 5.17	for each project, Regional Office staff document the justification for the scrutiny assessment rating given to each community organisation;
	the scrutiny assessment rating is consistent with the information contained on the CDEP Grant Assessment Form;
	the schedule of reviews of community organisations is developed on a risk management basis using the scrutiny assessment rating; and
	'InSight' is enhanced to incorporate the electronic compilation and processing of the CDEP Grant Assessment Form.
	ATSIC response: Agreed.
	The ANAO recommends that, in relation to Periodic Financial Statements and Project Performance Information Reports, the ATSIC Funding Procedures Manual be revised to:
Recommendation No. 9 Para. 5.53	emphasise the requirement that appropriate follow-up action be taken where community organisations have not provided all components of the information required as part of the grant conditions;
	include more guidance on the methods of analysis to be used; and
	emphasise the requirement for the relevant staff to adequately document the basis for the overall performance assessment and any necessary remedial action identified.
	ATSIC response: Agreed.
	The ANAO recommends that in relation to field visits, spot checks and reviews, ATSIC ensure that:
Recommendation No. 10 Para. 5.95	any necessary follow-up action is undertaken and adequate feedback is provided to the communities; and
	this follow-up action and feedback are documented for future reference.

ATSIC response: Agreed.

The ANAO recommends that ATSIC consider revising the Project Monitoring section of the ATSIC Funding Procedures Manual to include a specific sub-section on reviews which:

clearly defines the purpose of reviews and why these are important;

Recommendation No. 11 Para. 5.98	provides further guidance on scheduling the reviews using a risk management approach;

removes the distinction between Major Reviews and CDEP Project Performance Reviews, to provide Regional Managers with the flexibility to determine the scope and methodology of the reviews depending on their assessment of the associated risk; and

includes a range of terms of reference which can be selected depending on the scope of the review (for example, financial or operational).

ATSIC response: Agreed.

The ANAO recommends that, in relation to reviews, ATSIC ensure that State CDEP Support Units undertake an analysis of the findings of reviews to:

Recommendation No. 12 Para. 5.100	identify any common issues which could be addressed on a State-wide basis;

enable informed assessments to be made of Regional Office performance in relation to provision of support to community organisations; and

provide a useful basis for planning CDEP Conferences.

ATSIC response: Agreed.

The ANAO recommends that, to ensure CDEP Manager is being used effectively at the Regional Office and community level, ATSIC address as soon as possible the concerns raised by Regional Offices in relation to:

Recommendation No. 13 Para. 6.21	the incompatibility of software; and

access to input screen displays

with a view to improving overall administration and assistance to communities.

ATSIC response: Agreed.

Recommendation No. 14 Para. 6.37	The ANAO recommends that ATSIC implement as soon as possible the recommendations of the Office of Evaluation and Audit's Post Implementation Review of the InSight Management Information System. This will lead to more efficient and effective functioning of the system.

ATSIC response: Agreed.

Recommendation No. 15 Para. 6.39	The ANAO recommends that to facilitate improved project performance analysis, monitoring and follow-up there would be benefit in ATSIC enhancing InSight to:

incorporate the compilation and processing of the CDEP Grant

Assessment Form;

maintain a record of field visits and spot checks planned and actually undertaken;

maintain a schedule of reviews and the criteria used for assessment;

identify and maintain a record of follow-up action undertaken and feedback provided as a result of the various monitoring activities undertaken; and

assist with the lodgment and analysis of Periodic Financial Statements by:

further exploring the electronic lodgment of Periodic Financial Statements by community organisations; and

designing a form within InSight which electronically downloads the necessary information which can be used by Regional Office staff to analyse the Periodic Financial Statements.

ATSIC response: Agreed.

Recommendation No. 16 Para. 7.15	The ANAO recommends that ATSIC adopt a combined approach to the quality assurance of Regional Office project administration which involves:
	ongoing monitoring of documentation relating to individual CDEP projects using a Quality Assurance Checklist; and
	a point-in-time assessment of Regional Office project administration using the Quality Assurance Package developed by the Office of Evaluation and Audit.

ATSIC response: Agreed.

The ANAO recommends that, in relation to training, ATSIC:

focus its training efforts on key activities highlighted in the ATSIC Funding Procedures Manual (for example, the analysis of Periodic Financial Statements and Project Performance Information Reports);

Recommendation No. 17 Para. 7.58	undertake further training to increase the use and familiarisation of the 'InSight' management information system with Regional Office staff;
	given the significant effort devoted to the CD-ROM project to date, ensure that benefit is gained from the effort invested in the project (for example, the information compiled for the CD-ROM be used once a decision has been made on an alternative method for disseminating this information); and

the Staff Training Handbook and widely disseminate it widely to all State and Regional Offices.

ATSIC response: Agreed.

1. Introduction

This chapters provides background information on the Community Development Employment Projects Scheme, this audit and other recent reviews of the CDEP Scheme.

Background to CDEP

1.1 The Community Development Employment Projects Scheme was established in 1977 as an income support and community development program for remote Aboriginal communities. Individuals participating in the CDEP Scheme elect to forgo their individual access to Social Security entitlements. While the initial focus was on remote areas, the Scheme has grown considerably and become established in rural and urban areas.

1.2 Community organisations apply each year for CDEP grants to undertake a range of community project and enterprises which serve a wide combination of social, economic and cultural objectives. Table 1 provides examples of the range of CDEP activities undertaken.

Table 1: Example of Types of CDEP Activities Undertaken

Nature of the activity	Example of activities undertaken
Economic (income-generating)	Road maintenance Arts and crafts Tourism Housing Horticultural
Social	Training health workers Child care Cooking and sewing Night patrol
Cultural	Documentation of rock art Production of arts and crafts for community collection Provision of materials for ceremonial observances (i.e. ochre) Development and maintenance of ceremonial camp grounds

1.3 The CDEP Scheme is the largest single program administered by ATSIC. Expenditure in 1995-96 was $329 million which represents 33 per cent of ATSIC's total program budget for the period. Of the total expenditure for the Scheme in 1995-96, approximately 63 per cent ($211 million) can be offset against potential expenditure by the Department of Social Security (DSS). As reflected in Figure 1, the Scheme has expanded over a number of years from 1200 participants (eighteen CDEP organisations) in 1982-83 to 28 422 participants (274 organisation) in 1995-96.

1.4 The 1996-97 Budget approved funding for the Scheme is in the order of $336 million.

Figure 1: CDEP Participants and Expenditure, 1976-77 to 1995-96

1.5 Amounts broadly equivalent to Social Security entitlements are paid as block grants to approved CDEP community organisations to provide a wages pool for part-time employment on work activities determined by the organisations. This pool is augmented by capital and recurrent funding associated with work projects and their maintenance.

1.6 Although there will be no reduction in CDEP participant numbers, the following changes to the Scheme were approved as part of the 1996 Budget:

- a twelve per cent reduction in CDEP capital and recurrent funding for all CDEPs with more than 150 participants from 1 July 1996;

- termination of the former Government's expansion initiative in the 1996-97 and the 1997-98 financial years; and

  reduction in CDEP operational planning and training funds from $4 million to $1.5 million in 1996-97 and an allocation of $0.5 million in 1997-98 and out years.

Figure 2: Breakdown of CDEP Expenditure by State/Territory

* Other Recurrent Costs includes the overheads and other running expenses requiredto maintain the CDEP project.

Background to the audit

1.7 The ANAO tabled the report on Phase One of the audit in October 1995 (Audit Report No.6, 1995-96). As a result of Phase One the ANAO made sixteen recommendations which would lead to significant improvements in the administration of the CDEP Scheme. Phase One field work was undertaken at ATSIC Central Office, one State Office and one Regional Office.

1.8 The results of the field work were analysed at the completion of the first phase to determine the benefit of proceeding with the rest of the audit at that time. The ANAO found that the concerns raised by previous reviews of CDEP had yet to be addressed. A number of significant changes to the Scheme had also been proposed and these needed time to take effect. Therefore, the ANAO concluded that the greatest impact on bringing about improvement to the CDEP administration would be achieved by providing a report to Parliament on Phase One of the audit and deferring the examination of other offices (Phase Two) until 1996. An assessment of ATSIC's progress in implementing the recommendations of previous reviews and the Phase One audit would be made at this time.

The audit

Audit objective

1.9 The objective of Phase Two of the audit was to examine the efficiency and effectiveness of operations of ATSIC Central, State and Regional Offices in relation to the administration of the CDEP Scheme.

Audit methodology and criteria

1.10 The ANAO established key criteria to assess progress against the implementation of the

Phase One recommendations and further assess the efficiency and effectiveness of CDEP administration at all three levels. The main areas examined were:

- planning, including reports of progress against plans and the development and use of performance information;

- monitoring, including client feedback and the review process at the Regional Office level;

- the implementation and effectiveness of management information systems in relation to CDEP; and

- the development and implementation of quality assurance processes at State/Regional level.

1.11 Field work for Phase Two was undertaken during August 1996 in the Bourke, Sydney, Cairns, Darwin, Kalgoorlie and Adelaide Regional Offices and their respective State Offices.

1.12 The State and Regional Offices selected provided coverage of the major CDEP areas which were not reviewed in 1995-96 by the Office of Evaluation and Audit or the ANAO as part of ATSIC's financial statement audit. As well, the sample was chosen to cover the Regional Offices in those States which have the majority of the Aboriginal population.

1.13 Field work was undertaken in ATSIC Central Office during August and September 1996.

1.14 During the course of the field work, the ANAO undertook reviews of CDEP files, including a sample of project files. The sample selection was determined on the following basis:

- a minimum 33 per cent of the CDEP project files were to be examined at each Regional Office; and

- projects were selected randomly from the list of CDEP communities provided by each Regional Office.

1.15 Interviews were also conducted with managers at Central, State and Regional Office level, project officers and quality assurance officers. Discussion papers outlining the findings and recommended action were issued to each Office visited. The purpose of these papers was to provide immediate feedback on the work undertaken and where possible make suggestions to improve the Regional and State Office administration. Common issues arising from these papers which impact on the administration of the Scheme as a whole are addressed in this report.

1.16 The audit was conducted in conformance with ANAO Auditing Standards and cost $239 700.

Other reviews of CDEP

1.17 A number of reviews of CDEP have commenced since the ANAO's Phase One audit was completed. These are discussed below.

OEA internal audit

1.18 OEA conducts internal audits of the CDEP Scheme every year. An internal audit was

conducted in February 1996 and the final report was issued in July 1996. The OEA audit examined compliance with CDEP grant procedures and followed-up on the findings of the ANAO's Phase One audit.

1.19 The ANAO took the findings of the OEA audit into account when determining the scope and focus of Phase Two.

OEA Evaluation

1.20 OEA has also commenced an evaluation of the CDEP Scheme focusing specifically on the outcomes of the Scheme. The OEA evaluation is addressing issues relating to the effectiveness of the CDEP Scheme at the community level. The draft evaluation report is expected to be issued in February 1997 and the final report is scheduled for March 1997.

Special Audit

1.21 The Special Audit was initiated by the Federal Minister for Aboriginal and Torres Strait Islander Affairs in April 1996. The task of the Special Auditor was to examine relevant financial records of **all** organisations which have applied to ATSIC for grants and to which ATSIC, after normal grant management processes have been undertaken, proposes to make grants for 1996-97. No distinction was made between CDEP communities and other community organisations.

1.22 The aim of the Special Audit was to establish whether applicant organisations were fit and proper bodies to receive public funding. The Report of the Special Auditor, tabled in October 1996, cleared 95 per cent of the 1122 community organisations reviewed to receive public funding. The Report also provided comments and recommendations in relation to ATSIC and the Torres Strait Regional Authority processes and procedures where accountability could be improved.

Impact of the above reviews on ANAO's Phase Two audit

1.23 In determining whether to proceed with Phase Two of the audit, the ANAO considered the abovementioned reviews and determined that there would be value in proceeding to Phase Two for the following reasons:

- to provide an independent assurance to the Parliament on the implementation of recommendations made in relation to Phase One of the audit; and

- to address the strategic issues in relation to the administration of the CDEP Scheme which had not been addressed in the reviews discussed above. These include operational planning, reporting on the progress against these plans, development of performance information and clarification of the review procedures.

The report

1.24 Chapter 2 deals with ATSIC's operational planning processes, including mechanisms for reporting progress against the operational plan. Chapters 3 and 4 address performance information in relation to measuring the overall achievement of the objectives of CDEP Scheme and ATSIC's administration of the Scheme. Chapters 5 and 6 cover issues relating to ATSIC's project monitoring processes and management information systems used in the

administration of CDEP at the Regional Office level. Chapter 7 discusses ATSIC's quality assurance processes, progress made since Phase One in relation to training and the ANAO's suggested improvements to the ATSIC Funding Procedures Manual. At Appendix 1 is a summary of action taken by ATSIC in response to recommendations made in Phase One of the audit.

2. Planning and Reporting

This chapter discusses ATSIC's operational planning processes and mechanisms for reporting on progress against the operational plans. The ANAO has highlighted a number of issues in relation to planning and reporting and has made recommendations for further improvement.

Introduction

2.1 The ANAO examined operational planning, including the processes used to report achievement against the plan, at all three levels of the administration of CDEP (Central, State and Regional Office).

2.2 While this audit focused on issues relating specifically to the administration of the CDEP Scheme, the underlying principles of planning and reporting discussed in this chapter apply to all ATSIC programs.

Operational planning
Planning process

2.3 The objective of the CDEP Scheme is:

to provide indigenous people with work to enhance individual skills, community self-management and economic development.

2.4 Both ATSIC administration and the community organisations managing and undertaking CDEP projects (hereafter referred to as community organisations) are responsible for ensuring that this objective is achieved.

2.5 Planning must be undertaken in such a way as to ensure that the work of both ATSIC and the community organisations is directed at meeting this objective. Links must be established between the community plans and the overall CDEP objective and, on the ATSIC side, links need to be established between the work and performance at each level of administration.

2.6 Figure 3 illustrates the three levels of administration in ATSIC and shows the relationship with the ATSIC Board, Regional Councils and community organisations.

Figure 3: Relationship between ATSIC Administrative and Elected Arms
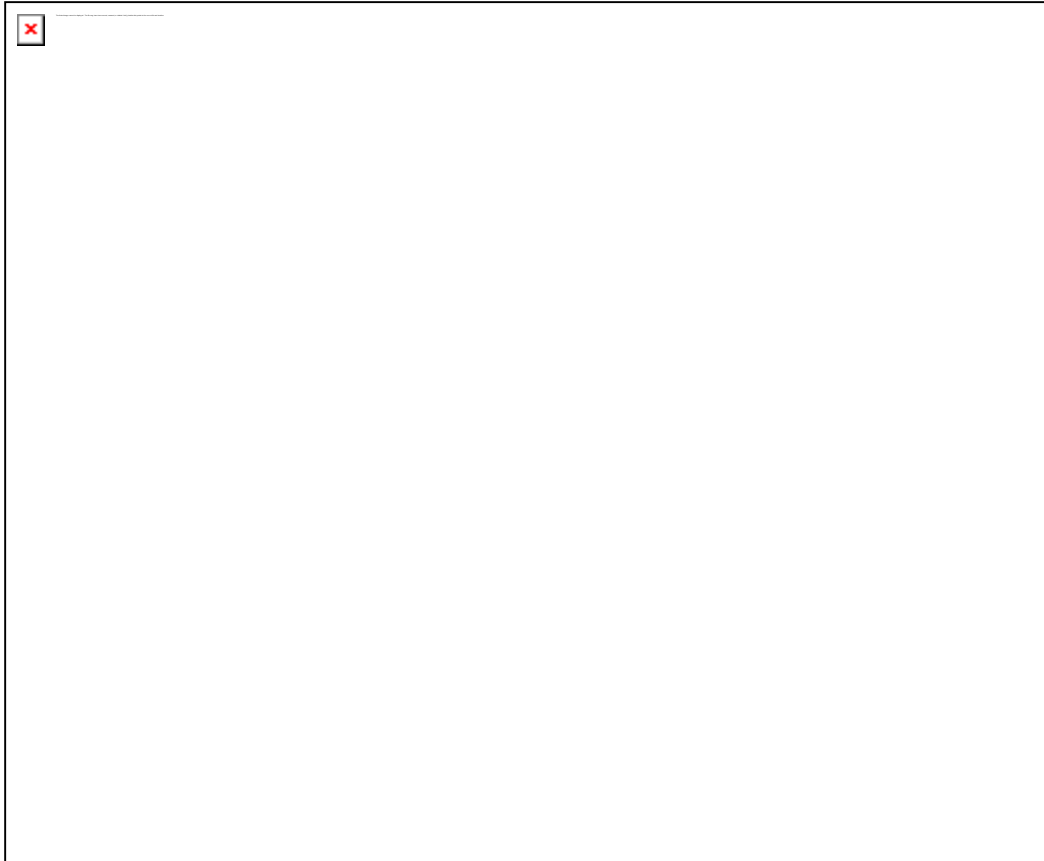
2.7 In relation to ATSIC administration, plans need to be integrated to clearly demonstrate ATSIC is one organisation rather than encouraging a perception (inadvertently or otherwise) that the three levels of administration are operating in isolation. Further, these plans should identify how the various levels of administration are to work together to achieve the CDEP objective. The contribution to be made by each level of administration and the value added by this contribution should be clearly identified.

2.8 This audit concentrated on planning in relation to ATSIC administration rather than community planning. The audit findings are discussed in detail below.

ANAO findings

2.9 The ANAO acknowledges the work undertaken by ATSIC in the area of operational planning since Phase One of the audit. Operational plans for 1995-96 had been developed for Central Office and the majority of State and Regional Offices visited in this audit. This process involved extensive staff consultation and, given 1995-96 was the first year in which operational plans had been developed at all levels of administration, an emphasis was placed on clarifying roles and responsibilities.

2.10 In order to improve the 1996-97 planning processes, Central Office organised a Planning Conference in July 1996 which involved representatives from State CDEP Support Units and Central Office Administration and Policy sections. The aim of the conference was to improve coordination between Central and State Offices and assist State Offices in developing plans to meet State and National priorities in relation to CDEP.

2.11 The ANAO found that the majority of the offices visited had commenced work on the development of a 1996-97 operational plan and in many cases these plans were well

advanced.

2.12 The plans generally contained a mission, objectives, strategies and tasks to be undertaken. Overall, the plans showed a clear understanding of the roles and responsibilities by each level of administration (staff interviews supported this).

2.13 A number of issues in relation to planning which now need to be addressed as part of the next phase of development were highlighted during the course of the field work. These issues are discussed separately as follows:

- links between operational plans at the three levels of administration;

- links within operational plans;

- performance information;

- setting priorities; and

- resource allocation.

Links between operational plans at the three levels of administration

2.14 The planning process should be used to identify those tasks which are critical to the achievement of the objective of the CDEP Scheme. Also it is important to link operational plans at the Central, State and Regional Office level to clearly identify the value added by each level of administration to achieving this objective. Establishing these links will also improve the lines of reporting and accountability and will show whether:

- unnecessary duplication of activities exists;

- any critical activities are not being addressed; and

- one level of administration is over-(or under-) burdened.

