

Human Resource Management
Department of Foreign Affairs and Trade
Performance Audit

Tabled 26 June 1997

Audit Report No. 40 1996-97

Abbreviations / Glossary

A-based	Australia-based
ACEPS	Achieving Cost-effective Personnel Services
ADCNET	Australian Diplomatic Communications Network
AIDS	Acquired Immune Deficiency Syndrome
ANAO	Australian National Audit Office
APS	Australian Public Service
ASO	Administrative Service Officer
ATSI	Aborigine and Torres Strait Islander
CA/AWAs	Certified Agreements/ Australian Workplace Agreements
CMD	Corporate Management Division
DFAT	Department of Foreign Affairs and Trade
DIMA	Department of Immigration and Multicultural Affairs
EAS	Evaluation and Audit Section
EEO	Equal Employment Opportunity
FCO	Foreign and Commonwealth Office
GAA	Graduate Administrative Assistant
HDA	Higher Duties Allowance
HR	Human Resource(s)
HRMIS	Human Resource Management Information System
HRD	Human Resource Development
HRM	Human Resource Management
IT	Information Technology
LES	Locally Engaged Staff
MAB/MIAC	Management Advisory Board/Management Improvement Advisory Committee

NESB	Non-English Speaking Background
OECD	Organisation for Economic Cooperation and Development
PSMPC	Public Service and Merit Protection Commission
PWD	Participative Work Design
QA	Quality Assurance
SES	Senior Executive Service
SOS	Senior Officer Structure

Summary

Audit background

1. Given the strategic importance of human resource management (HRM) in the changing Australian Public Service (APS) environment, the ANAO decided to examine existing practices in one agency, the Department of Foreign Affairs and Trade (DFAT). In choosing this Department, the ANAO took into account that DFAT has both policy advising and service delivery roles as part of its core business, has a diverse workforce, and carries out a range of functions across a global network. The intent was to identify key features of good HRM which could position DFAT (and other APS agencies) to maximise the opportunities that will be available when the foreshadowed changes to public service legislation take effect. These changes aim to provide for a less prescriptive approach to public administration while enhancing public accountability.

Audit objective and criteria

2. The ANAO's audit aims were to:

- i. examine the efficiency and effectiveness of DFAT's human resource management; and
- ii. identify good practice, which could position the Department, and other APS agencies, to maximise opportunities afforded by the Government's emerging public sector reform agenda.

3. In so doing the audit addressed a range of issues including the effectiveness of HR planning and forecasting, staff selection and deployment, performance management, and the fostering of relevant skills and knowledge. Criteria addressing these issues were developed based upon recognised international better practice, including relevant benchmarking and the Public Service and Merit Protection Commission's document, *A framework for human resource management in the Australian Public Service*.

Audit conclusion

4. The ANAO concluded that:

- i. there is considerable scope for improvement in all areas of DFAT's HR planning to ensure the cost-effectiveness of staffing deployment policies against longer-

term strategic requirements;

ii. DFAT's staffing practices generally accord with legislative provisions in the areas examined, but the effectiveness of outcomes of these practices could be improved;

iii. DFAT has in place some diagnostic tools for performance management, but there is strong evidence of most systems being ineffective; and

iv. DFAT's human resource development (HRD) outcomes are weakened both by the lack of a clearly articulated framework linking HRD objectives with core business objectives, and by putting an emphasis on training, rather than on broader personal development.

Key Findings

5. The audit found evidence of good practices in DFAT's human resource management, particularly in some overseas posts. As well, the Department generally complied with legislative requirements that were current when the audit was conducted, although we found weaknesses in the exercise of delegated HR powers. The audit also found that DFAT did not have an HR strategic plan, or a plan for human resource development that directly linked strategies and action to corporate objectives, and consequently, planning tended to have a short-term focus. In our view, and consistent with best practice advice from the Advisory Panel for this audit, these plans are critical to effective support of DFAT's core business activities and their outcomes, and should be accompanied by a systematic approach to evaluation of programs.

6. Because of the absence of a sufficiently strategic approach to HR, we found that there were a number of operational deficiencies in DFAT's HR management practices. The audit also found that the effectiveness of DFAT's HR management was variable: delineation, and line management understanding, of human resource management responsibilities and powers were generally inadequate; and support from specialist HR areas for line managers could be improved. There was an apparent staff perception that line management support for policies such as equal employment opportunity and elimination of harassment was limited and compulsory departmental performance appraisal schemes had low levels of compliance and therefore commitment. These findings suggest that DFAT needs to put more emphasis, in personal development activities and in HR operations, on the requirement for managers to manage resources in accordance with better HR practices to deliver better policy outcomes.

7. The audit also found that DFAT's human resource management generally tended to be ad hoc, process-driven, rules-bound, and not well integrated into the Department's strategic planning processes. In these respects, DFAT is fairly typical of APS agencies surveyed in 1995 for the MAB/MIAC report, *Achieving cost-effective personnel services* (ACEPS). Commonly used HR indicators, such as

the total staff/HR staff ratio and the HR staff/HR activities ratio, also suggest room for improvement in practices. For instance, the selection techniques used do not always deliver quality, cost-effective outcomes. The Department has recognised this general situation. During the course of the audit some 15 working parties were established to examine various aspects of human resource management. In addition, a Human Resource Planning Unit was formed and became operational in April 1997. Two task forces were also established to make recommendations to the DFAT Executive on the implementation of the Government's reform agenda for the public service.

8. Emerging personnel management reform gives emphasis to developing greater flexibility and accountability in work practices and, in addition, identifies the need to learn from private sector best practice. As the benchmarking studies used in this audit revealed, and the expert Advisory Panel confirmed, human resource management in the private sector has itself undergone a radical transformation in recent years, in response to the need to support business in an environment of increasing change. This process is continuing.

9. The major challenge for DFAT, and other APS agencies, is to position themselves better in relation to observed best practice in a constantly changing environment. The key to success in this respect will be provided by greater flexibility to managers - which is also the central element of the new private sector human resource management.

10. More specifically, observed good practice suggests that:

- human resource management policies and practices need to be flexible, adaptive, innovative, and responsive to emerging circumstances as well as being totally focused on achievement of core business objectives; and
- consequently, the HR function should be characterised by a proactive and dynamic approach and move from its traditional focus on transaction processing to operating more as a strategic partner with other core business areas while still observing due process and fair and ethical behaviour.

11. Several factors will be crucial for successful human resource management such as:

- a reliable information base, providing analyses of workforce skills and capabilities, and trends in related demand and supply;
- a streamlined approach to specialist HR support which reduces non-value added activities to make room for a more strategic specialist HR effort;
- a human resource strategic plan that is clearly integrated with corporate and business plans, and is focused more on achieving core business objectives;
- staff selection practices - for recruitment, promotion and transfer - that

effectively and efficiently place the right people in the right jobs at the right time;

- staffing policies and practices that support flexible deployment of resources; are cost-effective; recognise and encourage good performance; and motivate people towards excellence;
- performance management systems that identify and reward good performance; have the capacity to address underperformance effectively; and ensure that individual effort is directed mainly towards the achievement of core business objectives; and
- a strategically focused human resource development plan that provides opportunities for staff to develop their skills and abilities to meet the organisation's capability requirements in a sustained fashion.

12. As has been noted previously (in paragraph 7), DFAT introduced a number of initiatives during the course of this audit which could be shaped to produce these outcomes, and so to position the Department well in terms of its HRM practices. Incorporating the findings and recommendations from this report into those processes should contribute to the achievement of the required outcomes.

Recommendations

Set out below are the ANAO's recommendations with Report paragraph reference and DFAT's abbreviated responses. More detailed responses and any ANAO comments are shown in the body of the report. The ANAO considers that DFAT should give priority to Recommendations Nos. 1, 3, 4, 5, 6, 8, 10, 11 and 12.

Recommendation No. 1 Para. 2.28	The ANAO recommends that DFAT ensure that human resource planning is directed more towards achievement of core business objectives. This should include explicit linkages in strategic planning documents, supported by key performance indicators, with regular reports to the Senior Executive on progress against those indicators.
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Departmental response

Accepted. A HRM project team was established in April 1997 to set the parameters of a workforce planning and modelling system that meets DFAT's HRM information and forecasting needs. A further project team will commence work in July to develop proposals for better linking strategic and HRM planning. The introduction of business plans at the Divisional/Post level will create explicit linkages between strategic and HRM objectives.

Recommendation
No. 2
Para. 3.7

The ANAO recommends that DFAT review delegations for human resource management, to ensure that powers allocated provide maximum flexibility to meet operating requirements, balancing devolution and accountability in accordance with emerging public sector reforms.

Departmental response

Accepted. In anticipation of a new Public Service Act, a task force is currently examining the appropriate mix of centralised and devolved responsibilities for people management. Also see response to Recommendation 3.

Recommendation
No. 3
Para. 3.17

The ANAO recommends that DFAT improve the understanding and effectiveness of the legal framework for human resource management. This could be achieved through ensuring that delegations, under relevant public service legislation accord with legal provisions, are fully understood by staff in supervisory and HRM corporate support roles, and are duly exercised by such staff.

Departmental response

Accepted. An internal review of delegations under the Public Service Act (contained in Part B of departmental delegations) with the aim of updating all delegations in this category to accord with current legislation is nearing completion. The revised delegations schedule will be finalised shortly and submitted to the Secretary for signature.

Recommendation
No. 4
Para. 3.44

The ANAO recommends that DFAT re-engineer all human resource processing, including, for example, administration of HDA, Overseas Living Allowance, recruitment and selection, leave recording, and records maintenance for A-based and locally engaged staff, to achieve processes that are much closer to recognised better practice.

Departmental response

Accepted. As part of the HRM reform process a number of project teams have been established to improve HRM processing. This includes project teams on developing a consolidated manual of DFAT people management policies and practices, streamlining selection and promotion processes, streamlining pay and conditions processing and streamlining the delivery of overseas conditions of service.