2.15 The ANAO found that the operational plans for the CDEP Administration Section at Central Office and State CDEP Support Units were linked. However, the Regional Office plans were not linked to either Central or State Office CDEP plans. It should be noted, however, that the majority of the Regional Office operational plans did not focus specifically on CDEP but were working documents relating to all Regional Office functions. The ANAO considers that, given Regional Offices are part of the administration structure and the focal point for delivery of service to communities, ATSIC should ensure that work at all three levels of administration is linked in a way that ensures that all efforts are directed to achieving the Scheme's objective in the most efficient and effective manner.

2.16 To enable links to be established between the three levels of administration, Regional Offices should consider developing a separate section in their operational plans dealing specifically with CDEP. This section should demonstrate the links with other levels of administration. Table 2 illustrates these links by taking a key result area from the Central Office CDEP operational plan and showing how each level of administration contributes to the achievement of the objective. The example chosen addresses only the quality assurance component of the key result area and has been based on the approach to QA suggested by the ANAO in Chapter 7.

2.17 Each Regional Council prepares a Regional Plan which identifies the vision, goals, major issues and strategies to achieve the goals for that region. The ANAO found that there were close links between Regional Office operational plans and Regional Council's plans for the offices visited in this audit. This is important given one of the primary responsibilities of Regional Office is to provide support and advice to Regional Councils.

Links within operational plans

2.18 As well as linking the operational plans at each level of administration, ATSIC should ensure that links are established within each operational plan. Objectives, strategies and performance indicators identified in the plan should be linked to ensure that:

- strategies are in place to articulate the means by which the objective and key result area are to be achieved; and

- appropriate indicators are developed which will demonstrate whether these strategies are relevant and which measure the level of achievement against the objective and key result area.

2.19 Establishing links between the objectives, strategies and performance indicators in the plans will also provide staff at each level with a clear understanding of:

- why certain activities are being undertaken; and

- how the achievement of these activities is to be measured.

**Table 2: Examples of Links within and between Operational Plans
at the three levels of ATSIC Administration**

Mission:[*] To provide an appropriate, efficient and effective administrative section for the support of the CDEP Scheme.

Objective:[*] Improve the appropriateness, efficiency and effectiveness of administrative support provided to all stakeholders in the CDEP Scheme.

Key Result Area [*]	Strategies	Performance indicators	Milestones	Priority
Central Office To facilitate improved accountability	Monitor the quality assurance practices and frequency of quality assurance checks and reviews in States and Regions.	Input: Development of the Quality Assurance Checklist and review package. Process: Use of the Quality Assurance Checklist in Regional Offices. Use of quality assurance review package by State Offices.	State Office reports to Central Office by .... (specify frequency)	High, Medium or Low

Key Result Area	Strategies	Performance indicators	Milestones	Priority
		Output: Number of quality assurance reviews of the Regional Office Quality Assurance Checklists undertaken by each State Office. Outcome: Findings of the quality assurance reviews. Findings of OEA and ANAO audits. Client Service: Feedback to State Offices on the quality of the quality assurance reviews examined.		

Table 2 (continued)

Key Result Area [*]	Strategies	Performance indicators	Milestones	Priority
State Office To contribute to improved accountability	Monitor Quality Assurance Checklists in Regional Offices by undertaking quality assurance reviews.	Input: Development of the Quality Assurance Checklist and review package. Process: Use of the Quality Assurance Checklist in Regional Offices. Use of quality assurance review package by State Offices. Output: Number of quality assurance reviews of the Regional Office Quality Assurance Checklists undertaken by each State Office. Outcome:	Regional Office reports to State Office by .... (specify frequency)	High, Medium or Low

		Findings of the quality assurance reviews. Findings of OEA and ANAO audits. Client Service: Feedback to State Offices on the quality of the quality assurance reviews examined.		
Regional Office To ensure improved accountability	Ensure Regional Office staff complete Quality Assurance Checklists on an ongoing basis.	Input: Development of the Quality Assurance Checklist. Process: Completion of the Quality Assurance Checklist. Output: Quality Assurance Checklist to be completed for all Regional Office project files. Outcome: Findings of the Quality Assurance Checklists. Findings of OEA and ANAO audits. Client Service: Feedback to Regional Office staff on the quality of the Quality Assurance Checklists examined.	Completed Quality Assurance Checklists to be examined for accuracy by independent Regional Office staff on an ongoing basis. (specify frequency)	High, Medium or Low

2.20 The ANAO reviewed the CDEP operational plans for 1996-97 for those offices that had commenced the planning process. While links could be established between the objectives and strategies for the majority of plans reviewed, these could be further improved to ensure that strategies are in place which relate to all aspects of the objective. However, in the majority of cases there were no clear links between the strategies and performance indicators. That is, the performance indicators identified did not relate to the strategies and therefore could not be used to measure the success or otherwise of these strategies.

2.21 Table 2 above also demonstrates the links that could be established within operational plans (between the key result area, strategies and performance indicators).

Performance information

2.22 Performance information is an important part of the planning process as it provides feedback on the extent to which program activities are achieving the desired results in line with the objective. Performance indicators need to be established which can measure:

- the impact of the Scheme on community organisations; and

- the value of the contribution made by the administrative arm in achieving the objective of the Scheme.

2.23 Performance information is discussed in greater detail in Chapters 3 and 4.

Setting priorities

2.24 It is important to set priorities to ensure that ATSIC's resources are focused on critical business activities. Setting priorities involves identifying those tasks which:

- are critical to the success of the CDEP Scheme and therefore must be undertaken;

- are desirable and will be undertaken if resources permit; and

- have low priority.

2.25 This will ensure that resources are not devoted to lower-priority tasks at the expense of the critical tasks. Such planning will assist management in the:

- allocation of resources;

- communication of key priorities to staff and other stakeholders;

- identification of potential gaps in resource coverage for critical tasks; and

- reporting on performance, both internal and external.

2.26 The ANAO found priorities had not been established for specific tasks in any of the operational plans examined.

Resource allocation

2.27 As mentioned above, resource availability is one of the critical factors which should be considered when setting priorities.

2.28 During the conduct of the audit the ANAO found that the number and level of staff identified for CDEP support and administration varied considerably across the States and Regions visited. There did not appear to be a correlation between staff allocation and the number of communities to be serviced, distances involved, size of population for the State and other relevant factors.

2.29 ATSIC has advised that the staffing model proposed by the Daffen review [1] is no longer relevant since many changes have occurred to CDEP, and ATSIC more generally, since then.

The ANAO found that ATSIC has been aware of these changes and their impact on the Daffen model but has not yet developed an alternative staffing model for application.

2.30 Decisions regarding resource allocation are for management to make. However, in order to ensure efficient administration, effective program delivery and appropriate client service it is important that early attention is given to the deployment of staff using an appropriate staffing model. This should be applicable to each level of administration and take into account workloads and other factors as outlined above (paragraph 2.28). ATSIC has advised that this issue is to be addressed in the near future.

Conclusion - planning

2.31 As mentioned in paragraphs 2.9 to 2.12, ATSIC has devoted considerable effort to improving its operational planning processes. The emphasis to date has been on clarifying the roles and responsibilities at each level of administration. The ANAO considers that ATSIC should now undertake further improvements in the following areas:

- links need to be established between Central, State and Regional Office operational plans to clearly identify the value added by each level of administration to achieving the CDEP objective. The development in the Regional Office plans of a separate section dealing specifically with CDEP will assist in this process;

- clear links need to be established between the key result areas, associated strategies and performance measures within each plan;

- critical tasks should be identified and priorities established; and

- resource allocation should be determined using an appropriate staffing model.

2.32 Where appropriate, the ANAO made suggestions for improvements during the course of the field work. ATSIC has commenced action in relation to these suggestions.

Recommendation No.1

2.33 The ANAO recommends that ATSIC:

- link Central, State and Regional Office operational plans in a way which clearly demonstrates how each of the three levels of administration is to contribute to the achievement of the overall objectives for CDEP;

- establish clear links between the key result areas, associated strategies and performance measures within each plan;

- identify critical tasks and associated priorities, and

- develop and apply an appropriate model for the allocation of staff resources.

ATSIC response

2.34 Agreed. ATSIC accepts that there is a need to further enhance and strengthen the links between Central, State and Regional Office operational plans to more clearly demonstrate how each of the three levels of the administration are to contribute to the overall objectives for CDEP.

2.35 It is intended to address this recommendation as part of the ATSIC PIR that is to be conducted jointly in 1996-97 with DoF and the review of the Corporate Plan which is scheduled to be conducted in the first half of the 1997 calendar year.

Reporting against the plans

Reporting process

2.36 The reporting process is important to trace progress against plans in order to avoid potential problems and take timely remedial action. ATSIC should adopt a two-level approach to reporting:

- ongoing reporting at the lower level for day-to-day management (discussed in Chapter 4, paragraphs 4.20 to 4.23); and

- a review mechanism at the higher level (discussed below).

2.37 These high-level reports prepared at strategic times (for example, every six months) will enable ATSIC to assess progress against the plan as a whole. They should also assist in ensuring that:

- planned activities are undertaken in accordance with priorities;

- achievements are highlighted;

- appropriate feedback on performance is being provided to various levels of administration; and

- any problems are identified and appropriate solutions adopted.

2.38 Reviewing the results of progress against plans should also form the basis for developing future plans.

ANAO findings

2.39 The ANAO found that reporting against the previous year's operational plan, where undertaken, was carried out in an informal way (e.g. staff meetings).

2.40 The ANAO is aware that Central Office intends to introduce a six-monthly reporting process for State CDEP Support Units in 1996-97 on progress against the operational plan. At present, there is a reporting process which involves ATSIC Central Office (Office of Public Affairs) receiving monthly reports from State and Regional Offices. These reports provide general information on media activities, Ombudsman contact and State/Regional issues (by exception) in relation to all ATSIC programs. This information is not directly related to the operational plans.

2.41 The ANAO considers that, for the reasons outlined above in paragraphs 2.36 to 2.38, ATSIC should implement a mechanism to formally report and review progress against the operational plans. These could be high-level reports providing an overview rather than a detailed description of progress. As well, ATSIC should adopt a coordinated approach to reporting. This will ensure that:

- Regional Office staff are not involved in preparing unnecessary reports. Devoting resources to such reports could impact on the level of client service offered at the Regional Office level; and

- similar information is reported by offices at each level of administration. This would allow the information to be collated and analysed at the State and Central Office level to draw meaningful conclusions.

2.42 The operational planning and reporting processes should also take into account the information needs of all relevant areas of ATSIC and key stakeholders.

2.43 For reporting to be effective there should be appropriate performance indicators. The ANAO found that these had not been developed in all cases. Table 2 above identifies some further examples of performance indicators which can be used to measure achievement/progress against operational plans and therefore could form the basis of reporting against these plans.

Conclusion - reporting against plans

2.44 The ANAO considers that ATSIC should develop mechanisms for reporting progress against operational plans. In implementing these reporting processes a coordinated approach should be adopted to ensure that:

- there is no duplication of information being generated;

- relevant reports are prepared which highlight achievements;

- the information collected is analysed at various levels to draw meaningful conclusions and provide appropriate feedback; and

- problems are identified and appropriate solutions adopted.

Recommendation No.2

2.45 The ANAO recommends that ATSIC implement formal mechanisms for reviewing and reporting progress against operational plans which ensure that:

- planned activities are undertaken;

- the information collected is analysed at various levels to draw meaningful conclusions;

- achievements are highlighted;

- any problems are identified and appropriate solutions adopted; and

- appropriate feedback on performance is provided to the various levels of administration.

ATSIC response

2.46 Agreed. It is planned to consider options for the development and implementation of mechanisms for reviewing and reporting progress against operational plans, and ways of ensuring that appropriate feedback on performance is provided to various levels of administration as part of the PIR.

Salary Resources Distribution Review: Towards the Year 2000 undertaken by Peter Daffen in May 1994 to recommend an appropriate allocation of available salaries resources between each of the ATSIC State and Regional Office and Central Office branches for 1994-95 and future years.

3. Performance InformationEffectiveness of the CDEP Scheme

This chapter discusses the principles of good performance information and the development and reporting of the community-based performance information used to measure the effectiveness of the CDEP Scheme in achieving its overall objective. The work undertaken by ATSIC to improve its performance information and reporting mechanisms and the ANAO's suggestions for further improvements are also discussed.

Background

3.1 Performance information is an essential tool for program management and performance improvement. It assists in the identification of where you have been, where you are heading, whether you are heading in the right direction, how you will get there and whether you are using resources in the most cost-effective manner. In addition, an appropriate set of performance information can focus attention on those factors which influence outputs and outcomes at each level of management. Performance information is also a communication mechanism in that it allows staff at all levels to have a common understanding of program objectives.

3.2 Performance can refer to all aspects of the activities of an organisation which relate to the carrying out or achievement of a particular purpose, task or function. For a program, organisation or work unit, these aspects include inputs, processes, outputs and outcomes. Performance information can and should address all of these aspects and the relationships between them.

3.3 Performance information is evidence about performance that is collected and used systematically. The concept of performance information includes information produced through monitoring quantitative and qualitative indicators, targets and standards, benchmarking for performance and reporting. It should facilitate the identification of outcomes and the monitoring and evaluation of the efficiency and effectiveness of processes used to achieve them.

3.4 Without adequate performance information, particularly in relation to program effectiveness, managers are not well placed to take informed decisions about the allocation and use of program resources or provide sound advice on the appropriateness, success, any shortcomings and future directions of programs. Such information is also essential for program evaluation and other reviews and the development of new or replacement programs. As well, appropriate performance information provides assurance to the Parliament and the public regarding actual program performance in relation to the specified objectives, including adequate controls.

3.5 Many organisations experience difficulties in developing appropriate performance information. It is generally recognised that it can be very time-consuming, and in many cases resource-intensive, to develop a full suite of performance indicators. For these reasons a risk management approach is appropriate. Experienced managers consider it better to concentrate

on a relatively small number of high-quality measures relating to economy, efficiency and effectiveness rather than a large number which tend to refer to only partial and not well-related elements of performance. The latter can consequently be difficult to interpret in terms of overall program performance.

3.6 To remain credible and accurate, performance indicators may need to change periodically. However, changes to all indicators at the one time should be carefully considered as this prevents comparisons of performance over a number of years. If indicators are reviewed, performance reports should be annotated to explain the change and provide a link to the previous reporting period's performance information.

3.7 As mentioned previously, reporting is also an important aspect of performance information. Internal performance reports should address inputs, outputs and outcomes and are used to support day-to-day decision-making and to monitor progress, expenditure, client services and so on. External reports are the main means by which interested parties, such as the Parliament and the public, obtain information on program outcomes. It is therefore particularly important that these reports are outcome-focused.

ATSIC's performance information

3.8 The delivery of the CDEP Scheme is undertaken by ATSIC's administrative arm (that is, Central, State and Regional Offices) working together with the community organisations responsible for individual CDEP projects. Some performance information has been developed to assess the efficiency and effectiveness of the CDEP Scheme. This information includes measures relating to both the achievement of the overall objective for the Scheme (that is, community-based performance measures) and ATSIC administration.

3.9 The ANAO examined performance information relating to the CDEP Scheme as a whole to establish whether:

- clear links could be established between objectives, strategies and indicators;

- a balance of measures existed which allow an assessment of efficiency and effectiveness (that is, a balanced range of input, process, output and outcome measures);

- program effectiveness could be assessed; and

- the necessary information was gathered to be able to report program impact.

3.10 The ANAO acknowledges that there are difficulties in establishing good performance information and notes that ATSIC has commenced a number of initiatives to improve its performance information. These have been discussed below (paragraphs 3.65 to 3.68).

3.11 Discussed separately in this and the following chapter are the ANAO's findings and suggestions for improvement in relation to the performance information collected to measure the:

- overall effectiveness of the Scheme (community-based performance information which is discussed below); and

- efficiency and effectiveness of ATSIC in the administration of the Scheme (administrative performance information which is discussed in Chapter 4).

Development of community-based performance measures

3.12 Individual employment and development projects funded by CDEP grants are managed by community organisations. The actual impact of the Scheme in terms of outcomes can, therefore, be assessed only through the development of community-based performance information which demonstrates the level of success of each CDEP project in achieving the objective of the CDEP Scheme. These measures should be developed in such a way that they can be collated to form an overall assessment of the efficiency and effectiveness of the CDEP Scheme across Regions, States and Nationally.

3.13 ATSIC has developed community-based performance measures at two levels. These are:

- high-level **Program** performance indicators; and

- lower-level **project-specific** indicators.

3.14 The two levels of community-based performance measures are discussed separately below.

Program performance indicators

3.15 Program performance indicators are measures of achievement specified in ATSIC's Program Statements. ATSIC reports against these indicators in its Annual Report. Table 3 lists the objective for the CDEP Scheme, strategies and Program performance indicators developed for 1996-97.

3.16 The reporting processes and the ANAO's comments are discussed further in paragraphs 3.47 to 3.64.

Table 3. Links between the CDEP Objective, Strategies and Performance Information

CDEP Objective: [*] To provide Indigenous people with work to enhance individual skills, community self-management and economic development.

Strategies [*]	Program Performance Indicators [*]	Type of Indicator
Provide grants to Aboriginal and Torres Strait Islander organisations for wages, operational and capital costs, to enable them to undertake work projects selected by the community or group.	On the basis of survey information and narrative accounts, assess the contribution of CDEP to improving: the economic base; community self-management; social and cultural well-being of communities; skills to enable individual participation in mainstream employment and the movement across to mainstream; and participation rate of women and youth.	Outcome
	Number of communities and individuals participating in CDEP.	Output

[no strategy identified]	The geographic distribution of CDEPs.	Output
Support activities which target particular groups such as women and youth.	Number of women and youth participating in CDEP activities.	Output
Assist communities to develop appropriate skills to enable them to successfully undertake work activities and manage the CDEP.	Types of work/economic/development activities undertaken.	Output

* Information provided by ATSIC.

ANAO findings

3.17 The ANAO considers that ATSIC has improved its Program performance indicators since 1995-96. The outcome measures have been expanded in light of the revised objective for the CDEP Scheme for 1996-97. As well, a range of measures relating to outputs and outcomes have been developed as outlined in the third column of Table 3 above.

3.18 However, the ANAO considers that there is scope for further improvement in the community-based performance information. With reference to Table 3, the ANAO found that ATSIC should:

- demonstrate how the first Program performance indicator listed in Table 3 (Program performance 'outcome' indicator), relating to assessing the contribution of CDEP, is to be measured. For this to be an effective performance measure, the indicator needs to be reworded to say, for example, that 'project officers have developed **appropriate measures** (i.e. project-specific indicators) which have allowed an assessment of the contribution of CDEP to improving...'. The development of appropriate project-specific indicators is discussed further in paragraph 3.20 below; and

- clarify the link between the indicator relating to geographic distribution of CDEPs and the strategies/objective.

3.19 In addition to improving the Program performance indicators, the ANAO considers that there may be benefit in ATSIC developing targets and benchmarks to measure improvements in the performance of the CDEP Scheme over time. Targets are quantitative and can be established to measure the performance of a specified strategy or initiative over time. Targets can be set at two levels:

- an overall target for the CDEP Scheme (for example, proportion of women and youth participating in CDEP activities in a given year);

- lower lower-level targets in relation to specific aspects of the objective for CDEP (e.g. number of income-generating activities funded by CDEP).

Project-specific indicators

3.20 The program performance information discussed above is compiled through the aggregation of the various individual project-specific indicators and information provided in a narrative form from communities. These lower-level, project-specific indicators should be developed for each individual project and should be linked to the Program performance

indicators. For each grant, community organisations are required to report on progress against the project-specific indicators.

3.21 ATSIC has developed a list of project-specific indicators from which Regional Office staff can choose when selecting indicators for each project (see Appendix 2). The ATSIC Funding Procedures Manual (hereafter referred to as the Procedures) states that three of these project-specific indicators are mandatory as they represent information which is considered to be essential to meeting ATSIC's reporting processes (the three mandatory indicators are highlighted in Appendix 2). If the non-mandatory indicators provided by ATSIC in the centrally developed list are considered not to be appropriate for a specific project, Regional Office staff can negotiate additional indicators with individual community organisations.

3.22 The Procedures require that the selected project-specific indicators be included in the Letter of Offer, which is a formal grant offer made to a successful applicant. The Letter of Offer is issued by the ATSIC office responsible for administering the grant. The acceptance of the grant conditions and associated performance indicators by the applicant is confirmed in the Letter of Acceptance.

ANAO findings

3.23 The ANAO acknowledges the significant work undertaken by ATSIC to develop a list of project-specific indicators. However, through an examination of a sample of Letters of Offer for 1996-97 and ATSIC's centrally developed list of possible project-specific indicators, the ANAO found that:

- the designated mandatory indicators were not always included in the Letters of Offer as required by the Procedures;

- the designated mandatory project-specific indicators did not adequately measure the Program performance indicators;

- the designated mandatory indicators were not always relevant to the objectives of the individual CDEP projects;

- some of the indicators listed were actually strategies to achieve the objective rather than measures of actual performance; and

- community organisations were requested to supply information that could be collected by interrogating information held on ATSIC's existing databases.

3.24 The ANAO considers that in addressing the issues listed above ATSIC should identify a relatively small number of key indicators relating to economy, efficiency and effectiveness. Each of these issues is discussed below.

Indicators included in the Letter of Offer

3.25 As mentioned in paragraph 3.21, there are three mandatory indicators to be included in the Letter of Offer. Through an examination of a sample of Letters of Offer for 1996-97, the ANAO found that the designated mandatory indicators were not always included in the Letter of Offer as required by the Procedures. The lack of inclusion of all mandatory indicators for each community organisation has a direct impact on the quality of the information reported in that:

- the performance of the program may not be able to be adequately analysed;

- the information will not be able to be collated to present a Regional, State or National perspective; and

- there may be inequities in the grant conditions applying to each grant.

Links to Program performance indicators

3.26 The ANAO considers that project-specific indicators should be identified for each Program performance indicator so that information is gathered which provides an assessment of each indicator at the program level. If this information is not collected then it follows that the results achieved by the program against each of these indicators will not be able to be analysed or reported.

3.27 The ANAO found that the three mandatory project-specific indicators contribute to the partial measurement of some components of the Program performance 'outcome' indicator (discussed in paragraph 3.18 above).

3.28 However, the mandatory project-specific indicators currently identified by ATSIC do not provide **sufficient** information to allow the full measurement of the achievement of the Program performance indicators listed below:

- contribution of CDEP to communities to improving the economic base, community self-management, social and cultural well-being of communities, skills of individuals and participation of women and youth (the Program performance 'outcome' indicator);

- types of activities undertaken.

3.29 The ANAO considers that ATSIC should revise its Procedures to indicate that it is mandatory to include in the Letter of Offer at least one project-specific indicator for each of the two Program performance indicators listed above. This should ensure that all the necessary information is collected to allow a measurement against the above Program performance indicators (particularly the 'outcome' indicator).

Relevance of designated mandatory indicators

3.30 As mentioned in paragraph 3.29, it is important to have project-specific outcome indicators which allow measurement of the Program outcomes. However, it would be unrealistic to expect that every individual project would produce outcomes in every area listed in the outcome statement (paragraph 3.28). That is, not every project will produce economic outcomes as well as social, cultural and community self-management outcomes. Some projects are targeted to specific outcomes depending on the highest need of the particular community at the time.

3.31 Therefore, while the ANAO considers that it should be mandatory to have at least one project-specific outcome indicator (see paragraph 3.29) the Procedures should also be revised to indicate that the particular outcome measures chosen should be tailored to suit the objectives of each project.

3.32 For example, the objective of an individual CDEP project may be to improve social and cultural well-being rather than focusing on economic activities. Therefore, project-specific indicators should be developed to measure the expected outcomes in terms of improving

social and cultural well-being and may not address outcomes of an economic nature.

3.33 Figure 4 illustrates the ANAO's suggested enhancements in relation to the development of project-specific indicators (discussed above in paragraphs 3.29 to 3.32).

Project-specific indicators - strategies rather than measures of performance

3.34 The ANAO examined ATSIC's list of project-specific indicators and found that some of the indicators listed were actually strategies to achieve the objective rather than measures of actual performance.

3.35 While strategies provide an essential link between objectives and performance indicators, it is necessary to develop indicators to determine how successful strategies are and how well a project is proceeding towards meeting its objectives.

3.36 As well, the ANAO found that there was no project-specific indicator for 'geographic distribution of CDEPs' (a Program performance indicator listed in Appendix 2). In cases such as this, the information is already available within ATSIC and need not be requested from community organisations. This is further discussed below (paragraphs 3.37 and 3.38).

Supply of information relating to project-specific indicators

3.37 The ANAO considers that ATSIC should give consideration to reviewing the list of project-specific indicators to identify those indicators for which information can be obtained through interrogating CDEP Manager [1], or other existing information sources, rather than requesting communities to provide the information again as part of the Letter of Offer. Some examples of project-specific indicators which fall into this category are: the number of communities and individuals participating in CDEP, the number of Aboriginal and Torres Strait Islander people employed on the project, the number of women and youth participating in CDEP, and the geographic location of CDEP activities.

Figure 4: Project-specific Indicators to be included in the Letter of Offer

Number of indicators in the Letter of Offer

3.38 The ANAO also considers that it is preferable to identify a relatively small number of key measures relating to economy, efficiency and effectiveness. The development and collection of information against a large number of performance indicators can be very time-consuming and resource-intensive.

3.39 Therefore, in the identification of appropriate project-specific indicators, the ANAO considers that ATSIC should adopt a risk management approach. Due to the nature of the activity, some projects may not need a large suite of indicators. Some of the factors which need to be considered when determining the number of indicators to be developed are:

- materiality (i.e. level of funding for the activity);

- number of participants to be employed;

- complexity associated with the particular activity being undertaken by the project (e.g. arts and crafts through to full-scale construction projects);

- implementation timeframe; and

- public perception or profile of the activity to be undertaken.

3.40 Community acceptance of project-specific indicators is also a factor critical to the development of meaningful performance indicators. The ANAO is aware that several Regional Managers have indicated their intention to further develop the project-specific indicators in consultation with each CDEP organisation within their Region. This will provide a much greater chance of gaining acceptance for the indicators than if they are developed separately from the communities.

Conclusion - development of community-based performance measures

3.41 The ANAO noted that ATSIC had improved its Program performance indicators since 1995-96 (Phase One audit). The outcome measures have been expanded in light of the revised objective for the CDEP Scheme for 1996-97. It is acknowledged that it is particularly difficult to develop outcome indicators which show a causal (direct) link between CDEP funding and the achievement of outcomes.

3.42 However, the ANAO considers there is scope for further improvement in the program performance information in the following areas:

- developing appropriate outcome measures of program performance;

- developing targets to measure improvements in the performance of the CDEP scheme;

- the Letter of Offer should include at least one project-specific indicator for each of the following Program performance indicators:

■ contribution of CDEP to communities; and

■ types of activities undertaken;

- the type of outcome indicators chosen should be tailored to suit the objective of the individual project (for example social, economic and/or cultural outcomes);

- community organisations should be requested to report against only those indicators for which information cannot be collected by other means; and

- adoption of a risk management approach in the identification of appropriate project-specific indicators.

Recommendation No.3

3.43 The ANAO recommends that ATSIC review its overall strategy for community-based performance information to ensure that:

- appropriate outcome measures of program performance are developed;

- targets are developed and a benchmark analysis is undertaken to measure improvements in the performance in the CDEP Scheme over time;

- it is mandatory to include in the Letter of Offer (therefore becoming a condition of the grant) at least one project-specific performance measure for each of the following Program performance indicators:

- contribution of CDEP to communities; and

- types of activities undertaken;

- the type of outcome measure/s selected are tailored to suit the prime objective of the individual project (for example: social, economic and/or cultural outcomes);

- community organisations are requested to report against only those indicators for which information cannot be collected by other means; and

- a risk management approach is adopted to selecting the project-specific indicators to be used to monitor and assess the performance of individual CDEP projects.

ATSIC response

3.44 Agreed. ATSIC will review its overall strategy for community based performance information as an important component of the Performance Information Review. It is also proposed to review and enhance CDEP polices to address program performance reporting and performance information.

3.45 ATISC recognises the importance of having a range of performance indicators but this should not override the more important task of selecting **appropriate** performance indicators.

3.46 ATSIC will continue to develop useful performance indicators and provide relevant system enhancements to InSight.

Community-based performance reporting

3.47 Reporting on performance information is important because it provides the basis for internal management, monitoring and decision-making and the means by which external accountability (that is, reporting on outcomes of the Scheme) is achieved. Various reports may be produced with different levels of detail and a different balance of measures to suit the needs of special audiences.

3.48 Performance reporting is undertaken at two levels. These are:

- **Project** Performance Information Reports (PPIRs); and

- **Program** Performance Reports (PPRs).

3.49 These reports form part of ATSIC's general Program Performance Monitoring and Reporting System (PPMR) for reporting on all ATSIC programs.

Project Performance Information Reports

3.50 Under the terms and conditions of the CDEP grant agreement, all community organisations responsible for CDEP projects are required to submit PPIRs twice a year. PPIRs should provide both quantitative and qualitative information on progress against the project objectives and the performance indicators agreed in the Letter of Acceptance.

3.51 For 1996-97 Project Officers are required to assess the PPIRs using an Analysis of Project Performance Information Report form (Form GP 6.3A). Additional sources of information, such as field contact reports and other internal and external reports, should be taken into consideration when making this assessment.
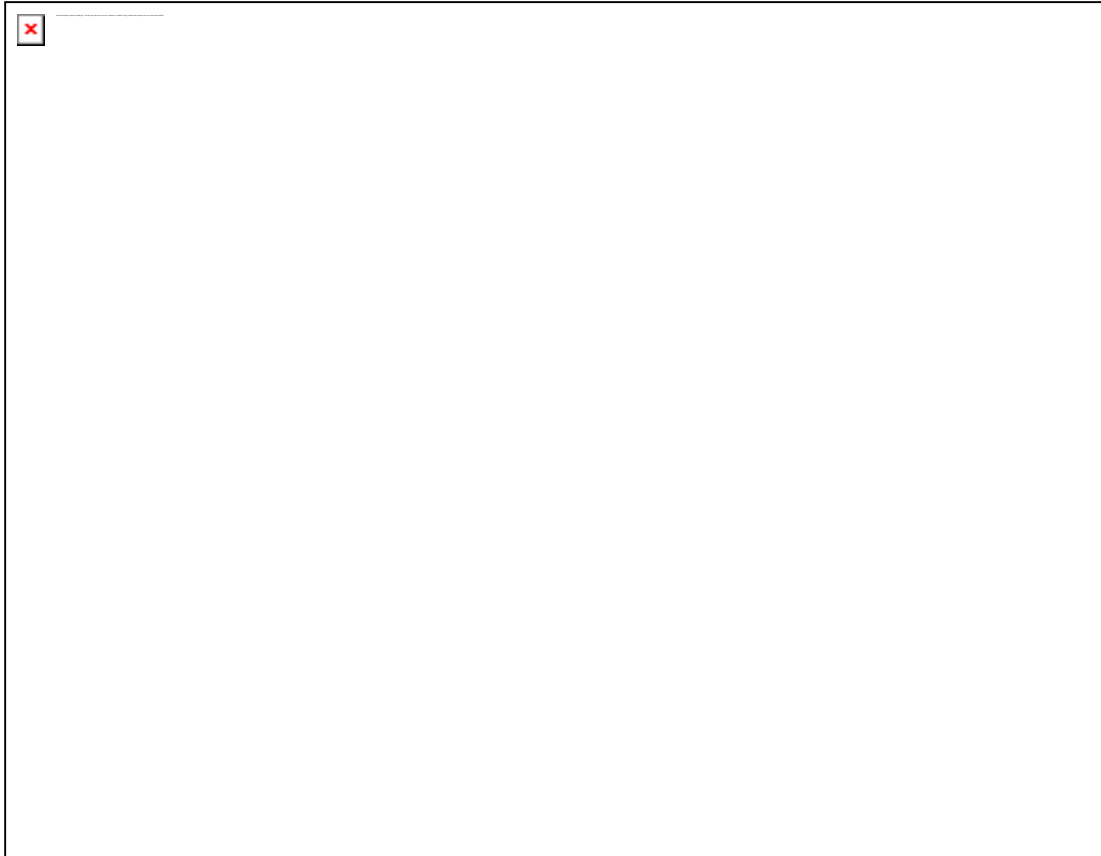
3.52 As indicated in Figure 5, PPIRs form the basis of reporting on program performance at Regional, State and National level.

Program Performance Reports

3.53 The development of PPRs involves the collation of information provided by the communities (through the PPIRs) together with information provided at all three levels of the administration of the CDEP Scheme. It is intended that each level build on the reports of the previous level and include any additional information on the project/program which may be available.

3.54 The reporting process takes place on an annual basis. However, community organisations are required to submit the PPIRs twice a year. The reporting timeframe has also been outlined in Figure 5.

Figure 5: Program Performance Reporting Process

Program Performance Monitoring and Reporting System

3.55 The CDEP reporting process forms part of ATSIC's general PPMR for reporting on all ATSIC programs. In August 1995 ATSIC commissioned an evaluation of the PPMR as it then operated.

3.56 The evaluation found that while the PPMR may have served to raise awareness within ATSIC in relation to performance reporting, it did not achieve appropriate performance reporting against any of the levels nominated. Information requested was generally not obtained and there was no evidence of effective consultation or coordination across ATSIC.

ANAO findings

3.57 In general, the ANAO found that ATSIC had made progress in addressing the concerns raised by the Evaluation. However, some areas which required further improvement were highlighted. These are discussed in more detail below.

Project Performance Information Reports

3.58 The ANAO reviewed a sample of PPIRs for 1995-96 and found that the quality and extent of these reports varied greatly. Some community organisations had reported extensively on their achievements. In some cases, narrative accounts of achievement also provided an indication of the impacts of CDEP: for example 'the project has improved the development and skills of the employees to better manage the community's enterprises and to become more aware of the community's needs'. In many cases, performance reporting was

limited to a brief comment such as 'activity achieved' against each of the planned activities (detailed in the Work Plan).

3.59 As well, some ATSIC Regional Office staff were of the view that the analysis process was time-consuming and that the reports yielded little useful information about CDEP achievements because of the inappropriate performance measures used. Staff also believed that performance indicators were unrealistic and not appropriate to the needs of projects at the community level. The ANAO has also raised concerns in relation to these performance indicators (see paragraphs 3.23 to 3.40).

Program Performance Reports

3.60 For those offices covered in this audit, the ANAO examined the information relating to the CDEP Scheme contained in the following reports (as illustrated in Figure 5):

- Regional Program Performance Reports;

- State Evaluation/Overview Reports;

- National Program Performance Report; and

- ATSIC Annual Report for 1995-96.

    3.61 The aim of the ANAO's examination was to establish whether the reporting process addressed the Program performance indicators for 1995-96 and whether this information was outcome-focused, therefore enabling a judgment to be made on whether the program objective had been achieved.

    3.62 The ANAO found that the following aspects of the PPRs were satisfactory:

- the Regional Program Performance Reports included information on performance against the output-oriented Program performance indicators outlined in Table 3 earlier in this chapter;

- the National Program Performance Report addressed the Program performance indicators established for 1995-96 including narrative descriptions of outcomes achieved. The National Program Performance Report also forms the basis for the Annual Report. The ANAO's examination of the 1995-96 Annual Report found that information included in this report has been improved since 1994-95 in that it included, among other things, information on the types of income-generating CDEP activities currently being undertaken; and

- ATSIC Central Office analysed the majority of the worksheets submitted by community organisations. These worksheets provide information on achievement against the indicator which relates to the types of work/economic/development activities undertaken.

    3.63 The ANAO observed that there were a number of areas in which the performance reporting process could be improved. These are discussed below:

- overall, the reporting on outcome information in the Regional Program Performance Reports was limited to a brief overview of how CDEP was benefiting the communities in each Region. For example, 'CDEPs underpin the cultural and social functions for many of the more isolated communities. In many cases the only access to work activities for members of these communities is that provided by CDEP...'. The ANAO considers that the standard of this reporting on the outcome indicator (narrative accounts of the benefits gained from

participation in CDEP) could be improved by providing specific examples on how the CDEP is benefiting the communities socially, culturally and economically (refer to Table 4 for some examples);

- the brief overviews provided in the Regional Program Performance Reports make it difficult to undertake meaningful analysis at the State and National level;

- the State Evaluation/Overview reports in most cases were very brief and did not add to the information provided by the Regional Offices. No apparent analysis had been undertaken to provide consolidated information at a State level. One State Evaluation/Overview Report indicated that 'inconsistent overview reports from regions have made the task of separating various aspects of this program impossible to quantify'; and

- while the narrative outcome information contained in the National Program Performance Report (and the 1995-96 Annual Report) is valuable and goes some way to measuring progress, the ANAO considers that it could be further improved to provide a more comprehensive indication of whether the program objective has been achieved. For example, there was no information reported on the number of participants who had found employment through CDEP in 1995-96, or a breakdown of the types of CDEP communities and outcomes achieved by them during the year.