Recommendation
No. 5

The ANAO recommends that DFAT regularly assess the cost-

Para. 3.55	<p>effectiveness of staffing deployment policies against longer-term strategic requirements. In particular, there appears to be considerable scope to increase the use of Locally Engaged Staff and regionally-based administrative arrangements.</p> <p>Departmental response</p> <p>Accepted. DFAT already assesses staffing deployment policies, on an ongoing basis through a range of existing strategic planning mechanisms that allocate resources to posts and divisions (the annual Post Evaluation Report and Divisional Evaluation Report processes). A Task Force is developing options for senior management on how financial and human resources, both in Canberra and overseas, might be better organised to meet future challenges.</p>
<p>Recommendation No. 6 Para. 4.17</p>	<p>The ANAO recommends that DFAT evaluate staff selection processes, having regard to the broader range of selection options available to organisations, to ensure that they deliver cost-effective quality outcomes.</p> <p>Departmental response</p> <p>Accepted. The processes of the Placements and Postings Advisory Committee are regularly reviewed to ensure the best officer is selected for posting. A project team was established in April to examine the streamlining of selection and promotion processes.</p>
<p>Recommendation No. 7 Para. 4.26</p>	<p>The ANAO recommends that DFAT ensure that operational practices are in place which minimise the need for short-term occurrences of HDA for both A-based and LES, and that transaction processing complies with due process.</p> <p>Departmental response</p> <p>Accepted. Existing practice is that HDA not be paid unless the occupant of a position is performing the duties of that position and that such performance is an operational requirement. As part of the HRM reform process, DFAT is reviewing the transaction processing of HDA.</p>
<p>Recommendation No. 8 Para. 5.19</p>	<p>The ANAO recommends that DFAT ensure that its performance management and appraisal processes are based on systems that assess an individual's competence to achieve core business objectives effectively, and are implemented as an integral part of the Department's broader HRM practices. To achieve better practice performance management outcomes, DFAT also needs to ensure that staff comply with the requirements of the performance</p>

appraisal systems.

Departmental response

Accepted. DFAT has long recognised the importance of performance appraisal and management as a management tool but industrial arrangements at the agency level have restricted wider usage for management purposes. A project team is currently being established as part of the HRM reform process to develop a better integrated personnel performance management system.

Recommendation
No. 9
Para. 5.23

The ANAO recommends that DFAT review its mechanisms for identifying underperformance, and develop strategies appropriate for its management.

Departmental response

Accepted. See response to Recommendation 8.

Recommendation
No. 10
Para. 5.26

The ANAO recommends that DFAT reinforce the importance of the role of line managers in providing leadership (including through the coaching of junior staff), guidance and effective supervision as well as in assessing and encouraging performance more oriented to program outcomes.

Departmental response

Accepted. DFAT requires line management to provide leadership, guidance and effective supervision to staff and makes a substantial commitment to management training available to this end. As part of the HRM reform process a number of project teams are considering options to improve officers leadership and management skills. Proposed business plans at the Divisional and Post level will specifically link performance at the individual level (including development/training) to the achievement of Divisional/Post and corporate objectives.

Recommendation
No. 11
Para. 6.11

The ANAO recommends that DFAT develop and promulgate an HRD framework that ensures that individual training and development activities more directly support the achievement of core business objectives.

Departmental response

Accepted. A project team has been established on a training and development system focused on achieving corporate objectives. As noted in response to Recommendation 10, this linkage will be a specific requirement of business plans at the Post/Divisional level.

Recommendation
No. 12
Para. 6.24

The ANAO recommends that DFAT ensure that personal development (including training) programs are evaluated to ensure their effectiveness in supporting the achievement of core business.

Departmental response

Accepted. DFAT already undertakes a number of effectiveness evaluations of personal development programs. The work of the project team on a training and development system focused on achieving corporate objectives will help ensure a closer linkage between training and development activities and achieving corporate objectives.

Recommendation
No. 13
Para. 6.37

The ANAO recommends that DFAT ensure that the assessment of cost-effectiveness of different ways of acquiring language proficiency is effectively built into recruitment and HRD strategies and understood by staff.

Departmental response

Accepted. In seeking to recruit staff with the best possible mixture of skills and qualifications, DFAT has always attached high importance to language proficiency. This is reflected in the number of graduate level recruits with language skills.

1. Introduction

This Chapter sets out the key elements of human resource management, the audit approach and methodology, and some background information on DFAT's operating environment.

Why HRM is important

1.1 Human resource management (HRM) has been the subject of intense scrutiny over the last decade or so, particularly in the private sector. One recent report commented that:

The human resource (HR) function is fast emerging as a company power-house in terms of ensuring excellence and enhanced competitiveness. Senior executives are convinced that people leadership is the most potent element in the creation of high performance organisations in today's environment. They contend that most of today's business imperatives, such as quality, customer satisfaction and competitiveness, are employee-based and employee delivered. ¹

1.2 The increasing reliance on employees to assure organisational effectiveness reflects developments in business environments world wide, which have fundamentally altered the basis of traditional competitive advantage. Businesses are now driven by: 'globalisation of markets, advancing technology, cost cutting, increased customer demand and the competitive imperatives for speed and agility.' ² This 'brings unprecedented prominence to the HR function, which is

increasingly viewed as a key corporate value-adding component.'³

1.3 The role of human resource management has undergone a corresponding transformation. Watson Wyatt Worldwide, in their benchmarking study, *HR 21: human resources for the next century*, set out the changes diagrammatically, as shown in Figure 1 below.

1.4 Canadian CEOs, in an important recent benchmarking study, defined the contemporary corporate HR function⁴ as:

1. *helping firms' leaders to be more effective in people leadership;*
2. *creating work groups and work processes that are more cost-effective and competitive;*
3. *ensuring that learning systems are in place to enable employees to optimise strengths;*
4. *importing best practices from other organisations; and*
5. *providing line managers with specialist support in HR.*

Figure 1: The emerging HR function⁵



Why HRM is important for the APS

1.5 In responding to these forces for change, there has been a number of corresponding developments in the Australian Public Service (APS). In 1992, for example, the Management Advisory Board/Management Improvement Advisory Committee (MAB/MIAC) report, *The APS reformed: an evaluation of a decade of management reform*, noted that, 'Staff, traditionally perceived as one of the cornerstones to an effective APS, are increasingly being seen as the key contributing factor in determining whether an agency is successful in attaining its objectives and, especially, as the key to further increases in agency performance.'⁶

1.6 The importance of managing people was reinforced by, amongst other things, the release in the same year of the Joint Committee on Public Accounts' report on the *Inquiry into human resource management in the APS*, and the then Public Service Commission's *A framework for human resource management in the Australian Public*

Service.⁷ Subsequent MAB/MIAC reports have continued to underscore the importance of efficient and effective human resource management, especially, *Achieving cost-effective personnel services* - a benchmarking study of costs and constraints in APS personnel processing; *2+2=5: innovative ways of organising people in the APS*; and *Building a better public service*.⁸

1.7 One of the major impediments to re-engineering HRM in the APS, however, has been the complex structure of administrative rules and regulations which govern the formal processes. This has ensured that the HR function has remained largely tied to traditional transactional and record-keeping activities, even while the need for a more strategic perspective has been recognised, and growing. The main conclusion of the *Achieving cost-effective personnel services* (ACEPS) report, for example, was that, 'while ... current services in many areas are inefficient when compared with Best Practice, these inefficiencies are driven by both the rules and the administrative systems within which HR staff operate and don't relate to the diligence and effort which staff bring to their role.'⁹

1.8 The report also noted that, 'Most HR resources are invested in administrative and processing tasks rather than in more strategic HR activities. This is the opposite of Best Practice and contrary to the priorities set for the APS in *Building a better public service*.'¹⁰

1.9 More recently, the Government has clearly signalled that it expects the gap between APS and private sector practices to be narrowed as rapidly as possible. Changes to the industrial framework through the *Work Place Relations Act 1996* were the first stage of the legislative reforms that will enable this to occur. The Government set out its objectives for the APS in the discussion paper issued by Minister Peter Reith, *Towards a best practice Australian Public Service*,¹¹ which also foreshadowed a new Public Service Act. The directions outlined in this paper, and subsequent draft legislation, indicate greater flexibility for managers to change HRM practices in the APS quite radically.

Audit approach and scope

1.10 Given the strategic importance of human resource management in the changing APS environment, the ANAO decided to examine existing practices in one agency, the Department of Foreign Affairs and Trade (DFAT). In choosing this Department, the ANAO took into account that DFAT has both policy advising and service delivery roles as part of its core business, has a diverse workforce, and carries out a range of functions across a global network. The intent was to identify key features of good HRM to which could position DFAT (and other APS agencies) to maximise the opportunities that will be available when the foreshadowed changes to public service legislation take effect. These changes aim to provide for a less prescriptive approach to public sector administration while enhancing public accountability.

1.11 The starting point for the audit was the Public Service and Merit Protection Commission's (PSMPC's) *A framework for human resource management in the Australian Public Service*, revised and reissued in 1995. This *Framework* set out, at a

strategic level, the rationale for, and key components of, HRM in the APS. This broader focus on good practice in the APS context, without an emphasis on rules-based compliance, clearly signalled the way forward for APS agencies from the early 1990s on.

1.12 The *Framework* identified six key areas of HRM: human resource planning; staffing practices; remuneration and conditions; performance management; human resource development; and working together. The specific aspects covered by these key areas, their relationship to each other, and their place in overall agency management, are shown in Figure 2 below.

1.13 From these six areas, the ANAO selected for examination aspects of the four most strategic: human resource planning, staffing practices, performance management, and human resource development. The remaining two areas, while also important, were already being revised as part of changes to the industrial framework introduced through the *Work Place Relations Act 1996*. Matters pertaining to ethics and managing conduct were excluded from the scope of the audit, in order to avoid overlap with the Inquiry into Allegations of Paedophile Activity within the Foreign Affairs Portfolio, which was being conducted almost concurrently.

1.14 The audit examined policies and practices in place for the Department as a whole, and their application in large overseas posts, and for the management of staff engaged locally at posts (LES). The focus on large overseas posts was determined as part of the ANAO's strategic audit coverage of the portfolio, as an earlier audit concentrated on financial management and administration in small and medium sized posts.¹² The management of locally engaged staff (LES) was included as a special focus because, as 38 per cent of DFAT's workforce, they are crucial to the delivery of the Department's core business services, and departmental management indicated that ANAO comments in relation to this group would be particularly valuable.