Table 4. Examples from 1995-96 Project Performance Information Reports and how they relate to 1996-97 Performance Indicators

Program performance indicator	Project-specific indicators	Reported outcomes
On the basis of survey information and narrative accounts, assess the contribution of CDEP to improving:		
the economic base;	number of participants in self-management activities (e.g. involvement in CDEP administrative activities)	employment of 400 people apprenticeships in Carnarvon, Geraldton and Meekatharra income from panel-beating workshops in Carnarvon and Meekatharra income from cement works, steel fabrication and retail in Meekatharra income from recycling in Carnarvon income from art/craft in Carnarvon employment contracts with Shore Councils in Carnarvon retail income and municipal services at Burringurrah

Program performance indicator	Project-specific indicators	Reported outcomes
community self-management;	number of participants in self-management activities (e.g. involvement in CDEP administrative activities)	involvement of a cross-section of community members in decisions affecting the development of their communities

Table 4 (continued)

Program performance indicator	Project-specific indicators	Reported outcomes
social and cultural well-being of communities;	report on the benefits accrued to the community as a result of their affiliation with the CDEP as a whole and individual work projects within the CDEP number of participants in activities, e.g. community meetings, health activities number of participants learning traditional culture undertaking cultural tours (can also have an economic benefit) community satisfaction with current living arrangements	the general improvement in the physical environment (through work to keep and maintain a healthier surrounds to each community) and training programs undertaken within each community (including women and youths) have given increased feelings of personal accomplishment to all participants providing meaningful work opportunities in their own communities has contributed to a reduction in alcohol and substance abuse, domestic violence, has led to improved health of participants and reduced the incidence of involvement with the police provides participants with self-esteem work provides a purpose for each day and therefore stops other social problems the role model of parents working is a cultural benefit for the young people in the Aboriginal community provides a work experience program for Aboriginal high school students who are at a risk of leaving school, therefore encouraging students to stay at school restoring an old campsite that a tribe used to camp on has led to an interest in cultural issues

Table 4 (continued)

Program performance indicator	Project-specific indicators	Reported outcomes
skills to enable individual participation in mainstream employment and the movement across	report on the type of industry in which Participants can gain employment	CDEP gives participants the opportunity to participate in more than one activity enabling our community members to become multiskilled and able to perform a

to mainstream; and	report on the interest shown by local employers using the CDEP as a source of labour	number of job requirements nineteen participants gained fulltime employment through training and opportunities gained at CDEP
participation rate of women and youth	proportion of women and youth involved in project activities	formation of women's group which has allowed women with small children to carry out home duties, tree nursery, vegetable garden, community store, childcare centre and nutritional program

3.64 Three of the main factors identified by the ANAO which have contributed to the problems with community-based performance reporting are:

- the failure of many staff at the Regional Office level to include the relevant indicators in the Letters of Offer, as mentioned in paragraph 3.25. As a result, the community organisations are under no obligation to report on these indicators;

- poor-quality information reported in the PPIRs (paragraph 3.59); and

- short reporting timeframe. In accordance with the timeline (refer to Figure 5) the Regional Office staff have only one week to undertake a detailed analysis of the PPIRs to provide meaningful information for the Regional Program Performance Reports. The timeframe is even more constricted if reports are submitted late by community organisations. In some cases Regional Offices were preparing their Program Performance Report based on reports from previous periods (this information may be six to twelve months old) together with the staff's knowledge of the individual projects.

ATSIC initiatives

3.65 ATSIC is aware that there are problems in the area of performance information and has commenced a number of initiatives which it believes will help overcome these problems. These initiatives include the:

- Program Performance Monitoring and Reporting Project. This project involves developing software that will support the management of the PPMR system. The aim of the software is to facilitate improved collation, integration and reporting of performance information at all administrative levels; and

- ATSIC TV presentation on PPMR. The aim of this presentation was to provide an interaction forum to debate concerns about performance indicators and performance reporting. The presentation involved staff from State and Regional Offices and resulted in the establishment of working groups to workshop particular concerns relating to performance information.

ANAO comment

3.66 The ANAO considers the new software could be a very useful tool which will enable various levels of ATSIC to monitor and review the performance information captured from InSight. However, the system in itself will not produce meaningful information but will facilitate the collation and reporting process.

3.67 As discussed earlier (paragraph 3.12), the provision of meaningful performance information is dependent on the development of appropriate performance measures and the collection of relevant and reliable data against these indicators.

3.68 The ANAO considers that the establishment of working groups to examine ways of improving performance information is a good practice.

Conclusion - community-based performance reporting

3.69 The ANAO found that ATSIC's national reporting process had addressed the Program performance indicators developed for 1995-96.

3.70 However, the ANAO considers there is a need to review the program performance reporting process to ensure that reporting:

- is meaningful, reliable and facilitates analysis of information to determine whether or not the program has met its performance objectives and targets;

- is further strengthened by the inclusion of more measurable data collected by all regions against appropriate outcome indicators; and

- facilitates collation and analysis of performance information to provide feedback to community organisations on good practices and areas in need of improvement.

3.71 As well, the ANAO considers that some forward planning needs to be undertaken to determine how information is to be presented in the Annual Report. The proposed format and structure should be communicated to all levels of administration. This will:

- provide a framework for determining the format and content of reports prepared by community organisations and each level of ATSIC's administration; and

- assist with the provision of meaningful information which can be more easily collated and analysed.

Recommendation No.4

3.72 The ANAO recommends that ATSIC review the program performance reporting framework to ensure reporting is meaningful and reliable and that it facilitates analysis of information to determine whether the program has met its performance objectives and targets efficiently and effectively.

ATSIC response

3.73 Agreed. ATSIC will review and report on ways of enhancing its program performance reporting framework as an integral component of the PIR. The PIR process will involve consultation with DoF on these issues to ensure that enhanced performance reporting mechanisms are put into place that facilitate effective analyses of performance information to enable program managers to determine whether programs are meeting performance targets efficiently and effectively.

3.74 It is expected that improved performance indicators which will provide information on the achievements of objectives will be developed during the course of the PIR.

ATSIC's computerised CDEP participant schedule management system which is discussed in more detail in Chapter 6 - Management Information Systems.

4. Performance InformationEfficiency and Effectiveness of ATSIC Administration

This chapter discusses the development and reporting of performance information relevant to measuring the efficiency and effectiveness of the administrative support provided by the three levels of ATSIC's administration to achieving the objective for the CDEP Scheme. The ANAO's suggestions to improve the performance information and reporting mechanisms are also discussed.

Background

4.1 The major role of Central, State and Regional Offices is to provide support to community organisations to enable them to meet the objectives of the CDEP Scheme. Therefore there is a need to ensure that appropriate administrative performance information is developed which can assess the efficiency and effectiveness of the support provided.

4.2 This chapter discusses the audit findings in relation to ATSIC's administrative performance. The discussion is divided into the audit findings relating firstly to the development of appropriate performance measures and secondly the adequacy of performance reporting.

4.3 The development and reporting of community-based performance information used to measure the overall effectiveness of the CDEP Scheme was discussed in the previous chapter.

Development of administrative performance measures

4.4 The principles in relation to good performance information discussed in Chapter 3 also apply to ATSIC's administrative performance information. Appropriate performance measures should be developed at Central, State and Regional Offices to clearly identify the value added by each level to achieving the objectives of the Scheme. Operational plans are the key mechanism for communicating administrative performance.

ANAO findings

4.5 The ANAO reviewed the operational plans for 1996-97 for those offices that had commenced the planning process and found that in many cases an effort had been made to develop appropriate performance information. At each level, the ANAO found that:

- roles and responsibilities had been clearly identified;

- strategies had been developed to achieve the identified objectives;

- links could be established between the objectives and strategies in the majority of plans reviewed; and

- some performance indicators had been developed.

4.6 However, in the majority of cases where indicators had been developed, the ANAO found that they were not clearly linked to the strategies for achieving the objectives. As well, most of the indicators developed were themselves statements of strategy rather than measures of actual performance.

4.7 Also the suite of indicators developed did not measure all parts of the objective. As a result ATSIC is unable to adequately measure the efficiency or effectiveness of the administrative contribution to achieving the overall objective of the CDEP Scheme.

4.8 The ANAO considers that performance measures should be developed which allow ATSIC to determine:

- whether the administrative support provided to community organisations will lead to improved outcomes for CDEP;

- what contribution each level of administration has made to the achievement of the objective;

- whether activities are being undertaken in the most efficient and cost-effective manner; and

- whether resources are being directed to highest-priority tasks.

4.9 The ANAO has developed some suggested measures as an example of how current performance information can be developed further to assist ATSIC's administration in measuring its performance in achieving the objective for CDEP. These measures relate to the example mentioned in Chapter 2 (Table 2).

4.10 Table 2 illustrates an example of:

- the links between the objective relating to the administration of CDEP and key result areas (lower-level objectives);

- strategies used to achieve each key result area; and

- a range of performance measures (input, process, client service, output and outcome) used to determine the appropriateness of the strategy and assess the achievement of each key result area.

Conclusion - development of administrative performance measures

4.11 The ANAO acknowledges that ATSIC has made a considerable effort to develop performance information at all three levels of administration. The emphasis has been on ensuring that appropriate strategies are developed to achieve key result areas. The ANAO considers that ATSIC should now move towards developing appropriate performance measures which allow it to assess the efficiency and effectiveness of the administrative support function in relation to the achievement of the objective at all levels of administration.

Recommendation No.5

4.12 The ANAO recommends that ATSIC review the administrative performance measures developed for each level of administration as soon as possible. The performance measures developed should demonstrate:

- that the type and level of administrative support provided to community organisations have

led to improved outcomes for CDEP;

- the contribution and value added by each level of administration to achieving the objectives of the CDEP Scheme;

- that ATSIC's administrative activities are being undertaken in the most efficient and cost-effective manner; and

- that resources are being directed to the highest-priority tasks.

ATSIC response

4.13 Agreed. An assessment of the efficiency and effectiveness of human resource management information at Central, State and Regional Office levels in relation to all program areas, including CDEP, is to be conducted as part of the Performance Information Review.

4.14 It is planned to use the information gleaned from the Performance Information Review to conduct a detailed review of administrative performance measures for each level of the administration and to develop appropriate performance measures that will demonstrate that resources are being directed to the highest priority tasks.

4.15 Strategies will be developed and implemented to ensure that the performance measures developed will be able to demonstrate:

- that the type and level of support provided to community organisations has led to improved outcomes for CDEP;

- the contribution and value added by each level of administration to achieving the objectives of the CDEP Scheme; and

- that ATSIC's administrative activities are being undertaken in the most efficient and cost effective manner.

4.16 It is envisaged that the review of administrative support and activities could also be linked to a review and enhancement of operational planning mechanisms and to future program evaluations and organisational reviews of CDEP and other program areas.

Administrative performance reporting

4.17 The principles in relation to performance reporting on the overall effectiveness of the CDEP Scheme, discussed in Chapter 3 (paragraphs 3.7 and 3.22), also apply to reporting on administrative efficiency and effectiveness of the CDEP Scheme.

ANAO findings

External reports

4.18 ATSIC provides broad information on program management issues through its Annual Report. A review of the CDEP section of the 1995-96 Annual Report indicated that ATSIC had provided general information on program management issues and outlined some initiatives that had been undertaken to improve the administration of the Scheme.

4.19 However, the ANAO considers that the information contained in the Annual Report in

relation to program management could be improved. This could be achieved through the development of appropriate performance measures which provide information on the efficiency and effectiveness of the administrative support function in relation to the achievement of the CDEP objective (as outlined above in Recommendation No. 3).

Internal reports

4.20 As mentioned in Chapter 2, Planning and Reporting (paragraph 2.44), the ANAO found that ATSIC has no formal internal performance reporting mechanisms in place to provide information on the impact of the administrative activities being undertaken at various levels to support the community organisations.

4.21 The issue of reporting on progress made against the previous year's operational plan was discussed in paragraphs 2.41 to 2.48.

4.22 The ANAO considers that ATSIC should adopt appropriate internal reporting mechanisms to provide managers with the day-to-day information they need for effective project management of individual tasks (particularly large and complex tasks). This will also assist with the early identification of the need for any remedial action or change of priorities.

4.23 These ongoing reports need not be complex and can be developed from information currently contained within the InSight management information system. As well, the ANAO has suggested enhancements to InSight (Chapter 6, paragraph 6.30) to improve the comprehensiveness of the information recorded in relation to performance analysis.

Conclusion - administrative performance reporting

4.24 The ANAO considers that there is scope for further improvement in the area of external reporting through the development of more appropriate performance measures which demonstrate the level of contribution by ATSIC's administration to achievements against the CDEP objective. There is also a need to develop ongoing internal reporting mechanisms which allow managers to assess the adequacy of progress towards completing tasks which are critical to the achievement of the objective for CDEP.

Recommendation No.6

4.25 The ANAO recommends that ATSIC review the existing external reporting requirements to include the provision of information on ATSIC's administrative efficiency and effectiveness in the 1996-97 Annual Report.

ATSIC response

4.26 Agreed. ATSIC will review the external reporting requirements to explore options for including the provision of information on ATSIC's administrative efficiency and effectiveness in the 1996-97 Annual Report. It is planned that the Performance Information Review will address issues relating to the development of human resource information to measure administrative efficiency and effectiveness.

4.27 Consideration will be given to developing and introducing mechanisms to report on progress in achieving the objectives and targets of operational plans and to report on the degree of efficiency and effectiveness in implementing plans and achieving objectives. It may be appropriate to conduct an internal efficiency review of the administrative operations of CDEP and other program areas.

Recommendation No.7

4.28 The ANAO recommends that ATSIC introduce an ongoing internal performance reporting mechanism which will provide managers with timely information on key aspects of performance. This information should allow progress on tasks critical to the achievement of the objective to be assessed and assist with the early identification of the need for any remedial action or change of priorities.

ATSIC response

4.29 Agreed. ATSIC plans to introduce ongoing internal performance reporting mechanisms which will provide managers with timely information on key aspects of performance. Considerable progress has already been made to improve ATSIC's performance reporting systems following the implementation of the Ernst and Young Report. [1] Strategies to further enhance performance reporting will be examined as part of the Performance Information Review, and with the development and implementation of Phase Two of the automated Program Performance Monitoring and Reporting System.

4.30 ATSIC is already committed to enhanced monitoring systems in line with this recommendation. Subject to outcomes of the grant procedures review, InSight could be upgraded to include these facilities in the medium to longer term - six to eighteen months.

4.31 Meanwhile managers will be reminded of their responsibilities in relation to existing project monitoring procedures.

5. Monitoring of CDEP Projects

This chapter focuses on ATSIC's project monitoring processes in relation to grant administration to determine whether:

- *project staff were complying with the ATSIC grant procedures;*
- *appropriate feedback, support and assistance were being provided to the community organisations; and*
- *mechanisms existed to ensure that action was being taken to improve performance where necessary.*

The ANAO's findings in relation to Regional Offices' analysis of the Project Performance Information Reports and feedback provided to community organisations are also discussed in this chapter. The ANAO has made a number of recommendations aimed at further improving the monitoring of CDEP projects.

Background

5.1 Monitoring is an essential aspect of effective program administration. Ongoing monitoring provides a means of ensuring that progress towards achieving project objectives is made and that accountability requirements are met. It involves the comparison of actual performance against planned activities and targets. There are a number of factors which form the basis of successful monitoring. These are the development of:

- comprehensive operational plans to ensure that work activities are directed at meeting the corporate objectives;

- appropriate performance information to allow effective assessment and measurement of administrative performance;

- supporting management information systems to assist management and staff to efficiently and effectively undertake their duties;

- clear and concise procedures to ensure staff fulfil their operational responsibilities; and

- adequate quality assurance processes to ensure compliance with the grant procedures and highlight common problem areas where training is required.

5.2 ATSIC's monitoring process in relation to CDEP grants involves:

- grant application and assessment;

- analysis of regular financial and project performance reports relating to these grants;

- consultation with the community organisations responsible for CDEP projects. This consultation is undertaken through field visits and regular contact to discuss progress on projects, and provide assistance and feedback on performance; and

- undertaking financial, operational and project performance reviews of CDEP projects.

5.3 The issues raised by the audit in relation to the monitoring process fall into five main categories:

- grant application and assessment (paragraphs 5.5 to 5.17);

- office-based monitoring (paragraphs 5.20 to 5.52);

- field-based monitoring (paragraphs 5.57 to 5.94);

- quality assurance (paragraphs 7.4 to 7.14); and

- improvements to ATSIC's grant procedures (paragraphs 7.17 to 7.31).

5.4 The focus of this audit differs from the work undertaken during the Special Audit (see paragraph 1.21) and the ANAO's financial statement audit. However, in areas where common issues were examined, the findings of this audit broadly support those of the above audits.

Grant application and assessment

5.5 On an annual basis each community organisation is required to submit an application for a CDEP grant to the relevant Regional Office. Grants are provided for individual projects and these can be made up of a number of activities, e.g. art and crafts, outstation development, sport and recreation, land management and welfare service.

5.6 The grant application process requires community organisations to complete Work Plans which provide an outline of the activities to be undertaken over a twelve-month period for each grant. The Regional Office staff are then required to check and assess the application and associated Work-Plans in accordance with the ATSIC funding procedures using InSight (ATSIC's computerised grant administration system).

5.7 A CDEP Grant Assessment Form must also be completed as part of this process. This

form provides a brief assessment of the Work Plan together with a checklist of items relating to the organisation's history in terms of adherence to grant conditions, grant acquittals and financial performance. Completing this form will ensure that Regional Office staff have background information on the community organisation's past performance to assess the current grant application.

5.8 Once the assessment has been made, Regional Office staff make a recommendation to the Regional Manager on whether the application should be approved. The Regional Manager indicates his/her endorsement of this recommendation. All assessments, together with the original application, are submitted to the Regional Council for approval. If the application is approved by Regional Council, a Letter of Offer is sent to the successful applicant outlining the terms and conditions of the grant (as discussed in paragraph 3.22).

5.9 As part of the grant assessment process, each application is assigned a scrutiny assessment rating. The purpose of this rating is to assist the Regional Office in determining the frequency with which in-depth reviews of CDEP projects are to be undertaken. This rating also assists the Regional Manager in developing a schedule of reviews to be undertaken.

5.10 According to the ATSIC Funding Procedures Manual, the rating should be guided by the community organisation's management performance. The rating takes into consideration the level of funding, value of assets, current management capacity, the community organisation's adherence to grant conditions in the past two years and the complexity of projects administered.

5.11 The Procedures state that a community organisation receiving a high-scrutiny assessment rating should be reviewed every one to two years. A medium rating signifies a three to four year review cycle.

ANAO findings

5.12 The ANAO examined a sample of 1996-97 CDEP grant applications and assessments. The results of the examination indicated that:

- there was evidence that Regional Office staff had provided assistance to community organisations in relation to the grant application process. This was in line with their role of providing administrative support;

- in all cases except one the relevant forms and information, e.g. CDEP Work Plans, had been obtained from the community organisations for grant assessment purposes;

- where CDEP Work Plans were submitted, the standard of information varied within and between Regional Offices; and

- in the majority of cases grant applications had been assessed by ATSIC Regional Office staff in accordance with the Procedures. However, deficiencies were noted in the following areas:

■ in some cases CDEP Grant Assessment Forms were not being completed as part of the grant assessment process. The ANAO was informed that confusion in relation to the revisions to the CDEP grant procedures had resulted in the relevant form being overlooked; and

■ there were inconsistencies in the allocation of the scrutiny assessment rating.

Scrutiny assessment rating

5.13 Project staff are not currently required to document the rationale/basis used to determine a particular scrutiny assessment rating. For example, in some cases it appeared that a high-scrutiny assessment rating had been assigned only on the basis of the level of funding for the project without taking into account the other factors detailed in the Procedures.

5.14 In some cases where the CDEP Grant Assessment Form had been completed, there appeared to be no direct correlation between the scrutiny assessment rating and the information provided in the form. Where a high-scrutiny assessment rating was assigned, indicating potential risks, this was not always reflected in the assessment information contained in the CDEP Grant Assessment Form.

5.15 In some cases the scrutiny assessment rating was not being used for its intended purpose, that is, to form the basis from which to develop a schedule of reviews. Many of the projects examined had been assigned high ratings. This caused difficulties in determining relative priorities and therefore hinders the development of the schedule of reviews based on a risk management strategy. The process is further hindered when, as mentioned in paragraph 5.13 above, the ratings are based only on the level of funding without taking other risk factors into account. The lack of documentation of the rationale used to determine the scrutiny assessment rating also makes it difficult to analyse the relative priorities of each application.

Conclusion - grant application and assessment

5.16 While procedures relating to the grant application and assessment process were generally being complied with, the ANAO considers that a number of improvements could be made in relation to the scrutiny assessment rating process as follows:

- in the provision of staff training, more emphasis should be given to the factors which are to be taken into account when assigning the scrutiny assessment rating;

- the Procedures should be revised to further emphasise that **all** factors, not just the level of funding, are important in determining the risk profile of an organisation and the allocation of the scrutiny assessment rating. The issue of risk assessment is discussed in more detail in the section of this report dealing with Reviews (paragraphs 5.81 to 5.83);

- Regional Office staff should provide a brief overall comment to document the justification for the rating assigned to the community organisation. This will enable Regional Managers to make an informed decision in relation to endorsing the rating and scheduling of reviews. The ANAO notes that ATSIC already has a mechanism in place to provide some of this information through completion of the CDEP Grant Assessment Form. To ensure that this mechanism is fully effective, all parts of this form should be completed to provide the relevant background information and this should be consistent with the final rating assigned; and

- the InSight system should be enhanced to incorporate the compilation and processing of the CDEP Grant Assessment Form. The electronic generation of this form would greatly assist the process, provide better links with the scrutiny assessment rating and remind Regional Office staff of their responsibilities. The InSight system is discussed in more detail in Chapter 6.

Recommendation No.8

5.17 The ANAO recommends that ATSIC ensure that:

- in the provision of staff training, more emphasis is given to the factors which should be taken into account when assigning the scrutiny assessment rating;

- for each project, Regional Office staff briefly document the justification for the scrutiny assessment rating given to each community organisation;

- the scrutiny assessment rating is consistent with the information contained on the CDEP Grant Assessment Form;

- the schedule of reviews of community organisations is developed on a risk management basis using the scrutiny assessment rating; and

- InSight is enhanced to incorporate the electronic compilation and processing of the CDEP Grant Assessment Form.

ATSIC response

5.18 Agreed. The first four dot points recommend improved compliance with existing procedures. While these points will be promoted to staff in a *Lessons to be Learnt* circular, the review of grant procedures will investigate what constitute appropriate levels of risk for the Commission and may recommend a whole new approach to risk assessment.

5.19 The last dot point requires enhancements to InSight, which are planned for the medium term - six to twelve months. The scope and nature of these enhancements are also closely dependent on the outcomes of the review of grant procedures.

Office-based monitoring

5.20 Once the grants have been approved and funding is provided to the community organisations, Regional Office staff are responsible for monitoring the performance of each project funded by the approved grants. To facilitate project monitoring, the grant conditions require community organisations to prepare Periodic Financial Statements (PFSs), Participant Schedules and Project Performance Information Reports.

5.21 The ANAO's findings in relation to each of these areas are discussed separately below.

Monitoring of Periodic Financial Statements

5.22 The Procedures require all community organisations to submit Periodic Financial Statements. The frequency of the submission of PFSs is dependent on the level of monitoring required for each community organisation as assessed by the Regional Office staff. In the majority of cases, PFSs are submitted on a quarterly basis. The statements should include information such as budgeted and actual income and expenditure details, capital items purchased and a detailed list of debtors and creditors.

5.23 Regional Office staff are required to assess these statements and complete an Analysis of Periodic Financial Statements form. This examination determines the extent to which the organisation has satisfactorily accounted for the administration of the grant. It should also provide an opportunity for the early identification of problems through a review of income and expenditure trends, long-outstanding debtors and creditors and doubtful debts. This analysis should enable any necessary remedial action to be identified and undertaken in a timely manner.

ANAO findings

5.24 The ANAO examined a sample of the PFSs submitted by community organisations for 1995-96 and the analysis undertaken by Regional Office staff. The ANAO found that ATSIC had made considerable improvements in this area since the Phase One audit.

Analysis of PFSs

5.25 In the majority of cases the PFSs had been received by the due date and a basic analysis undertaken. However, in the majority of cases examined, there was no evidence to indicate that the Regional Office had taken the appropriate follow-up action to obtain the relevant outstanding information. For example, where community organisations had provided lists of debtors and creditors which did not include an age analysis, Regional Office staff had not requested this outstanding information. The age analysis is important because it would highlight those debts which are in doubt of being recovered by the organisation. Conversely, if the organisation has long-outstanding creditors, then this could be a strong indicator that the organisation itself has cash flow difficulties.

5.26 The ANAO considers that the analysis of creditors and debtors is a critical element in identifying potential financial concerns. Therefore ATSIC should ensure that Regional Office staff analyse this information and take appropriate remedial action as required.

5.27 Regional Office staff also indicated that more training or guidance in the area of analysing PFSs was required. ATSIC has improved the Analysis of Periodic Financial Statements form (Form GP 6.2) for 1996-97 to provide more guidance to Regional Office staff. However, the ANAO considers that this form could be further improved by expanding the checklist in the analysis section to include additional specific items which would guide Regional Office staff through a detailed analysis of all the information provided by the community organisations.

5.28 In relation to the detailed list of debtors and creditors the checklist should provide guidance to Regional Office staff on how to analyse this information to determine whether there are, for instance, any doubtful debts, high amounts of debtors or creditors and any long-outstanding debts.

Follow-up action on the analysis of PFSs

5.29 For the PFSs examined, there was insufficient evidence to indicate that follow-up action was being undertaken on a systematic basis in the majority of cases. For example, where an analysis of PFSs identified problems such as expenditure on unapproved items or discrepancies were noted between the approved budget and budget information provided by the community organisation, there was little documented evidence to indicate that the Project officer had taken appropriate remedial action.

5.30 Regional Office staff advised that follow-up action was being taken in the majority of cases. However, the ANAO considers that any feedback provided should be documented so that Regional Office staff are aware of any recurring problems and management has assurance that follow-up action has occurred where necessary. The documentation does not have to be extensive or time-consuming; for example, it could take the form of brief notes or annotations to the Analysis of Periodic Financial Statements form.

Monitoring of Participant Schedules

5.31 Information on CDEP participants for each community organisation is submitted to Regional Offices at least four weeks before the commencement of each quarter. Regional Office staff are required to check that all individuals participating in CDEP are eligible to receive CDEP wages. To facilitate this, community organisations submit Participant Schedules which record relevant personal details such as participant name, gender and date of birth. The participant's current status in relation to the CDEP project must also be recorded into the following categories:

- 'continuing' - the participant is continuing on the CDEP for the duration of the quarter;

- 'off' - the participant has left the CDEP or is no longer eligible to participate; and

- 'on' - the participant has joined the CDEP since the last Participant Schedule was submitted.

5.32 As part of the verification process, Regional Office staff undertake duplicate checks to determine whether any participants appear on a schedule for more than one community. Once the process is complete, Regional Office staff approve the schedules. These schedules provide the legal basis for the allocation of funds to the community organisations; therefore, it is important that they are accurate.

5.33 After Regional Office staff have resolved any duplicate entries, copies of the approved Participant Schedules should be forwarded to both ATSIC Central Office and the Department of Social Security to ensure benefits are not being received from DSS where there is no entitlement.

5.34 In 1996 a computerised CDEP participant schedule management system (CDEP Manager) was implemented across all ATSIC Regional Offices and community organisations to facilitate the preparation of participant data and improve the accuracy of this information. The system will be fully operational in 1996-97.

ANAO findings

5.35 In all Regional Offices visited the ANAO found that Participant Schedules had been submitted for each quarter in 1995-96. There was also evidence to indicate that the accuracy of the schedules had been verified and that appropriate follow-up action was being undertaken when duplicate entries and other problems were identified. These findings were supported by the ANAO's financial statement audit.

5.36 As well, the ANAO found that the participant information was sent to ATSIC Central Office and the Department of Social Security in accordance with the Procedures.

5.37 In all Regional Offices visited, CDEP Manager was being used to process Participant Schedules for 1996-97. However, there were some community organisations that were experiencing difficulties with the system. This issue is discussed in more detail in Chapter 6 - Management Information Systems.

Project Performance Information Reports

5.38 The community organisations responsible for CDEP projects are required to report against the planned work outputs listed in the Work Plan attached to the grant application. These reports are referred to as Project Performance Information Reports and were discussed in detail in Chapter 3 (paragraphs 3.52 to 3.54 and 3.60 to 3.61).

5.39 As mentioned in paragraph 3.52 and 3.54, PPIRs form the basis of the program performance reporting process and should provide both quantitative and qualitative information on progress against the project objectives and the performance indicators agreed in the Letter of Acceptance.

ANAO findings

Analysis of PPIRs

5.40 The ANAO found PPIRs had been received and analysed by Regional Office staff for the majority of the CDEP projects examined by the ANAO. However, the quality of the information provided (discussed in Chapter 3) and the extent of the analysis undertaken varied.

5.41 Regional Office staff generally indicated that project performance was satisfactory; however, similar to the scrutiny assessment rating, the basis for this assessment was not explained. This was particularly evident where the community organisations had not provided information on all agreed indicators yet Regional Office staff had assessed the performance as being satisfactory. Further, Regional Office staff had not provided details on any follow-up action taken to obtain the relevant information. In the case of unsatisfactory performance, there was evidence that Regional Office staff had not, in all cases, documented information on the remedial action needed to be taken or whether this had been followed-up with the community.

5.42 As mentioned in Chapter 3 (paragraphs 3.61) Regional Office staff were of the view that the analysis process was time-consuming and the PPIRs yielded little useful information about CDEP achievements because the performance measures which had been developed were inappropriate.

5.43 ATSIC has developed an Analysis of Project Performance Information Report form (Form GP 6.3A) for 1996-97 to provide guidance to project staff in undertaking these assessments. The ANAO considers that this form could be further improved to ensure that Regional Office staff include an assessment against **each** of the agreed indicators. These assessments should be consistent with the overall performance assessment given on the form and should more easily facilitate the collation of meaningful information against the agreed indicators at Regional, State and National level.

5.44 ATSIC is currently working to improve the quality of the performance reporting process. The ANAO has also made a recommendation to improve the community-based performance reporting process (see Recommendation No. 7). In light of the proposed improvements, the ANAO considers that the process of analysing the PPIRs also should be reviewed to ensure that:

- Regional Office staff gain a better understanding of the performance reporting process; and

- meaningful analysis is undertaken to determine whether the project is meeting its objectives and the overall objective of the CDEP Scheme.

5.45 To assist in the analysis of PPIRs and provide Regional Office staff with further guidance in this area, the ANAO considers that the Procedures should include guidelines relating to the analysis of PPIRs.

Feedback to community organisations on PPIR analysis

5.46 The ANAO found that there was little evidence of feedback being provided to the community organisations on the PPIRs which had been analysed. This was highlighted as an issue during Phase One of the audit and remains to be addressed.

5.47 The Sydney Regional Office advised that it intended to develop a letter of acknowledgment which will include:

- the overall assessment of the PPIR;

- a brief comment on the basis for arriving at the result; and

- a comment on the quality of the information provided.

5.48 The ANAO considers this initiative to be better practice and it could be of use to other Regional Offices.

5.49 Given that the provision of information in PPIRs requires considerable effort on the part of the community organisations, the ANAO considers that it is important that appropriate feedback is provided. This would:

- provide the communities with an indication that the reports are being used to measure outcomes and outputs achieved;

- enable problems to be identified and related assistance provided;

- result in strengthening the accountability process; and

- facilitate the dissemination of best practice.

5.50 As with any reporting and feedback mechanism, the quality of the feedback given to community organisations on their performance is greatly dependent on the quality of the performance indicators developed.

Conclusion - office-based monitoring

5.51 Overall the ANAO found that ATSIC's office-based monitoring process had improved since the Phase One audit. In the majority of cases PFSs had been received and a basic analysis undertaken. Participant Schedules had been submitted for each quarter in 1995-96, verified for accuracy and follow-up being undertaken to resolve discrepancies as necessary in all Offices visited. In the majority of cases, PPIRs were being received and a basic analysis undertaken.

5.52 However, the ANAO considers that there is scope for further improvement in relation to the analysis of the performance information provided in the PFSs and PPIRs. ATSIC should also undertake appropriate follow-up action and provide feedback on the result of the analysis undertaken.

Recommendation No.9

5.53 The ANAO recommends that, in relation to Periodic Financial Statements and Project Performance Information Reports, the ATSIC Funding Procedures Manual be revised to:

- emphasise the requirement that appropriate follow-up action be taken where community organisations have not provided all components of the information required as part of the grant conditions;

- include more guidance on the methods of analysis to be used; and

- emphasise the requirement for the relevant staff to adequately document the basis for the overall performance assessment and any necessary remedial action identified.

ATSIC response

5.54 Agreed. ATSIC considers that the Grant Procedures Manual already provides adequate advice on these matters. Paragraphs 6.3.4 (b) and (c) of the Manual detail the follow up procedure where financial and physical monitoring reports are deficient, while section 8.6.1 relates to follow-up of acquittance documentation. The manual states that reports are to be used to analysed using standard forms which provide space for staff to document the basis for their overall assessment. A reminder about the importance of complying with these procedures will be provided in an upcoming *Lessons to be Learnt* circular.

5.55 The procedural review will also thoroughly investigate the monitoring and reporting procedures and is likely to recommend a fresh approach to reporting, perhaps in line with the Special Audit comments about outsourcing the examination of financial returns.

5.56 In addition, InSight is to be enhanced, subject to outcomes of the procedural review, to prompt staff to undertake appropriate follow-up action for various monitoring activities, which could include those suggested.

Field-based monitoring

5.57 In addition to the office-based assessments mentioned above, ATSIC has developed a number of field-based monitoring and evaluation processes which form a crucial part of project monitoring. These are:

- field visits where consultation and investigation occurs with the community's Executive, consultants and CDEP staff;

- spot checks to verify the existence and eligibility of CDEP participants; and

- reviews to determine the appropriateness of financial and operational management of the community organisations.

5.58 Each of these processes is discussed separately below.

Field visits

5.59 Field visits are undertaken to monitor the progress of a community organisation and/or to provide assistance and training as required. They can be initiated either by Regional Office staff or in response to an organisation's request. Regional Office staff indicated that they aim to schedule one field visit every four to six weeks. However, the location of community organisations can be a major factor in determining the frequency of the field visits.

ANAO findings

5.60 The majority of the Regional Offices visited had developed standard pro formas for field

visit reports. The ANAO considers the field visit pro formas developed by the Bourke and Cairns Regional Offices represent better practice, in that they identified the purpose of the visit and provided details on the particular issues addressed and any follow-up action required.

5.61 The ANAO found that the standard of management and recording of these field visits varied across the regions visited. The two main issues identified were that:

- in all cases, field visit reports were not being prepared and/or not placed on the relevant project file; and

- there was insufficient evidence to indicate that the follow-up identified in the field visit reports had been implemented.

5.62 The ANAO found that field visit reports had not always been prepared. Given the importance of field visits for monitoring and the provision of support to community organisations, the maintenance of records relating to the outcomes of these visits is important. This will also contribute to maintaining an appropriate level of support to communities, particularly where a Regional Office has a high level of staff turnover.

5.63 The ANAO also found that, where field visit reports had been prepared, they were not always on the relevant project files. The ANAO recognises the problems associated with filing field reports which deal with a range of different projects. However, the relevant project file should be cross-referenced to the report location to ensure project files contain the complete history of contact with the communities. The ANAO observed that some Regional Offices were developing a practice of maintaining a central record of field visit reports for each region. The ANAO considers this would be a good practice provided the reports are cross-referenced to the relevant project files.

5.64 Even where field visit reports had been prepared, there was insufficient evidence to indicate that follow-up action identified as a result of field visits had been implemented in all cases. It is important that a record of follow-up action taken is maintained so that its effectiveness can be monitored and new staff or review teams can quickly gain an understanding of the history and current status of particular CDEP projects.

5.65 In light of the problems in relation to the recording of field visits and follow-up action the ANAO considers that the maintenance of a central record of field visits undertaken (as discussed in paragraph 5.62 above) would enhance the management of field-based monitoring. Such a record would:

- facilitate easy retrieval of information on the frequency of field visits undertaken and provide a measure of client service;

- facilitate easy identification of whether field visit reports have been completed;

- serve as a useful monitoring tool to ensure that follow-up action was undertaken where necessary; and

- assist in the effective deployment of field operations staff at the Regional Office level.

5.66 The Adelaide Regional Office had developed a Field Visit Monitoring Plan for 1995-96 in the form of a spreadsheet which provides a central record of field visits undertaken. The

Plan is then cross-referenced to the location of the field visit reports on the respective project files. The ANAO considers this to be a better practice and ATSIC could consider its use in other Regional Offices.

5.67 While the ANAO considers that this spreadsheet would assist Regional Offices in the short term, it represents an additional database which needs to be maintained. In the long term, the ANAO considers that there would be significant benefit in enhancing InSight (the main repository for information on grant assessment and management) to include a record of field visits and follow-up action taken. This would obviate the need to maintain a separate database and would further consolidate the various sources of information on the performance of individual CDEP projects. The ANAO's suggested enhancements to the system are discussed in more detail in Chapter 6.

Spot checks

5.68 Spot checks are undertaken for two reasons: to verify the existence and eligibility of the CDEP participants listed on the Participant Schedules and to highlight and overcome errors or omissions which may be occurring within Regional or Central Office procedures.

5.69 Spot checks can be undertaken at random, as part of a field visit or other type of review, or when problems are suspected. The checks are conducted by Regional Office staff and involve:

- interviewing a minimum of twenty per cent of participants listed on the Participant Schedule to verify the information documented on the Schedule and payroll sheets;

- examining the payroll sheets to assess adherence to general grant conditions; and

- holding discussions with community members and community organisation staff. These discussions provide a forum for canvassing possible concerns with CDEP documentation, rules, conditions and Regional Office performance.

5.70 The State Office CDEP Support Units are responsible for assisting the Regional Offices to develop schedules of spot checks. They also provide Regional Offices with assistance in conducting the checks as required.

ANAO findings

5.71 The ANAO found that spot checks had been undertaken in the majority of the Regional Offices visited. Three of these offices (Adelaide, [2] Darwin and Kalgoorlie) had developed detailed spot check pro formas which address all the spot check requirements as outlined in the Procedures. As well, the Adelaide Regional Office included pro formas of letters to be used during the spot check process.

5.72 However, where spot checks were undertaken, the ANAO found that the results of these spot checks were not always documented. It is important that spot check reports are prepared, as they provide a record of work undertaken and enable follow-up action to be taken as required.

5.73 The ANAO also found that the requirement to interview a minimum of twenty per cent of participants as documented in the Procedures was not always being followed. Rather, some spot checks focused solely on other aspects of the administration of the CDEP project, such as

whether participants were being paid in accordance with their entitlements.

5.74 The ANAO considers that ATSIC should either review the Procedures (if it is proven that there are real difficulties in meeting the requirements) or ensure that the Procedures are followed.