1.15 While the principal object of the audit was a strategic focus, some compliance testing of existing systems was also undertaken.

Audit issues and criteria

1.16 To test DFAT's HRM practices, the ANAO used the audit issues and criteria set out in Appendix 1.

Methodology

1.17 The methodology used in the audit involved:

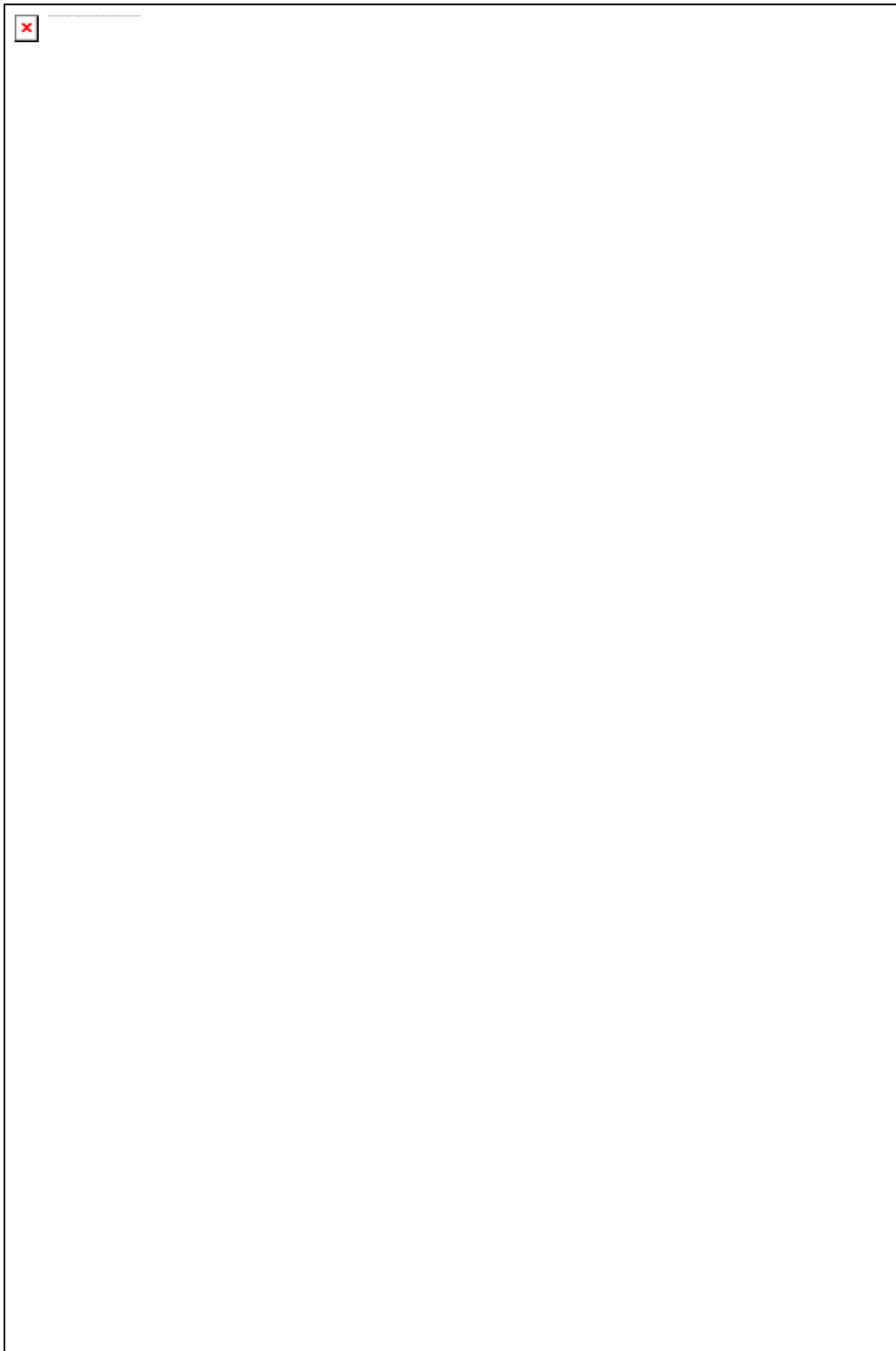
i. assessing DFAT's HRM policies and practices, using three of the most recognised and most recent benchmarking studies in the area of human resource management to define good practice: *Achieving cost-effective personnel services*; *HR 21: human resources for the next century*; and *Human Resource Strategic Planning Report* (a study of 160 HR strategic plans from Australian and New Zealand organisations conducted by HRM Consulting), and comparing these with

evidence from files, records, promulgated policies, and other departmental information systems;

ii. interviewing a sample of 135 DFAT staff, in Australia and at a selection of overseas posts (approximately 1 in 30 staff), to gauge knowledge and understanding of HRM policies and practices, and staff perceptions of their effectiveness; and

iii. identifying international best practice and testing conclusions with the assistance of an expert panel, comprising: Mr Dominic Downie, Assistant Commissioner, Strategic People Planning Team, PSMPC, and Coordinator of the MIAC *Achieving Cost-effective Personnel Services* (ACEPS) project team; Ms Tanya Hammond, Senior Consultant with Deloitte Touche Tohmatsu, who was involved in the design and administration of the benchmarking instrument that formed the basis of the ACEPS project; Mr Peter Howes, Principal in the firm HRM Consulting, an Australian firm which produced the *HR Strategic Planning Report*; and Mr Graham Childs, Senior Consultant with Watson Wyatt Worldwide which conducted the international study leading to the report *HR21: Human resources for the next century* (HR21).

Figure 2: Human Resource Management Framework for the Australian Public Service.



Source: *A Framework for Human Resource Management in the Australian Public Service*, p. 9

1.18 The Department of Foreign Affairs and Trade was invited to participate in Panel meetings, to ensure that its business environment was adequately factored in to Panel deliberations. The Department was represented by the First Assistant Secretary, Corporate Management Division, initially Mr Bob Cotton, and later Ms Ruth Pearce. The Department also seconded an officer to work full-time on the

audit team.

1.19 The audit team undertook field work in DFAT's Central Office and at a sample of five large overseas posts (as defined by DFAT). These posts were selected on the basis of size, but also to ensure that the audit examined the operating environment in areas of traditional (London and Washington), and more recent (Beijing and Jakarta) foreign policy priorities; and took in multilateral dimensions (Paris Embassy and OECD) as well. This ensured that the field work provided a comprehensive coverage of DFAT's business environment in major overseas posts. The audit team also took the opportunity to compare DFAT with two other foreign services, through visits to the U.K. Foreign and Commonwealth Office (FCO), and the U.S. State Department; and their auditing institutions.

1.20 The ANAO found that the State Department and FCO were facing many similar HR challenges to DFAT. Their approaches have differed, as was apparent in scrutiny by the relevant audit institutions in reports published over the last several years. The State Department's approach to the implementation of the U.S. Government's national performance reviews, including greater regionalisation of service delivery, and increased use of locally engaged staff, was particularly valuable in providing directions for this audit.

1.21 The audit was conducted in accordance with ANAO Auditing Standards between September 1996 and April 1997, with field work (in Canberra and overseas) between November 1996 and March 1997. It cost approximately \$415 000. Audit findings and conclusions are set out in the remaining chapters of this report.

DFAT's operating environment

1.22 The Department of Foreign Affairs and Trade's core business activities are concerned with the provision of advice to the Government, and implementation of policies, in relation to Australia's international relations, including trade policies; the provision of consular and passport services for Australian citizens; the provision of services to other agencies (including to Parliament, foreign representatives in Australia, and to Australian Government agencies overseas); and the provision of secure government communications and security services globally.

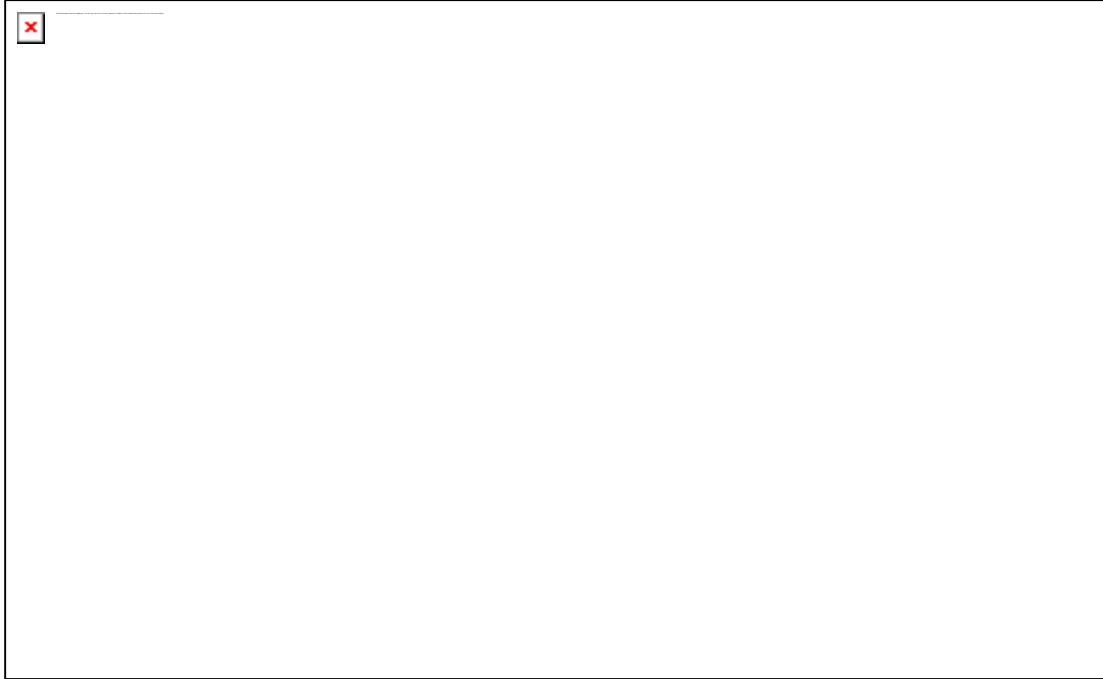
1.23 This business is carried on from offices in Canberra, each Australian State capital, and in some 86 locations around the world. A total of around 4191 staff were employed at 30 June 1996 (the latest figures available at the time of writing), of whom 2521 were classified as Australian-based (A-based) public servants or Executive Council appointees, and 1607 were Locally Engaged Staff (LES) employed under section 82 of the *Public Service Act 1922*. (The remaining 63 were short or fixed-term employees.) Of the total A-based staff in 1995-96, 680 were posted overseas, 280 were in the seven state offices, and the remaining 1561 were in the Department's Central Office. Staffing profiles for A-based staff in comparison with the broader APS over the last ten years are shown in Figure 3 below.