5.75 The ANAO also considers that the discussion relating to the need to document the follow-up action undertaken (see the 'Field Visits' section above, paragraphs 5.63 and 5.64) also applies to spot checks. Enhancements to InSight, similar to those suggested in relation to field visits, could provide a mechanism for recording and monitoring the follow-up action taken as a result of spot check reports.

Reviews

5.76 In addition to conducting spot checks, the Procedures require Regional Office staff to undertake reviews of community organisations to:

- determine the appropriateness of financial and grant administration management in organisations (that is, to check that the grant is being spent in accordance with CDEP terms and conditions);

- assess the overall performance of the organisation (that is, to determine whether community development and training are happening and that participants are learning new skills); and

- recommend appropriate action to address any identified deficiencies.

5.77 Reviews are a major component of ATSIC's monitoring program. The primary responsibility for scheduling and conducting the reviews rests with the Regional Offices. However, the State CDEP Support Units also have a coordinating role which includes providing assistance with establishing the CDEP review program and undertaking reviews.

ANAO findings

5.78 The ANAO found that in all cases except one of the Regional Offices visited, reviews of community organisations responsible for CDEP projects had been conducted. The Regional Office that had not undertaken any CDEP reviews in 1995-96 due to resource constraints, had developed a program of reviews for 1996-97. An examination of a sample of the reviews undertaken found that the reviews had addressed their terms of reference. The reviews varied in scope and approach depending on the nature of the issues to be addressed, for example financial management issues or operational concerns.

Follow-up of review recommendation

5.79 Regional Office staff advised that the findings of the reviews were discussed with the relevant community organisations. However, the ANAO found that there were no formal mechanisms in place to ensure that review recommendations were being appropriately actioned. Again, the ANAO considers that InSight could be enhanced to provide a mechanism for recording and monitoring follow-up action on review recommendations.

5.80 The ANAO also observed that the basis for developing the schedule of reviews varied between the offices visited. While some Regional Offices were using the scrutiny assessment rating, others had adopted a crisis management approach or were scheduling reviews on a triennial basis despite changes to the Procedures which eliminated an earlier requirement to

conduct triennial reviews.

5.81 The ANAO considers that a risk management approach in accordance with the Management Advisory Board and its Management Improvement Advisory Committee (MAB/MIAC) Guidelines [3] should be adopted by all Regional Offices when scheduling reviews. This would reduce the potential for `over review' or `under review', that is, inappropriate level of review or for not addressing the highest priorities in a timely fashion. ATSIC progressed some way towards achieving this through the allocation of scrutiny assessment rating. Paragraph 5.10 lists the factors required by the Procedures to be taken into account when assigning the scrutiny assessment rating. However, in addition to these items, the ANAO considers that there are other factors which should be taken into account when assessing risk. These are the:

- results of the ongoing monitoring activities such as field visits, spot checks and the analysis of PFSs and PPIRs;

- results of previous reviews; and

- the Regional Office staff's knowledge of the community organisation.

5.82 This process would ensure that the scrutiny assessment rating would provide a more meaningful basis for developing the schedule of reviews (further recommended enhancements in relation to the scrutiny assessment rating process are discussed in paragraph 5.16).

5.83 However, it should also be recognised that circumstances which affect an organisation's risk profile can change rapidly and review schedules may need to be revised in response to these changes.

Confusion over review terminology

5.84 Discussions with State and Regional Office staff indicated that there is confusion over the review terminology as outlined in the Procedures. This relates to the distinction between Major Reviews, [4] CDEP Project Performance Reviews [5] and Triennial Reviews. [6] The interchangeable use of these terms was causing problems. For example, reference was being made to Major Reviews even though the scope of the reviews was often limited to a financial analysis of the community organisation. As well, some Regional Managers were still scheduling reviews on a triennial basis when this was no longer a requirement (CDEP Project Performance Reviews replaced the requirement for Triennial Reviews in 1995-96).

5.85 As a result of this confusion, Regional Offices were devising new types of reviews to suit their operational requirements.

Suggested revisions to ATSIC's Funding Procedures Manual

5.86 The ANAO considers that Regional Offices should have the flexibility to determine the scope of reviews depending on the assessment of each community organisation and that the Project Monitoring section of the Procedures should be revised to include a specific sub-section on reviews. This section could include information which:

- clearly defines the purpose of reviews and why these are important;

- provides guidance on scheduling the reviews, that is, adopting the risk management approach suggested in paragraph 5.80 above;

- removes the distinction between Major Reviews and CDEP Project Performance Reviews to provide Regional Managers the flexibility to determine the scope and methodology of the reviews; and

- includes a range of terms of reference from which Regional Managers can select depending on the scope of the review (for example, financial, operational or a review of all Commonwealth grants received by a particular community organisation). The ANAO acknowledges that the Procedures currently include suggested terms of reference relating to some types of reviews. However, these are currently located in separate sections of the Procedures and should be consolidated into the new reviews sub-section for ease of reference.

5.87 The ANAO's suggested approach would help clarify the review process and eliminate the confusion over review terminology. It would also facilitate the scheduling and conduct of reviews on a risk management basis which ensures that the areas of highest need are addressed in a timely fashion.

Analysis of review findings

5.88 State Office CDEP Support Units receive a copy of all CDEP reviews undertaken within each Region. However, the ANAO found that in the majority of the offices visited the findings of these reviews were not being analysed at either the State or Regional Office level to identify common issues or better practices.

5.89 The ANAO noted that the Western Australia State Office has employed a consultant to draw out common issues arising from the reviews. This will help inform the operational and community planning processes as well as assist in ensuring that appropriate follow-up action is being undertaken.

5.90 The ANAO considers that there would be benefit in other State CDEP Support Units undertaking a similar analysis of the findings of reviews to identify any common issues or better practices which could be addressed on a State-wide basis. Furthermore, such analysis will enable informed assessments to be made of Regional Office performance in relation to provision of support to community organisations and provide a useful basis for planning CDEP Conferences [7] (these are discussed in Chapter 7).

5.91 As well, the preparation of a summary of outcomes from the reviews conducted would be useful to provide feedback to Regional Managers and Central Office on the performance of the CDEP Scheme.

Conclusion - field-based monitoring

5.92 Overall, the ANAO found that ATSIC's office-based monitoring process had improved since the Phase One audit. In summary:

- the majority of the Regional Offices visited had developed standard pro formas for field visit reports. Two of the pro formas developed have been identified as better practice;

- spot checks had been undertaken in the majority of the Regional Offices visited; and

- the majority of Regional Offices had undertaken reviews which had addressed the terms of reference.

5.93 However, the ANAO found that further improvements could be made in the following

areas:

- the results of field visits and spot checks, in particular any necessary follow-up action identified and the outcome of its implementation, should be documented and easily accessible;

- ATSIC should either review its requirement to interview a minimum of twenty per cent of CDEP participants as part of a spot check (to determine whether there are real difficulties in meeting this requirement) or ensure that the requirement is met by Regional Office staff;

- formal mechanisms should be developed which ensure that recommendations resulting from reviews of community organisations are being appropriately actioned;

- a risk management approach should be taken to the development of the schedule of reviews, field visits and spot checks for each Region;

- the Procedures should be revised to include a specific section dealing only with the subject of reviews of community organisations to streamline the requirements for various reviews. This section should also provide further guidance on the tailoring of reviews to suit the needs of each community organisation and the methodology which can be used to conduct different types of reviews; and

- the findings of reviews should be analysed at the Regional and State Office level to identify any common issues or better practices which may have emerged.

5.94 The ANAO has also made some suggested enhancements to improve ATSIC's field-based monitoring through the use of the InSight system.

Recommendation No.10

5.95 The ANAO recommends that in relation to field visits, spot checks and reviews, ATSIC ensure that:

- any necessary follow-up action is undertaken and adequate feedback is provided to the communities; and

- this follow-up action and feedback are documented for future reference.

ATSIC response

5.96 Agreed. ATSIC is already committed to enhanced monitoring systems in line with this recommendation. Subject to outcomes of the grant procedures review, InSight could be upgraded in the medium to longer term - six to eighteen months. In relation to field visits, spot checks and reviews, the enhanced system could produce checklists, remind staff of due dates and monitor follow-up activities.

5.97 Meanwhile managers will be reminded of their responsibilities in relation to existing project monitoring procedures.

Recommendation No.11

5.98 The ANAO recommends that ATSIC consider revising the Project Monitoring section of the ATSIC Funding Procedures Manual to include a specific sub-section on reviews which:

- clearly defines the purpose of reviews and why these are important;

- provides further guidance on scheduling the reviews using a risk management approach;

- removes the distinction between Major Reviews and CDEP Project Performance Reviews to provide Regional Managers with the flexibility to determine the scope and methodology of the reviews depending on their assessment of the associated risk; and

- includes a range of terms of reference which can be selected depending on the scope of the review (for example, financial or operational).

ATSIC response

5.99 Agreed. The need to review directions in the Grant Procedures Manual in relation to major reviews has also been identified by ATSIC and is being considered in the context of the procedural review.

Recommendation No.12

5.100 The ANAO recommends that, in relation to reviews, ATSIC ensure that State CDEP Support Units undertake an analysis of the findings of reviews to:

- identify any common issues which could be addressed on a State-wide basis;

- enable informed assessments to be made of Regional Office performance in relation to provision of support to community organisations; and

- provide a useful basis for planning CDEP Conferences.

ATSIC response

5.101 Agreed. ATSIC has requested that State Managers provide a six monthly report to the National Program Manager on Reviews, Spot Checks, Quality Assurance and Operational Planning (from a recommendation of the House of Representatives Standing Committee on Aboriginal and Torres Strait Islander Affairs review of ANAO Audit Report No.6) [8].

5.102 State Managers will be responsible for aggregating their State's data thereby necessitating the need to assess and review information gathered from the regions.

1

Ernst and Young, August 1995, *Evaluation of the Program Performance Monitoring and Reporting System, Report to ATSIC.*

2

Based on proforma developed by the Port Augusta Regional Office.

3

The *Guidelines for Managing Risk in the Australian Public Service* issued by MAB/MIAC in October 1996 suggests adopting a structured step-by-step process for risk management. This involves an integrated,

structured and formalised approach to the identification, analysis, assessment, treatment and monitoring of risk. Appendix 3 provides a diagram which illustrates the risk management process.

4

Major Reviews are undertaken to determine the appropriateness of financial management and grant administration (in relation to all Commonwealth grants) in organisations and to recommend appropriate action to address any identified deficiencies.

5

CDEP Project Performance Reviews are undertaken to examine all aspects of CDEP projects.

6

Triennial Reviews of community organisations were to be undertaken on a three-cycle.

7

The ATSIC Board of Commissioners decided at the November 1995 meeting that a series of State CDEP conferences should be held to improve the management of the CDEP Scheme at all levels.

8

House of Representatives Standing Committee on Aboriginal and Torres Strait Islander Affairs 1996, Review of Auditor-General's Audit Report No.6., 1995-96 Performance Audit. '*Community Development Employment Projects Scheme, Aboriginal and Torres Strait Islander Commission*'. Department of the House of Representative, Canberra, December.

6. Management Information Systems

This chapter discusses the implementation and effectiveness of the management information systems used in the administration of CDEP at the Regional Office level.

Background

6.1 Management information systems (MIS) are a key component of the program/project monitoring and reporting process. ATSIC has a number of systems in place to assist management and Regional Office staff to efficiently and effectively fulfil their operational responsibilities. Two of these systems are:

- CDEP Manager: a computer-based participant schedule management system; and

- InSight: a computer-based grant administration system developed by ATSIC.

6.2 Phase One of the audit examined the development and initial implementation of the CDEP Manager system. The ANAO recommended that ATSIC should seek to finalise the implementation of the system as a matter of priority (Audit Report No. 6 1995-96, Recommendation No. 5). During Phase One field work, InSight had also recently been introduced and was being used to process the 1995-96 grant applications.

6.3 CDEP Manager (at the Regional level) and InSight are both now fully operational. This audit examined the use of these systems in supporting the administration of the CDEP

Scheme at the Regional Office level.

CDEP Manager

6.4 The CDEP Manager was developed in response to concerns raised in past audits and evaluations about the accuracy of the data held in relation to participants of the CDEP Scheme. This data forms the legal basis for the allocation of funds and therefore should be reliable. The aim of the system is to improve the:

- efficiency of Regional Office staff in administering the Participant Schedules;

- accuracy of the participant information; and

- accountability for CDEP grants.

Implementation

6.5 The implementation of CDEP Manager was planned to be undertaken in two phases. These are discussed below.

CDEP Manager Phase One

6.6 The implementation of the first phase was completed in August 1996 and involved installation of the system in each Regional Office and community organisation.

6.7 Phase One was designed to facilitate Regional Office monitoring of movement of participants across communities. CDEP Manager allows the community organisations to electronically enter and update participant details and participation periods at any time. The Regional Office system is used by project staff to collate participant data and check for duplicate participant details. In summary, it forms the basis for validating the data provided by the community organisation within that region.

6.8 Central Office provides ongoing CDEP Manager Help Desk services to all the Regional Offices and community organisations; however, the community organisations are encouraged to channel their calls through the relevant Regional Office.

CDEP Manager Phase Two

6.9 This phase involves implementing a national database which will be used by Central Office to inquire into and extract reports on the validated participant schedules. It will also be used to check duplicates across Regions and States.

6.10 Phase Two was originally aimed to be implemented at State and Central Office level. State Offices would have similar access to Central Office but be limited to information held by the system in respect of their State. However, this can now be done centrally and ATSIC is currently considering what role the State CDEP Support Units will have in relation to the process of checking duplicate entries for participant schedules.

ANAO findings

CDEP Manager Phase One

6.11 Discussions with Central Office indicated that CDEP Manager was being widely used by community organisations and Regional Offices and that they were finding it useful.

6.12 OEA has also undertaken a Post Implementation Review of the implementation of Phase One of CDEP Manager in May 1996. The aim of the review was to assess whether the system met the business objectives set for it. The report indicated that the CDEP Manager has met its stated objectives of automating the participant schedule and reducing errors. The system was well controlled and appropriate support arrangements are in place.

6.13 The ANAO sought feedback from the various Regional Offices visited to gauge their view of the effectiveness of the implementation of CDEP Manager. The majority of Regional Office staff interviewed indicated that the system was proving to be effective and efficient in processing and verifying the accuracy of the Participant Schedules. However, two problems were raised as follows:

- incompatibility of hardware and software; and

- access to input screen displays.

6.14 Some CDEP organisations were having problems lodging the Participant Schedules using the CDEP Manager. This was mainly due to incompatibility of the hardware and software. The hardware currently in use at the community level had either been overloaded with excess software or was not being regularly checked for viruses and/or serviced. As a result, in some cases manual Participant Schedules had to be lodged. On receiving the handwritten Schedules the Regional Office then updated the information in CDEP Manager. This placed an added administrative burden on the organisations and Regional Offices and defeated the purpose of implementing a computerised system.

6.15 The ANAO raised the issue of incompatibility of hardware and software with Central Office and was advised that ATSIC was aware of the problem and is currently investigating a number of possible solutions.

6.16 Difficulties also arose in relation to the different versions of CDEP Manager being used by Regional Offices and community organisations. The screen display used for entering information at the Regional Office level is different from that being used by communities. This reflects the different tasks to be conducted by Regional Offices compared with the communities. However, Regional Office staff do not have access to the screen display used by the community organisations. This causes problems when the Regional Office is attempting to answer queries from the communities. Central Office has advised that the solutions currently being explored to resolve compatibility of hardware and software problems may also resolve the screen incompatibility problems.

CDEP Manager Phase Two

6.17 Discussions with project staff at Central Office indicated that there have been delays in the implementation schedule. Phase Two was planned to be implemented in April 1996. Based on present estimates it is now expected that Phase Two should be operational by April 1997. The main reason for the delay has been the need to ensure that the design of Phase Two of CDEP Manager aligns with the new corporate data model and associated standards and security systems introduced as a result of implementing ATSIC's new corporate database management system.

6.18 Delays in implementation of Phase Two have meant that Regional Offices are required to forward Participant Schedules to Central Office every quarter by facsimile. As a result, duplicate checks cannot be undertaken nationally or in aggregate by State.

Conclusion - CDEP Manager

6.19 The ANAO considers that ATSIC should address the concerns raised in relation to the implementation of Phase One to ensure that CDEP Manager is used effectively at the Regional Office and community level.

6.20 ATSIC should also monitor the implementation of Phase Two of the CDEP Manager system to ensure that it is not unreasonably delayed.

Recommendation No.13

6.21 The ANAO recommends that, to ensure CDEP Manager is being used effectively at the Regional Office and community level, ATSIC address as soon as possible the concerns raised by Regional Offices in relation to:

- the incompatibility of software; and

- access to input screen displays

   with a view to improving overall administration and assistance to communities.

ATSIC response

6.22 Agreed. Regional Offices will be reminded that they have access to the community software thereby resolving the problem of screen access. If they do not have a copy, a copy will be sent out.

6.23 The problem with compatibility of software is a complex technical problem. ATSIC is aware of the problem but currently has no solutions. Investigations are continuing.

InSight

6.24 The InSight system provides ATSIC staff with computer-based grant administration. Its main purpose is to streamline the approval, monitoring and reporting process for all grants, including CDEP.

6.25 The objective of InSight was to provide facilities to enable State and Regional Offices to:

- track the status of grant applications;

- assess applications based on information provided by clients and from previous projects;

- provide key reports to Regional Councils and other decision-makers;

- prepare the budget estimates;

- monitor the performance of the project and the client's submission of reports; and

- maintain current contact details for clients and consultants.

Post Implementation Review

6.26 A Post Implementation Review of InSight was undertaken by OEA in June 1996. The overall conclusion was that InSight was not yet meeting the business objectives established

for its development. The report made eleven recommendations to improve the effectiveness of InSight as a tool for ATSIC. ATSIC has agreed to all eleven recommendations.

ANAO findings

6.27 The ANAO's findings support the results of the Post Implementation Review. Overall, the ANAO found that in the majority of Regional Offices visited, ATSIC was not maximising the benefits of InSight. There were variations in the understanding and use of InSight across the Regional Offices visited and many Regional Offices had developed other methods, such as spreadsheets, to manage and monitor the performance of the projects.

6.28 As well, the ANAO found that the performance information included in InSight was not yet developed to a standard which made it useful (performance information is discussed in detail in Chapters 3 and 4).

6.29 However, the ANAO observed that InSight was being used extensively by the Darwin Regional Office for monitoring and management purposes. The ANAO recognises that the Darwin Regional Office had been involved in the design and testing of the system and therefore had an extensive knowledge of its use and capabilities. This Office was able to demonstrate that InSight could be used to meet its objectives.

6.30 Further, management of the Darwin Regional Office followed a view that `if the information was not entered into InSight, it did not exist'. Regional Office staff in this Office therefore had a strong incentive to enter all information relating to projects into the system. This practice allowed management to use InSight to effectively and efficiently assess the current status of projects, identify organisations in breach and establish the need for follow-up action.