1.24 Comparative data on locally engaged staff are more difficult to analyse. DFAT has traditionally reported only the numbers of such staff by location, and has made no distinction between levels or type of work undertaken by these staff. From observation, the ANAO noted the diversity of roles filled by LES, from gardeners and drivers, through a range of clerical and administrative duties, including basic processing, consular work, research and analysis, public relations, and highly specialised work in human resource development, organisation design, and information technology support. The proportion of LES in relation to the total workforce has remained fairly constant over the last five years. In 1991-92, 1532 LES comprised 39.4 per cent of DFAT's total workforce (and 65.3 per cent of the overseas workforce), while in 1995-96, 1607 LES comprised 38.3 per cent of the total workforce (70.3 per cent of the overseas workforce).

1.25 The nature of DFAT's core business activities means that salaries and related operating expenditure forms the largest single item in its budget. In 1995-96 the Department's salaries and related expenditure was \$137.9 million for A-based staff (including \$26.1 million for overseas conditions of service), or \$111.7 million excluding overseas conditions of service, and \$48.6 million for LES, from total outlays of \$531.9 million. DFAT participated in the MAB/MIAC benchmarking exercise conducted in 1994-95 and 1995-96, and the data indicate that \$11.4 million was spent on human resource management for A-based staff, excluding administration of overseas conditions of service. ¹³ This represents a ratio of 1:9.8, that is, \$1 on HRM to support every \$9.80 on salaries and related expenditure for A-based staff. The costs of HRM for LES were not benchmarked by DFAT, however the Department has estimated that the cost of HRM for locally engaged staff is of the order of \$1.95 million per annum.

1.26 The efficient, effective and economic management of people is critical to the achievement of the Department's objectives. The Department's budget was reduced in 1996-97, as were those of most other Commonwealth agencies. DFAT's HRM strategy for dealing with the 1996-97 reductions included the withdrawal of some A-based positions overseas, reduced post operating expenses which resulted in the loss of an unspecified number of LES positions, and the offer of some 200 voluntary redundancies. Budget reductions for 1997-98 and outyears are likely to place additional pressures on staffing strategies, and further underline the imperative for DFAT to ensure that its human resource planning processes are shaped to support core business requirements.

Figure 3: DFAT and APS A-based staff and classification profiles, 1987 and 1995



Recent reform initiatives

1.27 DFAT's continuous improvement program for 1993-95 had three elements: the development of a corporate plan, the establishment of a review of administrative processes, and the development of a strategic human resource management plan, later renamed the Personnel Strategy Review. The Personnel Strategy Review process commenced in 1994-95. The draft report was released in September 1995, and a final report was presented to the Department's Executive in March 1996. The Executive decided to implement the report in December 1996.

1.28 On 21 April 1997 the Department announced the establishment of some 15 working parties to examine implementation of ACEPS and the Personnel Strategy Review. These working parties are listed in Appendix 2.

1.29 DFAT, as with other Commonwealth agencies, is also addressing the Government's reform agenda for the Public Service, and for its own portfolio. On 3 April 1997, the Secretary announced the establishment of two task forces. The Task Force on Workplace Relations has been 'charged with making recommendations to the Senior Executive on how best to implement the provisions of the Work Place Relations Act in DFAT.' Concurrently, the Task Force on the Resource Implications of the White Paper is to 'present recommendations to the Senior Executive on how the staffing and financial resources of the Department might best be organised to meet the challenges flowing from the White Paper, continuing budgetary pressures, and the work place reform agenda.' ¹⁴

1.30 Further scrutiny of one aspect of DFAT's core business was being undertaken at the time of this audit by the Senate Standing Committee on Foreign Affairs, Defence and Trade, in its inquiry into consular services.

1.31 Where relevant, changes made or foreshadowed during the conduct of the audit have been noted in this report.

2. Human Resource Strategic Planning

This Chapter identifies best practice in HR strategic planning, and assesses DFAT's performance against these benchmarks.

The role of HR planning

2.1 According to the PSMPC's *Framework for human resource management in the Australian Public Service*, human resource planning 'aims to ensure that people with the right skills and abilities are available in sufficient quantity to meet organisational goals by effectively forecasting and planning for future people requirements in agencies. Human resource planning is integral to successful corporate planning in the APS. ¹⁵ It involves: 'forecasting the numbers and the skills profiles of people needed by an organisation and working out the best way of obtaining them when they are needed. Human resource planning includes forecasting: workforce numbers in sufficient detail to be useful (e.g. by occupational group, classification, organisational unit and location); likely changes to the work of the agency; and work force supply - this involves forecasting the variations in the current work force estimated over the following years.' ¹⁶

2.2 The *Framework* identified nine key elements of human resource planning: organisational structure, executive management (the Senior Executive Service), job design and multiskilling, position classification standards (work level standards), workforce statistics and analysis, HRM information databases, recruitment planning, career planning, and succession planning. Of these, executive management and position classification standards are currently the responsibility of central agencies, and so were excluded from the scope of this audit. This chapter examines the strategic aspects of human resource planning, while the structural elements will be considered in Chapter 3.

The importance of HR planning

2.3 The fundamental importance of HR strategic planning as good management practice was highlighted in a recent benchmarking study conducted by HRM Consulting ¹⁷ of 160 diverse public and private sector Australian and New Zealand organisations, that were also experiencing different operating environments (see Appendix 3 for details).

2.4 Of these respondents, 72 per cent had an HR strategic plan. Organisations were more likely to have an HR strategic plan if they were expanding (80 per cent of expanding organisations had an HR strategic plan). However, 63 per cent of stable organisations, and 60 per cent of contracting organisations also had HR strategic plans. ¹⁸

2.5 The ANAO used the findings of the *HR strategic planning report* as benchmarks

of good practice when assessing the effectiveness of DFAT's management planning processes. The operation of these processes was also examined, using as a case study an exercise conducted between April and June 1996, which resulted in the withdrawal of some 37 A-based positions from overseas posts.

2.6 DFAT did not have a human resource strategic plan when this report was commenced, although a Human Resource Planning Section became operational in April 1997, and had been tasked with the development of such a plan. DFAT advised that this plan would be explicitly linked to the Department's corporate plan, and to business plans that were also to be developed. While the absence of a human resource strategic plan means that DFAT does not yet accord with good practice, it should be noted that many organisations have only recently introduced such plans, with 78 per cent of the respondents to HRM Consulting's benchmarking exercise with human resource strategic plans having introduced them in the three years prior to completing the survey. ¹⁹

2.7 In developing its HR plan, DFAT should consider incorporating the following elements of best practice, as reported in the HRM Consulting benchmarking study:

- the key goals and result areas include: staff development, learning organisation (56 per cent); performance measurement and management, productivity improvement, added value (49 per cent); workforce/HR planning (40 per cent); organisational development, renewal and change, culture management, quality (35 per cent); improving HR services and systems, HR positioning and strategy (33 per cent); and enterprise bargaining, industrial relations (30 per cent); ²⁰
- a high level of linkage between the HR strategic plan and an organisation's business and corporate planning processes; ²¹
- reports on the plan's status - achievement of targets, etc. - were provided regularly by 73 per cent of respondents, ²² and the recipients of the reports included: HR management - 71 per cent; senior management - 77 per cent; chief executive officers - 64 per cent; line management - 29 per cent; employees - 14 per cent; and other (unions etc) - 13 per cent; ²³
- the most common components of plans were: mission; values; environmental scan; goals; targets; strategies; action plans; and budget; ²⁴ and
- the five factors identified as critical to the success of the HR strategic planning were: Chief Executive Officer support; linkage with business; line management support; resource issues; and quality of the organisation's strategic planning processes generally. ²⁵

2.8 In addition, the Advisory Panel for this audit noted that, first, this more strategic approach to HRM requires a different and more specialised set of skills on the part of HR managers than the more traditional, process-driven methods

typically employed in the APS. Secondly, the Panel noted that good HR planning includes the mapping of resources to capability requirements, not just to current needs. This involves forecasting workforce numbers and job roles or competencies, using both qualitative and quantitative forecasting techniques.

2.9 The Panel also advised that good results can be obtained from workforce planning if it is done from the bottom up, starting with business demands on the ground. Informed decisions can then be made on the impact on operations of different resource levels.

2.10 Finally, the Panel emphasised the importance of having a conceptual framework in place that integrates HR planning with corporate planning processes.

Management information

2.11 In the absence of an HR strategic plan, the ANAO examined the information available to inform management decision making on human resource planning at the time of the audit. Copies of reports to senior management on HRM issues were requested at the Central Office level, and from each post visited.

2.12 The PSMPC's *Framework* pointed out that, 'Workforce statistics and analysis support organisational efficiency and effectiveness by providing a firm basis for human resource planning and practice to meet corporate and portfolio goals.'²⁶ The *Framework* also noted that:

*This requires investment in internal statistical and analytical resources and systems which can, on the basis of the corporate plan, assist in identifying the skills and knowledge currently available among people. These systems should also identify the gaps which may need to be filled, the likely losses from movement and retirement, the impact of secondments, exchanges and leave entitlements and the timeliness and effectiveness of agency selection and recruitment processes.*²⁷

2.13 The reports available to senior managers in Canberra concerned the Department's A-based staffing profile, and focused on workforce supply and demand projections, and their impact on budgetary considerations. The horizon in each report was no longer than six months. These reports constitute a competent and comprehensive analysis of a short-term situation perceived to be critical by the Department.

2.14 Outside of this, the ANAO found that some management information is monitored regularly at lower levels in the organisation, mainly in relation to A-based staff movements. This is used regularly by the Postings and Placements Advisory Committee. The ANAO was also advised that some information is maintained on staff training and development activities, and that this was being amalgamated into a single data base.