6.31 As noted in Chapter 5 of this report, the ANAO raised the following concerns in relation to the processing of grant applications, project monitoring and reporting:

- in some cases CDEP Grant Assessment Forms were not being completed by Regional Office staff when processing CDEP grant applications, for reasons explained in paragraph 5.12 ;

- it was difficult to identify follow-up action undertaken and feedback provided in relation to field visits, spot checks and reviews, analysis of Periodic Financial Statements and Project Performance Information Reports;

- the standard of recording and management of field visits and spot checks varied across Regions. Most of the Regional Offices were not maintaining a central record of field visits and spot checks planned and undertaken;

- there was no schedule of reviews developed for 1995-96. While all the Regional Offices visited had developed a 1996-97 schedule, the criteria used for assessment was unclear; and

- Regional Office staff required further training and guidance in the analysis of PFSs.

6.32 As a result of the concerns identified above, the ANAO has suggested some enhancements to InSight in order to improve the administration of CDEP grants. The system could be enhanced to:

- incorporate the electronic compilation and processing of the CDEP Grant Assessment Form;

- maintain a record of field visits and spot checks planned and actually undertaken;

- maintain a schedule of reviews and the criteria used for assessment;

- identify and maintain a record of follow-up action undertaken and feedback provided as a result of the various monitoring activities undertaken; and

- assist with the lodgment and analysis of PFSs by:

■ further exploring the electronic lodgment by community organisations; and

■ designing a form within InSight which electronically downloads the necessary information which can be used by Regional Office staff to analyse the PFSs.

6.33 The above enhancements could be taken into consideration when undertaking the useability evaluation recommended by OEA, and will provide a more efficient and effective management and monitoring tool by:

- ensuring CDEP grant assessments are undertaken in accordance with the ATSIC Funding Procedures Manual;

- facilitating easy retrieval of information relating to field visits, spot checks and reviews and providing a measure of client service;

- ensuring follow-up action is being undertaken and feedback provided in relation to the various monitoring activities undertaken; and

- reducing duplication of information.

Conclusion - InSight

6.34 The ANAO supports the recommendations of the Post Implementation Review of the InSight system and considers that ATSIC should act on these as soon as possible, particularly the recommendation in relation to training.

6.35 ATSIC should also make more extensive use of InSight to reduce manual processing of information and facilitate improved project performance analysis, monitoring and follow-up.

6.36 As with any computer system, the Darwin experience has shown that familiarisation with the system and commitment from management greatly facilitate the use of the system in a way which would achieve the purpose for which it was established.

Recommendation No.14

6.37 The ANAO recommends that ATSIC implement as soon as possible the recommendations of the Office of Evaluation and Audit's Post Implementation Review of the InSight Management Information System. This will lead to more efficient and effective functioning of the system.

ATSIC response

6.38 Agreed. Implementation is in train but will also be subject to the recommendations flowing from a range of current reviews, including the report of the Special Auditor and the procedural review.

Recommendation No.15

6.39 The ANAO recommends that to facilitate improved project performance analysis, monitoring and follow-up there would be benefit in ATSIC enhancing InSight to:

- incorporate the compilation and processing of the CDEP Grant Assessment Form;

- maintain a record of field visits and spot checks planned and actually undertaken;

- maintain a schedule of reviews and the criteria used for assessment;

- identify and maintain a record of follow-up action undertaken and feedback provided as a result of the various monitoring activities undertaken; and

- assist with the lodgment and analysis of Periodic Financial Statements by:

■ further exploring the electronic lodgment of Periodic Financial Statements by community organisations; and

■ designing a form within InSight which electronically downloads the necessary information which can be used by Regional Office staff to analyse the Periodic Financial Statements.

ATSIC response

6.40 Agreed. ATSIC is already committed to enhanced monitoring systems in line with this recommendation. Subject to outcomes of the grant procedures review, InSight could be upgraded to include these facilities in the medium to longer term - six to eighteen months. In relation to field visits, spot checks and reviews, the enhanced system could produce checklists, remind staff of due dates and monitor follow-up activities.

6.41 Meanwhile managers will be reminded of their responsibilities in relation to existing project monitoring procedures.

7. Other Administration Issues

This chapter discusses ATSIC's quality assurance processes in relation to Regional Office administration together with the progress made since Phase One in relation to training. The ANAO's suggested improvements to the ATSIC Funding Procedures Manual are also discussed.

Background

7.1 As mentioned in Chapter 5 (paragraph 5.1) successful monitoring includes the development of:

- adequate quality assurance processes to ensure that staff are complying with grant procedures and to highlight common problem areas where training is required; and

- clear and concise procedures to assist staff in fulfilling their operational responsibilities.

7.2 The ANAO examined ATSIC's quality assurance processes and procedures to ensure that they satisfied the requirements outlined above. The ANAO also examined the ATSIC Funding Procedures Manual to determine whether there was scope for further improving the

procedures relating to the monitoring of CDEP projects.

7.3 Phase One of the audit raised issues in relation to the provision of training (Audit Report No.6 1995-96, Recommendations No.7 and 14). The action taken by ATSIC in addressing these concerns is also discussed in this chapter.

Quality assurance

7.4 The quality assurance of Regional Office project administration is undertaken at both the State and Regional Office levels, although the principal responsibility for implementing QA rests with State Offices. Central Office advised that the role of State Offices includes monitoring the number and quality of QA reviews undertaken by Regional Offices and examining the results of these reviews. From 1996-97 Central Office will be responsible for the overall monitoring of QA practices and the frequency of QA checks undertaken in the States and regions.

7.5 A Quality Assurance Package was developed by the Office of Evaluation and Audit and distributed to all State and Regional Offices in August 1995. The aim of the QA Package was to assist managers to self-test and report on the extent to which compliance with procedures and processes existed. It also provides a means of highlighting common problem areas where remedial action, including training, is required.

ANAO findings

7.6 The QA Package was designed to be a 'living' document and the majority of State Office visited have updated the QA Package to reflect the revised grant procedures. These States have also developed separate QA policies and strategies and have tailored the implementation of QA to suit their specific requirements. The ANAO was advised that all States intend to develop a consistent approach to QA within their State.

7.7 The ANAO found that QA Package was being used by State and Regional Offices in two different ways. These are:

- ongoing monitoring of project administration; and

- a point-in-time assessment of project administration.

Ongoing monitoring

7.8 The Darwin Regional Office was maintaining an ongoing QA checklist (based on the OEA Package) for each CDEP project file. The checklist is kept at the front of all project files and is updated every two months by the relevant Regional Office staff. The project files are forwarded to the Grant Administration Officer, who examines a sample of the checklists to ensure that the information had been recorded correctly. This means that QA is being undertaken pro-actively rather than retrospectively.

7.9 The ANAO found this checklist to be comprehensive and well-structured and considers the **ongoing** update of the checklist to be good practice. This pro-active approach allows early identification of any problems.

7.10 In addition to the use of the QA checklist, the ANAO observed that the Regional Offices visited had developed a certifying process in relation to all grants. [1] Some aspects of this process are covered in the QA checklist, for example submission of PFSs. The ANAO

considers that a common checklist should be developed which covers both the grant certification process and the Regional Office QA checklist.

7.11 The ANAO considers that ATSIC should explore the possibility of incorporating this combined checklist into InSight. This would allow central access to all project monitoring information.

Point-in-time assessment

7.12 The Queensland and South Australian State Offices and the Kalgoorlie Regional Office undertake QA reviews of selected CDEP project files on an annual basis also using the OEA's QA Package. This is an independent assessment undertaken by Senior Regional Office and/or State Office staff and does not involve the relevant Regional Office staff. It provides a **point-in-time** assessment of administrative practices.

Conclusion - quality assurance

7.13 The ANAO considers that a combination of the two QA approaches discussed above would improve the efficiency and effectiveness of the QA process. Each Regional Office could adopt the self-assessment approach outlined above using a detailed QA checklist based on the Darwin Regional Office model. This would provide an ongoing monitoring mechanism and support operational management. The 'point-in-time' assessment based on a selection of CDEP project files could then be used to address broader (perhaps more strategic issues) and give an independent overall assessment of the administration of CDEP projects in Regional Offices.

7.14 The intention of suggesting a combined approach is not to duplicate effort but to provide complementary processes which are aimed at improving quality during the project administration process for each grant as well as providing higher-level information across a Region/State.

Recommendation No.16

7.15 The ANAO recommends that ATSIC adopt a combined approach to the quality assurance of Regional Office project administration which involves:

- ongoing monitoring of documentation relating to individual CDEP projects using a Quality Assurance Checklist; and

- a point-in-time assessment of Regional Office project administration using the Quality Assurance Package developed by the Office of Evaluation and Audit.

ATSIC response

7.16 Agreed. The Office of Evaluation and Audit has developed a Quality Assurance Package which is in use throughout Australia. ATSIC is in the process of reviewing the OEA Quality Assurance Package.

Guidelines and procedures

7.17 As mentioned at the beginning of this chapter, the development of appropriate procedures is a major component of successful project monitoring. Therefore it is important that procedures:

- are accessible by all staff and provide clear direction;

- assist staff in undertaking their operational responsibilities; and

- are regularly reviewed to ensure their accuracy, relevance and currency.

7.18 ATSIC has developed a procedures manual which covers all grant funding provided by ATSIC. The ATSIC Funding Procedures Manual has two main sections:

- general procedures which are common to all ATSIC grants; for example, the submission of Periodic Financial Statements and Project Performance Information Reports; and

- specific procedures which apply only to the administration of CDEP grants; for example, the analysis of Participant Schedules and conducting spot checks.

7.19 The Grant Administration Support Section in Central office is responsible for the development, maintenance and distribution of the general procedures, while the CDEP Administration Section is responsible for the CDEP Procedures Section of the manual.

ANAO findings

7.20 The ANAO found that all relevant staff had access to the latest version of the ATSIC Funding Procedures Manual (1996-97). Further, ATSIC has a policy of annually reviewing and updating the Procedures as part of a continuous improvement process to ensure that they reflect the current operating practices.

7.21 The ANAO found that in December 1995 ATSIC redeveloped the CDEP Procedures documentation using the Information Mapping technique. This was undertaken to:

- restructure the content of the CDEP Procedures in order to make them more comprehensive;

- make the procedures more user-friendly by including step-by-step guidelines on how to carry out particular tasks; and

- separately identify procedures for the Regional Office and community organisations.

7.22 The Information Mapping exercise involved considerable effort and staff resources. The ANAO's discussions with staff at State/Regional Office level indicated that the revisions to the CDEP Procedures were useful. It assisted them in understanding the requirements in relation to the various forms which needed to be completed and the analysis to be undertaken.

7.23 The ANAO considers that there would be benefit in ATSIC considering whether it would be cost-effective to undertake a similar exercise for the general grant procedures for the following main reasons:

- to ensure that the Procedures provide clear and concise direction to Regional Office staff and that there is consistency between the general procedures and the CDEP procedures, particularly in the area of reviews (Chapter 5 paragraphs 5.84 and 5.85 discussed confusion over the review methodology);

- given that the majority of the general procedures also apply to the administration of CDEP grants it is important that staff have a sound understanding and can follow them easily and quickly;

- the Information Mapping exercise will also provide ATSIC with an opportunity to consider streamlining the general procedures.

7.24 While the ANAO acknowledges the work undertaken by ATSIC to review the CDEP procedures, some Regional Office staff advised that the number of changes to Procedures and forms made each year caused confusion (e.g. some Regional Office staff were not using the CDEP Grant Assessment Form as discussed in paragraphs 5.12).

7.25 Central Office provides a summary of changes to accompany the release of revised Procedures. However, not all Regional Office staff could recall receiving/seeing this summary. It is important that a key person at State/Regional Office level is responsible for receiving these and ensuring they are disseminated to the appropriate staff. Use could also be made of the CDEP Notice Board [2] to inform staff of the availability of the summary.

7.26 As mentioned in paragraph 7.24, the different forms and the dates for their completion have caused confusion for Regional Office. To help clarify the requirements, the Sydney Regional Office had developed a Regional Office Work Map to ensure all staff were aware of the critical dates for key tasks to be undertaken. Examples of some of the key tasks included in the Work Map were:

- Regional Council and State Advisory Committee meetings;

- submission of information by community organisations, that is, PFSs, PPIRs and Participant Schedules;

- monthly reports to State Office;

- reviews and spot checks to be undertaken; and

- staff meetings.

7.27 The staff member(s) responsible for undertaking the tasks were also identified.

7.28 The ANAO considers the development of a Work Map to be a better practice as it:

- assists in the scheduling of key tasks;

- is a tool to disseminate information to all staff relating to the work commitments of the Regional Office;

- allows staff to plan their work around the key tasks and critical dates; and

- improves office-wide communication and coordination by providing all staff with access to this information.

7.29 There may be value in ATSIC considering the benefit of providing each community organisation with similar Work Maps outlining the critical dates that information is to be provided to Regional Offices, for example PFSs, PPIRs and Participant Schedules, Grant Applications and so on. This could be distributed annually with the Letter of Offer.

Conclusion - guidelines and procedures

7.30 The ANAO considers that ATSIC has made considerable progress in the area of CDEP

procedures. The Information Mapping technique has resulted in a more user-friendly and comprehensive document.

7.31 The ANAO considers that there would be benefit in ATSIC considering the cost-effectiveness of using a similar Information Mapping exercise to revise the general Procedures.

Training

7.32 In relation to the provision of training for Regional Office staff, Phase One of the audit identified the need for improvement in the following areas:

- the timing and relevance of the CDEP training provided;

- evaluation of the effectiveness of this training in relation to the administration of the CDEP Scheme; and

- follow-up action in relation to the series of training initiatives (e.g. the Staff Training Handbook, CD-ROM training package, ATSIC TV presentations and so on) planned to upgrade the level of staff skills within Regional Offices.

7.33 Against this background, the ANAO reviewed the provision of training to Regional Office staff.

ANAO findings

Timing and relevance

7.34 The ANAO noted that considerable effort has been directed towards the provision of training since the completion of Phase One of the audit.

7.35 There are differences in the methods of training delivery between the offices visited and these reflect the specific requirements and operating environment of each office. Where resources permit, Regional Offices have their own designated training officer. In general, however, the State Office Training Officers have been involved in the provision of training at the Regional Office and community level. State Office trainers have provided training in the use of CDEP Manager, InSight and the revised Procedures.

7.36 In most cases the need for training was identified in the operational plans for Central, State and Regional Offices. Some of these operational plans contained a detailed training strategy while in others reference was made to the development of a separate training plan. These training plans had been developed in some cases and other offices visited during the course of the field work were in the process of doing so.

7.37 Since Phase One, there are three main factors that have influenced the processing of CDEP grants. These are:

- introduction of CDEP Manager;

- implementation of the InSight management information system; and

- changes to the Procedures.

7.38 Given the importance of these factors, the ANAO examined the training that had been

provided in these three areas. The findings in relation to each of these are discussed separately below.

CDEP Manager

7.39 ATSIC has devoted considerable effort to the provision of training in the use of CDEP Manager. In general, the State Training Officers have provided training to Regional Office staff, who, in turn, have provided training to communities. As well, training in the use of the system was provided to Regional Office staff and community organisations during the installation process.

7.40 As a result Regional Office staff are in a good position to provide assistance to communities as required. The ANAO considers this to be a positive achievement given the number of Regional Offices, community organisations and the distances involved.

InSight

7.41 InSight has been released in a number of phases, although Regional Office staff received training only during the initial installation of the system. Ongoing support to users is provided through a Help Desk located in Central Office together with on-line help facilities. However, the on-line facilities have not been updated to reflect the latest changes to the system.

7.42 Overall, the ANAO found that in the majority of the Regional Offices visited ATSIC was not maximising the benefits of InSight. Discussions with Regional Office staff indicated that they were generally not confident in the use of the system.

7.43 The ANAO understands the resource constraints currently facing ATSIC; however, given the original investment in the development of InSight and its potential to improve program management and monitoring, it is important that assistance in the use of the system is relevant and timely.

7.44 In addition to ensuring that the on-line help is up to date, users' familiarity with the system could be improved by providing hints and tips on the CDEP Notice Board, use of ATSIC TV and the development of a short, user-friendly manual.

7.45 CDEP Manager and InSight were discussed in detail in Chapter 6.

Procedures

7.46 Training on changes to the Procedures was provided to all staff by State Office trainers or Regional Office management. Central Office also provides a summary of changes to the Procedures at the beginning of each financial year, as discussed in paragraph 7.25.

7.47 However, as identified in paragraph 5.27, Regional Office staff also indicated that more training or guidance was required on the methods used to analyse the performance information (especially in the area of PFSs) provided by community organisations.

7.48 Therefore, the ANAO considers that there may be benefit in ATSIC developing further training courses focused on key activities highlighted in the Procedures (e.g. the analysis of PFSs and PPIRs). This would assist staff in undertaking their operational responsibilities in line with the Procedures.

Evaluation of training effectiveness

7.49 Since Phase One, Central Office has implemented a number of mechanisms on an ongoing basis to assess the effectiveness of the CDEP training provided; for example:

- formal feedback obtained from CDEP Conferences (discussed in more detail in Appendix 4); and

- informal feedback via the computerised network.

Training initiatives

7.50 ATSIC has commenced or progressed a number of training initiatives as follows:

- CD-ROM training package (ongoing);

- Staff Training Handbook (ongoing);

- ATSIC TV presentations (ongoing);

- CDEP Notice Board (undertaken since Phase One); and

- CDEP Conferences (undertaken since Phase One).

7.51 The work undertaken by ATSIC on all the initiatives listed above is discussed in detail in Appendix 4.

7.52 The ongoing initiatives were discussed in Phase One and, as recommended by the ANAO, ATSIC had followed-up on these initiatives to upgrade the level of staff skills within the Regional Office. However, the ANAO considers that ATSIC should do more work in the following areas to consolidate its training efforts.

Development of the multimedia (CD-ROM) CDEP training package

7.53 There have been considerable delays in the development of the training package and ATSIC is now exploring possible alternative methods for disseminating information; for example the Internet. The ANAO considers, given the significant effort devoted to the project to date, ATSIC should ensure that some benefit is gained from the effort invested in this project.

Staff Training Handbook

7.54 A staff training handbook, to be linked to the CD-ROM package, was also developed by Central Office in November 1994 to provide specific CDEP training to State and Regional Office staff. However, this handbook has not been kept up-to-date. The Western Australia State Office identified the need for a manual of this kind and updated the handbook in August 1996 to reflect the revised procedures. The ANAO considers that ATSIC Central Office should review the updated handbook to ensure it reflects the current procedures and disseminate copies of this handbook (in the absence of the CD-ROM) to other States and regions.

Conclusion - training

7.55 The ANAO acknowledges that ATSIC has made progress in addressing the recommendations relating to training made in Phase One. Training has been provided in CDEP Manager, InSight and the recent changes to the Procedures. Through formal and

informal mechanisms, Central Office assesses the effectiveness of the CDEP training provided on an ongoing basis. As well, ATSIC has made some progress in following-up on the initiatives discussed in Phase One to upgrade the level of staff skills within Regional Offices.

7.56 However, the ANAO considers that now the training effort can be more specifically directed towards ensuring that Regional Office staff have a good understanding of Procedures (e.g. the requirements of analysing PFSs and PPIRs). This is particularly important where staff turnover occurs or where there are changes to the operating environment. As well, adequate training in the use of the InSight management information system would ensure broader use of this system and enhance program management and monitoring.