2.15 The ANAO was informed of recent succession planning for the Chinese posts (Beijing, Shanghai, Guangzhou, Hong Kong and the Australian Commerce and Industry Office in Taipei). However, the ANAO notes that this appeared to be an

isolated occurrence. For example, the presence of at least one SES officer on long-term language training, at the time this report was prepared, indicates that succession planning in the past may have had limited effectiveness.

Post reporting arrangements

2.16 Different arrangements apply for reporting at some overseas posts visited. None had in place a regular system of reports to senior post managers but databases had been installed in London and Washington with the capacity to provide regular reports. Also, managers commented that in the relatively smaller operating environment of posts, reports tend to be made informally, or orally, as part of regular management meetings. The ANAO accepts that this practice would suffice for most situations. However, there are circumstances where more detailed reports can add value for management in directing action to the real problems.

2.17 The Washington post provided an example of good practice that DFAT may wish to adopt more widely. The post had recently acquired a new HRM system, and standard reports were being developed as part of the implementation phase. One report provided to the ANAO tracked separations over the financial year, and showed an increasing trend. This triggered an investigation that revealed a higher market demand for some skills local staff possessed. Higher turnover rates can thus be expected over the next couple of years unless the post can match market rates of remuneration. This has implications for the post's budget, either through an increased wages bill, or higher levels of expenditure on recruitment and training activity.

2.18 While this provided an example of good practice, and could be used more widely, it is not necessarily one that should be adopted globally. The key criterion is that management have available information that is timely, relevant, and useful. Some posts with more stable workforces may not need regular information on mobility or separation rates, for example, but may find one report used in Jakarta more useful. This details anticipated arrivals and departures of A-based staff over the forthcoming six months, and is used by the Administration area to assist in monitoring and planning work priorities.

2.19 On the basis of evidence presented about workforce analysis and reporting, the ANAO concluded that DFAT's workforce planning processes had traditionally tended to focus on the short-term, and on A-based staff. Consequently, there is limited systematic, department-wide analysis of medium and longer term requirements. This is particularly important for DFAT, given the lead-times required for specialist language training, and the need to maintain a critical mass of staff proficient in, for example, Arabic, Japanese, Mandarin, Korean, Bahasa Indonesian, and Vietnamese. The ANAO is of the view that DFAT, perhaps more than other Commonwealth agencies, needs to develop long-range succession plans if it is to continue to achieve core business objectives.

2.20 The ANAO concluded that DFAT's internal reporting on HRM has tended to focus on the short-term. The development of an HR strategic plan, and associated

review of HRMIS requirements, foreshadowed in April 1997, provides the opportunity for the Department to identify key performance information and measures that could be reported regularly.

Budget reductions

2.21 The Advisory Panel for this audit noted that HR planning also means developing scenario assumptions, to ensure that the forecasting is more than a budget process with a focus on one financial year. Because of the short-term focus of budget reductions, the Panel advised that options to achieve savings targets should be based on robust business cases linked back to overall strategic imperatives. The ANAO examined the process leading to the withdrawal of some 37 A-based positions from larger overseas posts. The outcomes of this exercise are shown in Appendix 4.

2.22 From the evidence provided, the process included the following considerations:

- larger posts were especially targeted because, in practical terms, their larger staffing establishments generally provided greater flexibility;
- dollar savings targets for individual posts were developed on a basis which involved the identification of actual positions (for example, Senior Officer Grade C, Administrative Service Officer Grade 6) by Central Office;
- impact on broader strategic and foreign and trade policy objectives were considered by DFAT's Executive, but relevant geographic Division Heads were not consulted until well into the process; and
- posts were given the dollar figure to be achieved, and provided with a list of average salaries per classification level.

2.23 Post managers were left to determine the actual positions to be withdrawn and how workloads would be adjusted as a consequence. The ANAO found evidence of posts successfully achieving targets, including by withdrawing positions which reflected those identified by Central Office. The ANAO also found evidence of some posts arguing successfully that savings targets could not be met within specified timeframes.

2.24 At the level of individual posts, the ANAO found that the decision-making process was generally more transparent and participative. Posts in Paris and Beijing provided particular examples of good practice in this respect, especially the former:

- In Paris, the identification of actual positions was achieved after a review of all A-based positions. The process was led by the Ambassador, and carried out using the basic principles of participative work design.
- In Beijing, one of the early options (ultimately implemented) was the withdrawal of the Medical Officer. Once this was identified as a possibility,

a survey was conducted to ascertain the views of clients of the service. Beijing was also the only post where we found evidence of consultation with the families of A-based staff - a process led by the Ambassador.

2.25 The ANAO found the documentation supporting the assessment of the implications of the decisions taken on longer term capabilities was limited. The ANAO recognises the need for pragmatism in undertaking such an exercise within tight timeframes. The Department noted that these measures required speed and limited consultation in planning to allow rapid implementation while maintaining the confidentiality of the budget process. However the risk to management is that downsizing strategies do not sufficiently dovetail with forward planning for change and broader policy objectives. ²⁸ DFAT could usefully consider the effectiveness of their processes in this regard for any future staffing reduction exercises.

2.26 The ANAO also noted concerns at some posts about their limited understanding of the rationale behind targets and their impact upon departmental objectives. This could also be given greater attention in the future.

Overall Conclusion

2.27 From this evidence, the ANAO concluded that DFAT's human resource planning and management reporting has tended to focus on short-term horizons. Consequently, the information available to management does not adequately provide for consideration of medium and longer term issues. Many of these deficiencies could be rectified through the Department's intended development of a human resource strategic plan.

Recommendation No.1

2.28 The ANAO recommends that DFAT ensure that human resource planning is directed more towards achievement of core business objectives. This should include explicit linkages in strategic planning documents, supported by key performance indicators, with regular reports to the Senior Executive on progress against those indicators.

DFAT response

2.29 Accepted. A HRM project team was established in April 1997 to set the parameters of a workforce planning and modelling system that meets DFAT's HRM information and forecasting needs. A further project team will commence work in July to develop proposals for better linking strategic and HRM planning. The introduction of business plans at the Divisional/Post level will create explicit linkages between strategic and HRM objectives.

Prem Benimadhu, *Adding value: the role of the human resource function*, The Conference Board of Canada, Report 157-95, Ottawa, 1995, p. 1.

2

Watson Wyatt Worldwide, *HR 21: human resources for the next century*, 1995, p. 2.

3

Op cit., Conference Board of Canada, p. 3.

4

Ibid., p. 7.

5

Op cit., Watson Wyatt, p. 5.

6

MAB/MIAC, *The APS reformed: an evaluation of a decade of management reform*, Canberra, AGPS, 1992, p. 463.

7

Joint Committee on Public Accounts, *Inquiry into human resource management in the APS*, Report, Canberra, AGPS, 1992; and Public Service Commission, *A framework for human resource management in the Australian Public Service*, Canberra, AGPS, 1992.

8

MAB/MIAC *Achieving cost-effective personnel services*, Canberra, AGPS, 1995 Report No. 18; *2+2=5: innovative ways of organising people in the APS*, , Canberra, AGPS, 1996 (Report No. 20); *Building a better public service*, Canberra, AGPS, 1993 (Report No. 12).

9

ACEPS, p. 11.

10

Ibid., p. 16.

11

Towards a best practice Australian Public Service, discussion paper issued by the Minister for Industrial Relations and Minister Assisting the Prime Minister for the Public Service, the Hon. Peter Reith MP, November 1996.

12

Audit Report No.19 of 1995-96, *The management of small and medium sized overseas posts*, Department of Foreign Affairs and Trade and the Australian Trade Commission, 1996.

13

Costs on the administration of overseas conditions of service were not calculated by DFAT as part of this benchmarking exercise because of a lack of appropriate comparators. Costs included

administration of pay and conditions, recruitment, selection and establishments, occupational health and safety, equal employment opportunity, Comcare, personnel policy, staff development, industrial relations, systems/management information systems, and excluded costs associated with the duties of line managers where their HR duties represented less than 25 per cent of their work.

14

DFAT Administrative Circular, P0055, 3 April 1997.

15

Op cit., Framework, p. 7.

16

Ibid., p. 20.

17

HRM Consulting, *HR Strategic Planning Report*, 1996.

18

Ibid., p. 8.

19

Ibid., p. 2.

20

Ibid., p. 13.

21

Ibid., p. 16.

22

Ibid., p. 18.

23

Ibid., p. 19.

24

Ibid., p. 3.

25

Ibid., p. 8.

26

Framework, p.28.

27

Australian National Audit Office, *Managing APS staff reductions, better practice guide*, 1996, p.11. **3.**

Structural Planning

This Chapter examines various elements of structural planning and how they contribute to effective human resource management. It also evaluates DFAT's frameworks for structural HRM planning.

Organisational structure

3.1 The PSMPC's *Framework* established the following underlying principles for organisational structures:

Appropriate organisational structures contribute to efficiency and effectiveness. By providing a framework for the definition and delegation of responsibility, they provide clear lines of accountability. They can also contribute to career development by maximising opportunities for multiskilling. ¹

3.2 The *Framework* also noted that, 'The belief that people are the key to getting maximum performance from our organisations has led to a growing emphasis on an integrated approach to HRM, where responsibility for the way people are treated and managed is shared by line managers and is no longer just the responsibility of corporate support areas.' ²

3.3 The ANAO tested key elements of the efficiency and effectiveness of DFAT's HRM organisational structure by examining how powers were allocated, how well those powers were understood by line managers, and how adequately line managers were supported by the specialist HR areas in the Corporate Management Division. In keeping with good practice, we expected to find that HR powers had been devolved to line managers to the lowest practical level commensurate with responsibility and organisational flexibility; that line managers fully understood what was involved in the exercise of those powers; and that the corporate support areas provided a high level of expert advice and assistance.

Delineation of management responsibilities for HR activities

3.4 We found that formal HR powers had not generally been devolved to line managers. This included powers that are fundamental to deployment of resources on core business activities, for example, recruitment, selection and placement, leave arrangements, and approval for temporary performance. When queried, DFAT advised that placement arrangements had been devolved at one stage but that these arrangements had been revoked to facilitate the achievement of budget objectives. As well, the Department saw centralised control of selection and placement exercises as desirable because of the need to ensure adequate staffing arrangements across the global network of DFAT operations.

3.5 The ANAO accepts that centralised control is one way to manage staffing

deployment, especially in a geographically dispersed operating environment. However, we also note that DFAT is not the only Commonwealth agency operating a large regional network, in the face of significant budget reductions. Agencies such as the Departments of Social Security; Employment, Education, Training and Youth Affairs; Immigration and Multicultural Affairs; and Health and Family Services all operate regional offices that are staffed by a combination of locally based officers and Central Office staff on rotation. Levels of delegation to line managers in these agencies are, generally speaking, devolved to a far greater extent than is the case with DFAT. While each of these agencies has its own unique operating environment, the ANAO considers that DFAT may be able to adapt some aspects of their regimes to improve its own practices.

3.6 Moreover, staffing deployment is only one aspect of HRM. Other powers, such as leave approval, could be delegated to line managers to support them in their delivery of core business. This would accord with good practice, as identified in the Watson Wyatt benchmarking study and in the Government's discussion paper on future directions for the APS, both of which note the shifting of responsibilities for day-to-day people management from specialist HR to line areas.³

Recommendation No.2

3.7 The ANAO recommends that DFAT review delegations for human resource management, to ensure that powers allocated provide maximum flexibility to meet operating requirements, balancing devolution and accountability in accordance with emerging public sector reforms.

DFAT response

3.8 Accepted. In anticipation of a new Public Service Act, a task force is currently examining the appropriate mix of centralised and devolved responsibilities for people management. Also see response to Recommendation 3.

Management understanding of delegated HR powers

3.9 A necessary corollary to the successful devolution of powers is that managers understand the nature of those powers. The ANAO interviewed a sample of line managers, at Senior Officer and SES levels, in Canberra and at five large overseas posts. More than half claimed to be exercising powers for which, in fact, they did not have lawful authority. A minor, but significant, proportion did not understand the distinction between HRM and financial delegations. The ANAO also found a degree of confusion in officer understanding of the difference between making a recommendation and a power to approve.

3.10 From this, the ANAO concluded that a significant proportion of DFAT line managers - the staff upon whom effective HRM depends - do not fully appreciate the formal dimension of their HR management responsibilities.

Support from HR specialist areas

3.11 Effective HRM in line areas relies on high levels of expertise and support being provided by specialist HR areas working in partnership to deliver common corporate objectives. The ANAO tested the level of support provided by DFAT's specialist areas by first examining the legal structures underpinning HRM in the APS.

3.12 The ANAO found that key legal instruments were not current as follows:

- DFAT has yet to promulgate delegations governing conditions of employment under the General Employment Conditions Award, ratified on 11 December 1995; and
- instruments of delegation were being used which devolved powers for the approval of recreation leave, even though the legislative provisions were repealed respectively in 1980 (section 68 of the *Public Service Act 1922*) and 1992 (Regulation 50C).

3.13 The ANAO notes that, in relation to the last dot point, instruments of delegation have been re-issued on a fairly regular basis since 1980. Because recreation leave is a common entitlement, the absence of current legal authority suggests that the Department may need to confirm the validity of all instruments of delegation for HRM in the Department. In addition, the Department should review how instruments of delegation are managed by specialist HR areas.

3.14 The ANAO also examined the exercise of powers in the central corporate support area in DFAT, that is, in the Division responsible for both centralised processing and the provision of specialist advice on HRM to the rest of the Department. We found that:

- staff in this area are exercising delegations that they do not hold;
- this finding also applied to the equivalent areas in some of the posts visited; and
- duly authorised delegations (e.g. for A-based leave and higher duties allowance) from overseas posts are being crossed out and re-signed in Canberra (in some cases by staff who did not hold the appropriate delegation).

3.15 The inappropriate or unlawful exercise of delegations has implications beyond compliance with existing legislative provisions. For example, the approval of leave, salary determination, and recruitment and promotion also have consequences which may affect departmental employees and ultimately could result in additional costs to the taxpayer.

3.16 The ANAO concluded that there is a long standing and pervasive lack of understanding in DFAT of the legal basis for human resource management. This will need to be addressed if the specialist HR areas are to provide effective partnership support to line managers.

Recommendation No.3

3.17 The ANAO recommends that DFAT improve the understanding and effectiveness of the legal framework for human resource management. This could be achieved through ensuring that delegations, under relevant public service legislation accord with legal provisions, are fully understood by staff in supervisory and HRM corporate support roles, and are duly exercised by such staff.

DFAT response

3.18 Accepted. An internal review of delegations under the Public Service Act (contained in Part B of departmental delegations) with the aim of updating all delegations in this category to accord with current legislation is nearing completion. The revised delegations schedule will be finalised shortly and submitted to the Secretary for signature.

Job design

3.19 The PSMPC's *Framework* suggests that:

Job design should facilitate efficient and effective organisational arrangements, be flexible enough to accommodate changing work patterns and priorities, and take into account occupational health and safety and EEO considerations, including the principle of reasonable adjustment. Effective job design should result in satisfying jobs characterised by challenge, authority and control by individuals over complete pieces of work. Jobs should comprise a range of tasks that optimise the development and use of a variety of competencies. ⁴

3.20 The ANAO examined two case studies of job design in DFAT. The first looked at the installation of ADCNET (the Australian Diplomatic Communications Network), the new secure computer platform; and the second looked at the organisation of personnel processing work.

Case Study 1- Implementation of ADCNET

3.21 The installation of ADCNET was chosen as a case study to examine work design for a number of reasons, including:

- it was a key strategic initiative undertaken by the Department to position itself better to deliver core business more cost-effectively;
- it affected all areas of the Department's operations, except for Passports Offices and some very small posts;
- job redesign was an explicit component of the implementation process; and
- the principles of multiskilling - including control over whole pieces of work - were also incorporated into the implementation process.

3.22 ADCNET is a generic name for a set of individual IT applications that operate in a secure environment. The most commonly used applications include

word processing and electronic mail. The basic premise was that ADCNET terminals would be a part of individual desktop workstations, and would allow staff to compose and despatch official cables without requiring the use of a specialist communicator. The integrated nature of the ADCNET platform was also intended to facilitate communication between individual posts, and between posts and Central Office, as well as providing standard office software facilities.

3.23 ADCNET was implemented progressively, and the accompanying work redesign process was expected to realise anticipated savings. It had been installed in three of the posts visited - Paris, London and Washington - in the previous 12 to 18 months.

3.24 The ANAO found that the implementation of ADCNET had generally been carried out in accordance with the principles of good job design, including multi-skilling. Most areas examined, including the overseas posts, had used a standard participative work design process, and reported satisfaction with the outcomes.

3.25 A subsidiary issue arose, however, from a perception that the identification of savings targets had not been based on a realistic appreciation of the operation and recent history of some posts. Staff in Paris, London and Washington all noted that ADCNET replaced a WANG system in some large posts which had provided many of the same features, particularly in relation to control over the preparation and production of cables. Introduction of the WANG system was also accompanied by the withdrawal of some specialised (communications) positions from overseas posts. The ANAO could find no evidence that this had been considered when identifying savings targets for the ADCNET installation.

3.26 While the identification of savings targets is always an area of contention, the ANAO notes that DFAT's rotational staffing policy makes the retention of corporate knowledge more difficult, particularly in areas such as resource management which require a level of specialist expertise and proficiency. Separate resourcing decisions, made over a period of a few years and without reference to each other, may have an adverse cumulative impact on a work unit's capacity to function effectively. DFAT could ensure more transparency in the decision making process so that posts have a better understanding of the basis of decisions they are required to implement.

Case Study 2 - Transaction processing

3.27 The second case study used by the ANAO to assess job design took the MAB/MIAC report, *Achieving cost-effective personnel services* (ACEPS), as a starting point. The initial ACEPS findings were based on a survey of some 23 APS agencies. ⁵

3.28 According to the ACEPS report, better practice organisations are characterised by:

- transaction processing in the most cost-effective way - generally, this is achieved by centralising HR processing; ⁶

- simplified entitlements which allow IT systems to automate routine processes, line managers to assume responsibilities for HR decision making and basic HR information to be readily understood by staff and managers; and
- alternatives to high volume low value-added transactions, such as short term HDA.⁷

3.29 In contrast, the report concluded that, 'The complexity of personnel rules, the way they're applied including multiple handling and checking, and the volume of processing work generated by them, are significant causes of the high costs of personnel services in the APS.'⁸

3.30 DFAT was not included in the original sample, but participated in Stage II of the benchmarking exercise, following publication of the report. The processes examined, including those mapped to determine costs for personnel transactions, did not include any specific to DFAT's overseas operations because of a dearth of suitable benchmarks. However, given the emphasis in the audit on LES management, the ANAO decided to map the two processes most commonly used by locally engaged staff: higher duties allowance, and recreation leave. The corresponding processes were also mapped in DFAT's Central Office, to identify any requirements that may have been unique to DFAT's operating environment.

3.31 In DFAT, there are two major and separate sets of processes for handling recreation leave and HDA: one for Australian-based (A-based) staff, and one for Locally Engaged Staff (LES). Within these, there are numerous subsets. Consistent with better practice, DFAT processes all pay variations for A-based staff in Canberra. However, corporate support areas at each post are involved in initially processing transactions for A-based staff, before the forms are forwarded to Canberra. The roles vary from post to post, although most maintain what amounts to a duplicate set of leave records, and perform calculations that are then repeated in Central Office. The rationale presented for these duplicate processes was that 'A-based staff expect the post to be able to tell them their leave balances'. However, given the continued pressures to deliver more cost-effective HR services, the feasibility of maintaining two sets of records to provide high levels of service is questionable, even though doing so provides high levels of service to staff.

LES processing

3.32 Transactions for LES are handled at each post, and processes vary from post to post. These differences are attributable to a number of factors, including: requirements of local labour laws, degree of automation, and the skills levels of staff. The processes used for both recreation leave and HDA at each post visited at the time of field work are set out in Appendix 5. Summaries of the number of steps for both A-based and Locally Engaged Staff transactions are shown in Table 1 below.