7.57 The ANAO also considers that ATSIC should further progress its training initiatives particularly in the area of the CD-ROM training package and the Staff Training Handbook.

Recommendation No.17

7.58 The principles behind recommendations relating to training made in Phase One still remain. In addition, the ANAO recommends specifically that ATSIC:

- where resources permit, focus its training efforts on key activities highlighted in the ATSIC Funding Procedures Manual (e.g. the analysis of Periodic Financial Statements and Project Performance Information Reports);

- where resources permit, undertake further training on the use of the InSight management information system;

- given the significant effort devoted to the project to date, ensure that some benefit is gained from the effort invested in the CD-ROM project; and

- update the Staff Training Handbook and disseminate widely to all State and Regional Offices.

ATSIC response

7.59 ATSIC has an ongoing commitment to providing training related to the Funding Procedures Manual and the InSight system. When amendments are made to either, a series of workshops is conducted around the country to ensure staff understand and are able to implement the new procedures or process. The next round of training will be conducted in February 1997.

7.60 The Special Auditor also made a recommendation in relation to training on the analysis of Periodic Financial Statements. It was noted that while ATSIC has taken considerable steps to improve the level of training available to staff, specific training still needs to be provided on financial analysis, perhaps supplemented by outsourcing the examination of financial returns and/or funding external annual quality assurance checks on how staff, organisations and auditors are dealing with financial reporting.

7.61 While having regard to possible outcomes of the procedural review, ATSIC will undertake development work on appropriate training modules over the next six months. ATSIC is presently investigating the effectiveness of training initiatives (from a recommendation of the House of Representatives Standing Committee on Aboriginal and Torres Strait Islander Affairs review of ANAO Report No.6). Should ATSIC find that there is

not enough expertise within ATSIC to provide such training, it is likely that the training will be outsourced to an appropriate accounting and/or training firm.

7.62 ATSIC is continuing work on the CD-ROM package which is presently having contractual problems. ATSIC is aware of the importance of this project to ensure training in CDEP issues and procedures is given to all staff.
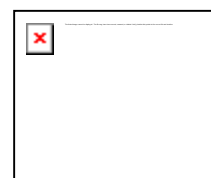
Canberra ACT   P. J. Barrett

10 February 1997   Auditor-General

1

The aim is to ensure that funds are not released without being certified by the relevant officer (that is, a Grant Administration Officer/Quality Assurance Officer). This officer is responsible for checking that all the relevant documentation, such as PFSs and the analysis forms, are on file before funds are released.

2

CDEP Notice Board is a mechanism to disseminate information on a national basis using ATSIC's computerised network. This is discussed in more detail in Appendix 3.

Appendix 1 - Action Taken On The Recommendations From Phase One Of Audit Report No.6 1995-96

No.	Recommendation	ANAO findings on the effectiveness of ATSIC action
1	The ANAO recommends that ATSIC undertake an assessment of the impact of the implementation of the recommendations of the *Salary Resources Distribution Review: Towards the year 2000,* undertaken by Peter Daffen, to ensure that: changes in staffing arrangements have led to identified improvements in program administration; and it provides a reasonable basis for allocating resources in future years.	CDEP, and ATSIC more generally, have undergone many changes since the Daffen Report. As a result, the recommendations relating to the staffing model included in the report may no longer be applicable. However, the ANAO considers that ATSIC should consider developing an appropriate staff model in order to ensure efficient administration, effective program delivery and appropriate client service. This model should be applicable to each level of administration and take into account workloads and other factors as outlined above. ATSIC has advised that this issue is to be addressed in the near future (see Chapter 2, paragraph 2.29). As well, during ATSIC's operational planning

		process for 1995-96, emphasis was placed on clarifying roles and responsibilities of key staff in the administration of CDEP at Central, State and Regional Office level.

No.	Recommendation	ANAO findings on the effectiveness of ATSIC action
2	The ANAO recommends that: Office of Evaluation and Audit reports be circulated promptly to ensure that sound controls are in place, best practices are disseminated and necessary action is taken promptly; and responses to Office of Evaluation and Audit reviews be provided within the agreed timeframe to confirm that appropriate action has been taken.	The Office of Evaluation and Audit has revised its system for the release of internal audit reports. The aim of the new system is to expedite the response process. The system is briefly outlined below: OEA issues draft reports to auditees by email with a requirement that a response be provided within ten working days if possible. If unable to meet this requirement, the auditee will need to advise OEA in writing of a date by which the written response will be provided; at the expiration of the ten-day period, OEA will report on the audit outcome as follows: if the response has been received from the auditee it will be included in the report and the attention of the Minister and Commission will be drawn to it, thus concluding the audit process; or if a response has not been received at the expiration of the ten-working-day period, OEA will provide both the Commission and the Minister with copies of the audit report indicating that OEA will report further when a response is received from the auditee or on expiration of the response date advised by the auditee. The ANAO considers that the requirements of this recommendation will be fully satisfied if OEA monitors the revised system to ensure that it is operating efficiently and effectively.

No.	Recommendation	ANAO findings on the effectiveness of ATSIC action
3	The ANAO recommends that ATSIC develop performance indicators for the CDEP Scheme which clearly establish a link between program objectives, strategies and outcomes.	The ANAO considers that ATSIC has made some progress towards achieving this recommendation. However, more work needs to be undertaken to develop appropriate performance indicators to clearly establish the link between program objectives, strategies and outcomes.

		A detailed discussion on the development of appropriate performance information is included in Chapters 3 and 4 of the Phase Two audit report.
4	The ANAO recommends that ATSIC nominate a specific Section to take a leading role: in matters such as the development and dissemination of CDEP guidelines and the formation of a management group from relevant areas in ATSIC to ensure effective coordination; and to ensure that the Commission decisions relating to the CDEP Scheme are reviewed, so that appropriate action regarding the implementation of those decisions is taken in a timely manner.	The Central Office CDEP administration area has assumed the responsibility for coordinating the administration of the Scheme. Also, as mentioned above in relation to Recommendation No. 1, the roles and responsibilities of each level of ATSIC's administration have been clarified. Information relating to the action taken by Central Office is disseminated through CDEP Conferences and ATSIC's computerised network.

No.	Recommendation	ANAO findings on the effectiveness of ATSIC action
5	The ANAO recommends that, as a matter of priority, ATSIC seek finalisation of the implementation of the computerised participant schedule system (CDEP Manager) at all administrative levels to achieve optimum gains in efficiency.	The implementation of the CDEP Manager system was planned to be undertaken in two phases. Phase One was installed in all Regional Offices and community organisations in August 1996. The implementation of Phase One of CDEP Manager is discussed in detail in Chapter 6. There have been delays in the implementation of Phase Two of the system. This has limited the scope of the electronic duplicate checks which can be undertaken on the participant information. As a result, the ANAO considers that there would be benefit in ATSIC implementing Phase Two as soon as possible (see paragraph 6.20).
6	The ANAO recommends that the *Framework of CDEP Three Year Planning* be reviewed and revised to: remove any inconsistencies in the use of planning terms; ensure that it relates to and is integrated with the other planning activities carried on within ATSIC; and	ATSIC has revised the *Framework of CDEP Three Year Planning* to more clearly explain the Three Year Planning process. The requirements of this recommendation have been fully satisfied.

	take into account the improvements recommended in the internal audit report in relation to this Framework.	

No.	Recommendation	ANAO findings on the effectiveness of ATSIC action
7	The ANAO recommends that Central Office ensure that CDEP training is timely, relevant and evaluated for program effectiveness. Recommendation No. 16 also relates to training.	The ANAO notes that considerable effort has been directed towards the provision of training since the Phase One audit. ATSIC has provided training to Regional Office staff in a number of key operational areas (for example, use of the CDEP Manager system and recent revision to the ATSIC Funding Procedures Manual). However, the timeliness and relevance of the training provided remain an issue. The ANAO considers that the training effort should be directed to those areas which are considered crucial to the effective administration of the CDEP Scheme. Training is discussed in more detail in Chapter 7.
8	The ANAO recommends that ATSIC Central Office analyse and provide feedback to the State and Regional Offices on the performance reports in order to further improve the administration of the CDEP scheme. Note: ATSIC did not agree to this recommendation.	ATSIC has organised a number of CDEP Conferences with the aim of providing feedback to State and Regional Office staff on performance reporting. However, the ANAO considers that the performance measurement, reporting and feedback mechanisms need to be reviewed. This is discussed in detail in Chapters 3 and 4.

No.	Recommendation	ANAO findings on the effectiveness of ATSIC action
9	The ANAO recommends that: Queensland State Office ensure that its role is clearly defined and that an appropriate implementation plan is developed and achieved; and ATSIC make an assessment of other States' operations to gauge how effectively their role is defined and implemented.	As mentioned above, ATSIC has clarified the roles and responsibilities at each level of the administration of the CDEP Scheme. However, the ANAO considers that ATSIC now needs to develop appropriate performance measures to adequately assess the efficiency and effectiveness of the three levels of administration to the achievement of the overall objective of the Scheme. This is discussed in Chapter 4.
10	The ANAO recommends that each grant application be assessed in accordance with the procedures	In the majority of cases examined, the ANAO found that grant applications had been assessed in accordance with the ATSIC Funding Procedures

No.	Recommendation	ANAO findings on the effectiveness of ATSIC action
	outlined in the ATSIC Funding Procedures Manual.	Manual. This is discussed in Chapter 5.
11	The ANAO recommends that ATSIC ensure that Project Officers: monitor the submission of Periodic Financial Statements as required by the ATSIC Funding Procedures Manual; analyse Periodic Financial Statements on a quarterly basis; and provide CDEP organisations with appropriate feedback to strengthen the accountability process.	The ANAO found that community organisations were submitting periodic financial statements and a basic analysis was being undertaken by Regional Office staff. However, there was little evidence to indicate that appropriate follow-up action was being undertaken and that feedback was being provided to community organisations on the results of the analysis. The ANAO's findings are discussed in more detail in Chapter 5, paragraphs 5.22 to 5.29.
12	The ANAO recommends that: Project Performance (Information) Reports be reviewed in accordance with the ATSIC Funding Procedures Manual; and Project Officers provide appropriate feedback to the CDEP organisations in order to assist project performance. This feedback could be provided during the Project Officers' field visits.	The ANAO found variations in the standard of the analysis of Project Performance Information Reports undertaken by Regional Office staff. Also, as mentioned above in relation to periodic financial statements, there was no evidence that appropriate follow-up action and feedback to the community organisations were being undertaken on a systematic basis. This is discussed in Chapter 5, paragraphs 5.45 to 5.49.
13	The ANAO recommends that ATSIC: ensure that field visits have a clearly stated purpose; and reinforce the need for Project Officers to prepare a field visit report on completion of each field visit to ensure it provides a record of work undertaken and enables follow-up action to be undertaken as required. One option to facilitate this process would be to develop a field visit report pro forma.	ATSIC has made considerable progress towards satisfying this recommendation. The majority of the Regional Offices visited had developed standard pro formas for field visit reports which identified the purpose of the visit, provided details on the particular issues addressed and any follow-up action required. However, field visit reports were not being prepared in all cases and there was insufficient evidence to indicate that the follow-up identified in the field visit reports had been implemented. This is discussed in Chapter 5, paragraphs 5.56 to 5.64.
14	The ANAO recommends that, where possible, various field reviews should be combined to ensure optimum use of staffing resources.	The ANAO found that in **some** cases Regional Office staff had combined field visits with spot checks and other field reviews where appropriate. Further action is required from the Central Office

		CDEP section in relation to streamlining the procedures in relation to monitoring activities and the optimum use of staff resources.

No.	Recommendation	ANAO findings on the effectiveness of ATSIC action
15	The ANAO recommends that a schedule of Major Project Reviews and CDEP Project Performance Reviews be developed based on risk management and that appropriate reviews be undertaken.	The ANAO found that some Regional Offices visited were scheduling reviews on a risk management basis. However, the ANAO considers that there is scope for further improvement in this area. Issues relating to the development of review schedules and the scope and focus of the reviews to be undertaken are discussed in detail in Chapter 5, paragraphs 5.74 to 5.90.
16	The ANAO recommends that the series of training initiatives planned to upgrade the level of staff skills within the Regional Office be followed up to ensure they are implemented effectively.	Please refer to the ANAO's comments in relation to Recommendation No.7.

Appendix 2 - ATSIC's centrally-developed List of Project-specific Indicators for the CDEP Scheme

Program Performance Indicators	Mandatory	Project-specific Indicators
Communities and individuals participating in CDEP	No	Communities and individuals participating in CDEP
	No	Number of contracts being undertaken
	No	Type of contracts being undertaken
Contribution of CDEP to communities	No	Aboriginal and Torres Strait Islander people employed on this project
	No	CDEP - Purchase capital - Backhoe
	No	CDEP - Purchase capital - Truck
	No	CDEP participants in non-accredited training
	No	Contribute to community culture and environment
	No	Contribution of CDEP to communities

	No	Employment opportunities for women
	No	Establish nursery
	No	Improve community environment
	No	Improve community security
	Yes	Income-generating activities undertaken
Geographic distribution of CDEPs	No	

Program Performance Indicators	Mandatory	Project-specific Indicators
Other - not specified in Program Statement	No	Implementation of Work Plan
Types of activities undertaken	No	Aboriginal people employed on the project
	No	CDEP - capital - Secure area
	Yes	Females in project management or administration
	No	Implementation of Work Plan
	Yes	Males in project management or administration positions
	No	Number of participants employed in enterprises
	No	Number of participants employed in housing construction and/or maintenance
	No	Participants employed in horticultural activities
	No	Participants employed in providing essential services
	No	Participants employed in the arts/crafts industry and or cultural activities
	No	Participants employed in providing health services
	No	Types of activities undertaken
Women and youth participating in CDEP	No	Women and youth participating in CDEP

	No	Number of project activities targeting women
	No	Number of project activities targeting youth

Appendix 3 - The Risk Management Process
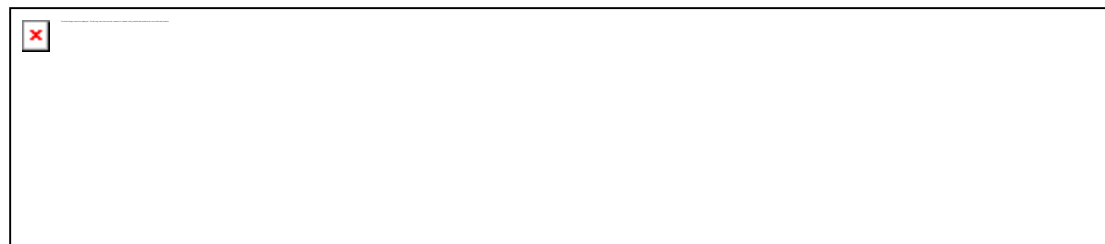
Source: *Guidelines for Managing Risk in the Australian Public Service,* MAB/MIAC Report No.22, October 1996.

This report is available from all Commonwealth Government bookshops around Australia and from the AGPS Phone Shop on 008 020 049. Further information on MIAC and the publication series can be obtained from the MIAC Secretariat on (06) 263 2207.

Appendix 4 - ATSIC Training Initiatives

CD-ROM training package

1. The CDEP CD-ROM training package has been under development in Central Office since late 1994. The intention was to develop a comprehensive cross-referenced package linking the existing CDEP Procedures Manual, the CDEP Staff Training Handbook, the *ATSIC Act 1989* and the Grant Administration Procedures (GAP) CD-ROM. The CDEP CD-ROM project has experienced considerable delays. The main factors that have contributed to this delay are:

- failure on the part of the Grant Administration Support Section (GASS) to update the GAP CD in line with the 1995-96 procedures. Therefore, although the CDEP CD was ready to be added to the GAP CD at the beginning of 1996 (incorporating 1995-96 CDEP procedures), GASS was not ready with an upgraded GAP CD;

- problems negotiating a variation to the original contract (which covered only the CDEP CD-ROM upgrade) to include an upgrade to the GAP CD; and

- CDEP Section undertaking an information mapping exercise in relation to the 1996-97 procedures, thus requiring major upgrade to the 1995-96 CDEP CD-ROM.

2. ATSIC has advised that due to the significant changes made to the CDEP procedures, there is a possibility that the CD-ROM as an instrument, but not the information going into it, may be superseded by the Internet.

3. The ANAO found that most offices visited were not aware of the current status of the CD-ROM project. A Staff Training Handbook, to be linked to the CD-ROM package, was also

developed by Central Office in November 1994 to provide specific CDEP training to State and Regional Office staff. This handbook has not been kept up-to-date. As mentioned in Chapter 7, the Western Australia State Office updated the Handbook in August 1996 to reflect the revised procedures.

4. The Handbook is set out in a series of modules and covers; among other things, eligibility and applications, funding processes and monitoring and evaluation. This allows training to provided to match identified needs. The Handbook also includes a questionnaire which allows assessment of a participant's knowledge of CDEP prior to delivery of training.

5. As mentioned in paragraph 5.27, Chapter 5, lack of training in the analysis of Periodic Financial Statements has been identified as an issue. The ANAO considers that more information and perhaps an exercise relating to the analysis of these statements should be included in the Handbook.

ATSIC TV

6. All State and Regional Office staff interviewed considered ATSIC TV presentations to be a useful means of disseminating general information on a range of subjects. One State suggested the extension of ATSIC TV presentations to include community organisations. They considered this would be particularly useful to explain the recent budget changes. The ANAO recognises the cost of such a proposal but ATSIC could consider extending the coverage of ATSIC TV for specific presentations.

CDEP Notice Board

7. Central Office has developed a CDEP Notice Board to facilitate information-sharing on a national basis. The ANAO found many examples of good practice in relation to various aspects of CDEP administration in the State and Regional Offices visited. ATSIC may consider disseminating these initiatives via the Notice Board to assist other offices improve their administrative practices. The ANAO also found that an informal network has developed between staff in different offices using electronic mail.

CDEP conferences

8. The ATSIC Board of Commissioners decided at the November 1995 meeting that a series of State CDEP conferences should be held to improve the management of the CDEP Scheme at all levels. The decision was made in response to the ANAO and ATSIC's Office of Evaluation and Audit findings that ongoing training, administration and management in relation to the operation of CDEP needed to be enhanced.

9. CDEP conferences had been organised in all States visited by the ANAO. While some Project Officers did find the conferences a useful means of exchanging information, CDEP community participants seem to derive the most benefit. The ANAO found that in most cases the objectives and purpose of the conferences were clearly defined. The ANAO considers that the conference outcomes should also be documented and analysed to ensure that appropriate follow-up action is taken.

Appendix 5 - Performance Audits in the Prime Minister and Cabinet Portfolio

Set out below are the titles of the reports of the main performance audits by the ANAO in the Prime Minister and Cabinet Portfolio tabled in the Parliament in the past three years.

Audit Report No.20 1993-94

Northern Land Council

Audit Report No.24 1994-95

Follow-up Audit

Northern Land Council

Audit Report No.6 1995-96

Community Development Employment Projects Scheme

Aboriginal and Torres Strait Islander Commission

Audit Report No.12 1995-96

Risk Management by Commonwealth

Consumer Product Safety Regulators

Audit Report No.6 1996-97

Commonwealth Guarantees, Indemnities

and Letters of Comfort

Audit Report No.16 1996-97

Payment of Accounts