3.33 Following the ACEPS' principles of reduced checking and greater

automation, the ANAO considers that there is considerable scope for streamlining processes at each post. These are unlikely to produce significant savings at individual posts, however, because of the small numbers of processing staff involved. Rather, the advantage of re-engineering personnel processes at posts would be derived from freeing up a proportion of staff time, which could be used for other work.

3.34 Appendix 5 also identifies the steps the ANAO considers could be removed at each post without significant risk to good management.

Table 1- Comparative processes for HDA and recreation leave processing

Type of Transaction	DFAT POSTS (A-based)	DFAT POSTS (LES)	DFAT Central Office	ACEPS AGENCIES ²
Steps required for payment of HDA	7 - 24	9 - 22	18 - 24	9 - 17
Steps required for processing Recreation Leave with pay variations	11 - 24	7 - 21	33 - 36	10 - 29
Steps required for processing Recreation Leave without pay action	-	-	22	6 - 15

3.35 In addition, significant savings could be achieved globally by centralising processing of functions in geographic regions, as recommended in Audit Report No.19 of 1995-96. This option was being examined by DFAT at the time of concluding this report. Preliminary indications were that savings of several million dollars could be realised. The ANAO notes that the U.S. State Department introduced a regional approach to processing functions some years ago and seems to be satisfied with the outcomes.

A-based processing

3.36 With regard to transaction processing for A-based staff, the ANAO concluded that there is considerable scope to rationalise expectations of posts. In particular, the ANAO considers that the role of posts in processing leave and HDA for A-based staff could be eliminated completely. DFAT has in place two computer platforms that provide rapid communication globally, and which could easily be used by staff overseas for inquiries, at negligible additional cost to the Department.

3.37 The ANAO originally mapped corresponding processes in Central Office as a control, to ensure that any levels of checking required by the unique aspects of DFAT's operating environment were factored in to the overseas exercises. This mapping was undertaken in December 1996 and cross-checked in the light of post findings in March 1997. The outcomes are set out in Appendix 5. Table 1 above

summarises and compares the findings with those recorded in the ACEPS report. It shows that, for the two key processes examined, DFAT used significantly more steps than the ACEPS agencies. The range in the number of steps shown included two main variables: for HDA, whether the period is more or less than three months; and for recreation leave, whether or not salary action is required.

3.38 In both cases, it should be noted that the processes mapped in Central Office do not include the variations from overseas posts. A worst case scenario would have one leave application requiring some 60 steps to process. The ANAO identified several key areas where unnecessary processing was involved. These are detailed in Appendix 5. The processes mapped by the ANAO at Appendix 5 also show steps that we consider could be eliminated without significant risk to good management. On 3 April 1997, DFAT introduced revised procedures for handling recreation leave. This reduced the number of steps involved in processing, and brought DFAT within the range of agencies surveyed initially for the ACEPS report in 1995. However, the ANAO considers that these processes could be streamlined still further, as shown in Appendix 5.

3.39 The ANAO also noted that, since the publication of the ACEPS report, the agencies surveyed have also been re-engineering their processes, which will lead to fewer processing steps, and consequently the position of DFAT relative to other agencies is still capable of substantial improvement, especially given the ACEPS precept that: 'One person should be able to process a transaction from start (approval) to finish (transmission to the Department of Finance), if that person is competent to perform the task and if there is an appropriate QA [quality assurance] mechanism in place.'¹⁰.

3.40 The ACEPS report noted that the average cost for processing each HDA pay variation was \$24.60. DFAT's benchmarking indicated costs of \$31.15 for the same process, which is 27 per cent (\$6.55) higher. By reducing its costs to the ACEPS average, DFAT would realise savings of around \$32 000 annually. On the basis of these figures, the ANAO assesses that DFAT should be able to achieve savings of up to \$450 000 per annum by streamlining processes involved in the range of personnel processing functions it undertakes (see Appendix 5 for details).

3.41 The ANAO would expect to see the changes to recreation leave processing introduced on 3 April 1997 realise a small proportion of these savings. On the basis of the evidence in this audit we also consider that DFAT has the opportunity to re-engineer all personnel processes, and to design systems that build on the experience of other agencies.

3.42 The benchmarking study by Watson Wyatt Worldwide, *HR 21: human resources for the next century*, looked at the benefits organisations had realised through re-engineering their human resource management processes. Their results are set out in Table 2 below.

Table 2: The impact of re-engineering human resource management processes
(See Footnote ¹¹)

Outcome	Increased (%)	Decreases (%)	No change (%)	Don't know/ No answer (%)
Outsourcing of HR activities	56	0	25	19
Pooling of HR resources	50	9	19	22
Stature & respect for HR	47	0	22	31
Customer satisfaction with HR	41	6	6	47
Customer demand for HR services	41	6	19	34
Employee satisfaction	34	3	9	53
HR staffing levels	6	59	19	16
Cost of HR services	9	66	6	19

3.43 By using the same approach to re-engineering, DFAT could thus position itself well and expect to achieve significant benefits. In this context, the newly emerging industrial relations framework in the APS provides an opportunity for the Department to examine the need to retain the range of processes currently used.

Recommendation No.4

3.44 The ANAO recommends that DFAT re-engineer all human resource processing, including, for example, administration of HDA, Overseas Living Allowance, recruitment and selection, leave recording, and records maintenance, for A-based and locally engaged staff, to achieve processes that are much closer to internationally recognised better practice.

Agency response

3.45 Accepted. As part of the HRM reform process a number of project teams have been established to improve HRM processing. This includes project teams on developing a consolidated manual of DFAT people management policies and practices, streamlining selection and promotion processes, streamlining pay and conditions processing and streamlining the delivery of overseas conditions of service.

DFAT localisation initiatives

3.46 In 1993 DFAT introduced a policy that examined the structural deployment of its workforce and, in particular, the extent to which certain tasks traditionally undertaken by A-based staff might be performed more cost-effectively by LES. Known as the 'localisation policy', the initiative sought to identify savings in resources by having suitably skilled LES undertake tasks previously carried out by A-based staff. The impetus for the policy stemmed from the view that the

Department stood to benefit by redirecting savings in A-based staff time, towards the achievement of its core business. Although the ANAO did not test the effectiveness of the localisation policy in this audit, we nonetheless identified issues that the Department may wish to explore further in pursuit of the objective of ensuring cost-effective deployment of resources.

3.47 The ANAO notes that DFAT was developing a strategy to identify LES to provide management oversight and support for the maintenance and development of information technologies strategies in certain geographic hemispheres at the time the report was prepared. Positions have already been created at the Australian Embassy in Paris and the Consulate-General in New York to provide support to posts in Europe and the Americas. Similarly, DFAT has re-distributed the work formerly undertaken by designated A-based Public Affairs Officers at some posts. Some of this work is now being undertaken by LES, with other responsibilities given to other A-based staff.

3.48 Costs savings are therefore accruing to the Department and there is additional advantage from establishing a regimen of corporate continuity that is otherwise undermined by the successive posting of A-based staff for periods of two to four years. The ANAO is satisfied that this application of the localisation policy fits with international better practice, as implemented by the FCO, the State Department and by private sector leaders.

3.49 In addition, these are well developed HRM and HRD capabilities in Washington and London. These could be utilised more effectively to provide regional services which would achieve similar outcomes and savings to the IT initiatives. In this respect, the ANAO considers that DFAT would enhance localisation outcomes by ensuring that the specialist skills it acquires and develops through the application of the policy are fully utilised.

Scope for extension of localisation

3.50 Three important principles underlie the ANAO's consideration of options for extending the localisation policy. The first is that the key to DFAT's effective delivery of core business is increasingly dependent upon the capacity to deploy resources flexibly and to adapt rapidly to changing global needs. Secondly, and as a consequence, global solutions to staffing are increasingly less appropriate - in other words, one size does not fit all. The third, against which the other two need to be balanced, is the requirement to maintain appropriate national security safeguards.

3.51 In discussions with senior officers at overseas posts, including with Ambassadors, a view was put several times that there was scope at some centres to re-examine information gathering in respect of DFAT's core policy advising role. In some countries there are expanding possibilities to access a range of material provided by 'think tanks', commercial providers of information relevant to portfolio interests such as country economic and sectoral assessments published by leading European newspapers and centres of good academic standing. The ANAO considers that DFAT now should explore the capacity to re-

engineer processes for basic reporting functions. Such a move would also fit well with guidelines on contestability and better practice.

3.52 The ANAO considers that DFAT would also benefit from a more structured and strategic mechanism that ensured the periodic review of resource deployment decisions. So, for example, the fact that an A-based policy officer's posting to Washington was due to expire may not necessarily mean that that position was filled by another A-based staff member - appropriately qualified people with the requisite skills might be available locally. Similarly, the resignation of a locally engaged accountant in, say, Jakarta, may not necessarily result in replacement by local engagement - it might be more cost-effective in the medium-term to replace that person with an appropriately qualified A-based officer, if the local labour market did not provide a pool of skilled applicants. The option of outsourcing service provision could also be explored for all but the most senior vacancies.

3.53 In keeping with this approach, DFAT would also need to ensure flexibility in the conditions of employment for locally engaged staff. This has been problematic in the past but changes in the industrial framework should provide DFAT with the requisite capability to use locally engaged staff more flexibly.

Audit opinion

3.54 The ANAO is of the opinion that when DFAT has set out to redesign jobs (as with the introduction of ADCNET) it has done so reasonably well. More generally, however, the management of the design of jobs does not sufficiently facilitate the efficient achievement of corporate objectives. For example, there is no mechanism in place for the systematic review of processes, particularly those following the introduction of technology. The findings in Appendix 5 for instance, show that manual checking remains for personnel processing, although the use of technology obviates the need for it; and separate forms and cables are still being prepared for pay variations from overseas posts, although the use of the Non-National Secure System could reduce much of the double handling currently in place. Nor is there a systematic approach to localisation - either in its introduction or its reversal. Finally, there is limited planning for the long term use of specialist skills and expertise of DFAT's locally engaged staff (in terms of both job design and career satisfaction/progress).

Recommendation No.5

3.55 The ANAO recommends that DFAT regularly assess the cost-effectiveness of staffing deployment policies to take account of longer-term strategic requirements. In particular, there appears to be considerable scope to increase the use of Locally Engaged Staff and regionally-based administrative arrangements.

Agency response

3.56 Accepted. DFAT already assesses staffing deployment policies, on an ongoing basis through a range of existing strategic planning mechanisms that

allocate resources to posts and divisions (the annual Post Evaluation Report and Divisional Evaluation Report processes). A Task Force is developing options for senior management on how financial and human resources, both in Canberra and overseas, might be better organised to meet future challenges.

Conclusion

3.57 The ANAO found that DFAT's organisational structures could better contribute to effective and efficient management of HR in order to support the achievement of corporate objectives. For example, the delineation of management responsibilities for HR activities is inadequate, as the legal instruments are not current, and are not always accurate; HR powers could be devolved to line managers to a greater extent; and line managers' understanding of their powers and responsibilities is not comprehensive. Similarly, the design and allocation of work needs to be regularly re-examined to ensure that optimal resources are dedicated to the achievement of core business activities. In this regard, the ANAO notes that initiatives announced in April 1997, associated with DFAT's implementation of the Government's reform agenda, have the potential to address some of these matters.

4. Staffing Practices

In this Chapter, key staffing policies and practices used by DFAT are assessed, first, for their compliance with existing legislative provisions; but more importantly, for their effectiveness in ensuring that DFAT has the right people in the right jobs at the right time, for a reasonable cost.

Elements of effective staffing practices

4.1 The PSMPC's *Framework* identified the objective of staffing practices as: 'to ensure fair and effective procedures and processes for the selection and deployment of people to meet organisational needs.'¹² The outcomes of effective staffing practices will be a workforce that is competent, productive and motivated to excellence.¹³ The Government's discussion paper, *Towards a best practice Australian Public Service*, set out the priorities for selection very clearly:

*Merit ... should be a system which is a mandatory alternative to patronage. ... it is not acceptable for organisations to have closed staffing systems, selecting managerial 'clones' who are safe. It is essential to seek out and bring into organisations staff with new ideas and who can invigorate the performance of the management team.*¹⁴

4.2 The ANAO examined four elements of staffing practices: appointment, promotion and transfer; temporary performance; flexible employment arrangements; and equal employment opportunity (EEO).

Selection arrangements

4.3 According to the PSMPC's *Framework*:

Successful selection strategies should be adopted to give effect to an organisation's

recruitment planning activities. These strategies will ensure that the most suitable and efficient people available are selected. ¹⁵

Recruitment and promotion

4.4 The ACEPS report found the following deficiencies in commonly used recruitment and selection processes in the APS:

- *the volume of activity - there were 30 hires per 100 positions during the 12 month period surveyed, compared with 7 per 100 hires in Best Practice;*
- *the cost - the average cost to survey participants was three times that of Best Practice;*
- *the efficiency - survey participants achieved on average 42 hires per recruitment staff member, compared with 67 in Best Practice; and*
- *the effectiveness - filling positions (both permanent and long term HDA) took three times as long in the APS (an average of 96 days) as in Best Practice (30 days). Also, only 55 per cent of officers in the APS selected to fill a long term vacancy had remained in the job for which they were selected after six months, compared with 96 per cent in Best Practice.* ¹⁶

4.5 Most selection exercises in DFAT are conducted in bulk: either as bulk promotions or bulk placements associated with postings. All positions are advertised, with committees formed to assess the comparative merits of applicants. In the context of overseas postings, the definition of merit may be extended to include factors such as fitness for duty overseas, security considerations, and family circumstances (for instance, conditions in some countries may constitute a health risk for infants or very young children). These additional factors are assessed by the Placements and Postings Advisory Committee before making any recommendations to the delegate.

4.6 The ANAO examined a sample of DFAT's recent recruitment and selection exercises, and concluded that they accord with legal requirements, and commonly used processes in the APS, including the use of interviews, referee assessments and written applications in relation to defined job descriptions. The Advisory Panel noted that, with regard to one component of the selection process, committee interviews are statistically the worst predictors of performance. Indeed, one Panel member observed that 'panel interviews have no validity and ... place too great an emphasis on assessing a verbal fluency.' The Advisory Panel noted that there is a range of selection techniques that could be considered in replacing, and/or in supplementing panel interviews. The Advisory Panel also noted that organisations need to develop selection procedures appropriate to their circumstances and needs.

Placements

4.7 DFAT operates a rotational system for placements overseas. The policy essentially requires postings of two or three years duration, followed by a similar

length of time back in Central Office before the staff member is eligible for another posting. There are also provisions for cross-posting in exceptional circumstances, to meet particular operational requirements. Consequently, a high proportion of DFAT's A-based workforce changes jobs every three years.

4.8 Bulk placement exercises are conducted regularly by DFAT to select A-based officers for overseas postings, and, more recently, have also dealt with the placement of staff in Central Office generally. In 1995, the Department revised procedures for pre-posting training and briefing which were later reaffirmed in 1996. These required posts to complete an analysis of job requirements and skills levels for consideration by the Placements and Postings Advisory Committee and to assist staff selected to obtain adequate training prior to their departure from Australia. The ANAO considers this process to be an example of good practice. Posts are required to identify skills related to the particular vacancy, as well as to APS core competencies, and to specify the level of skill required (basic, intermediate, advanced). It would also allow post management to match individual skills with those of other team members and to strengthen the effectiveness of post performance.

4.9 The ANAO examined a selection of placement decisions and found that the procedures promulgated in 1995 and 1996 were not being used by the Placements and Postings Advisory Committee to guide their decision making. Rather, the Committee was using the previous set of procedures from 1993. These were deemed by DFAT not to be effective in 1995. No satisfactory explanation was provided by the Department for their re-introduction. Nor was the ANAO able to ascertain when the 1993 procedures were re-introduced or that posts were advised of the change.

4.10 The ANAO notes that DFAT, at the time of preparing the report, was reviewing the selection processes used for placements and postings, and has encouraged the Department to reconsider the use of the 1995 and 1996 procedures.

4.11 Notwithstanding this intention, bulk placement rounds have provided the Department with mixed results in trying to 'fit' staff to specific positions which may require particular expertise. For example, DFAT has acknowledged that, in recent years, the bulk placements system has delivered a shortfall in the numbers of staff required for Senior Administrative Officer positions overseas. This was confirmed by the ANAO analysis of the outcomes of bulk placement exercises in 1995 (the most recent year in which a full round was conducted). As Figure 4 shows, almost 15 per cent of vacancies in this year were not filled from the initial selection exercise. More than half of these vacancies were for administrative support roles or mixed Consular and Administrative positions.

Figure 4: Outcomes from overseas placement exercises, 1995-96



4.12 Recent internal audit reports have also highlighted deficiencies in aspects of the operations of some posts. The Department has identified below standard or the unsatisfactory performance of some A-based staff members as a contributing factor to this problem. Again, this reinforces the need for selection procedures to deliver high quality outcomes, cost-effectively.

4.13 The ANAO acknowledges that there is an element of risk associated with all staffing decisions, especially selections for placement overseas. However, the cost and complexity of moving people to and from overseas posts means that there is a particularly strong need in DFAT's case to ensure that decision-taking processes minimise these risks. For example, in 1995-96, DFAT's expenditure on direct salaries and allowances alone for 680 A-based staff overseas was \$68.4 million. (This does not include standard on-costs, or the costs of property, support, administration, utilities and so on.) Thus the average direct cost for an A-based officer overseas was around \$100 000 per annum. Accordingly, even a small number of selection decisions that do not deliver the right people to the right jobs results in a significant amount of salary money not being used to maximise effectiveness.

4.14 The critical requirement is that selection practices - be they recruitment, promotion or placement - contribute directly to the achievement of DFAT's core business objectives. In addition, they need to be cost-effective in themselves and to deliver outcomes (in the form of staffing decisions) that provide line areas with appropriately qualified staff competent for the jobs for which they were selected. The selection processes also need to be flexible and capable of getting the right results quickly in an environment of rapid change. Against these expectations, the ANAO concluded that DFAT's selection processes need to be improved if they are to support strategic organisational objectives in this way. Improvements could be more usefully directed at speedily identifying appropriately qualified staff for vacant positions - selection rounds can take some months to finalise, even without the need to readvertise some vacancies; evaluation of techniques to ensure quality

of outcomes; and reducing the number of staff who do not perform satisfactorily in a particular position overseas.

Return from posting

4.15 While the placement process for A-based staff going on posting is highly centralised, until recently, quite the reverse applied on return. In this area, the Department operated what it calls a 'free-market' system from 1993, under which staff negotiated their own placements prior to return from posting. However, this system was suspended temporarily in April 1996, in the face of anticipated budget reductions and their consequences. The early return of staff from postings following the withdrawal of positions from posts, together with the reduction of positions in Central Office, led to the creation of a Staffing Deployment Committee to manage placements in Canberra, amongst other matters. The Department can anticipate continuing pressure to ensure that resources are deployed to maximum effectiveness. A centralised system of management may be desirable for the foreseeable future to ensure that skills and experiences acquired overseas at considerable expense are optimised by the Department on an officer's return from posting.

Audit opinion

4.16 The ANAO concluded that DFAT's selection and placement practices accorded with legislative requirements, although placement processes do not comply with the most recently promulgated departmental procedures. However, the ANAO considered that the selection techniques used by DFAT do not always deliver quality, cost-effective outcomes, and that they could be improved to be more closely aligned with departmental staffing procedures. The ANAO notes in this context that one of the working parties established during the course of this audit by DFAT as part of its reform process has been tasked with streamlining recruitment and selection processes. The ANAO considers that the cost-effectiveness of different selection techniques should also be examined by DFAT.

Recommendation No.6

4.17 The ANAO recommends that DFAT evaluate staff selection processes, having regard to the broader range of selection options available to organisations, to ensure that they deliver cost-effective quality outcomes.

DFAT response

4.18 Accepted. The processes of the Placements and Postings Advisory Committee are regularly reviewed to ensure the best officer is selected for posting. A project team was established in April 1997 to examine the streamlining of selection and promotion processes.

Temporary performance (higher duties)

4.19 Temporary performance arrangements:

provide agencies with flexibility to fill short-term vacancies through temporary transfer at

level or by temporary performance in a higher position (higher duties). Temporary performance arrangements also facilitate people gaining further experience in different duties at the same level or in a higher classification. The opportunities available to undertake temporary performance assist managers in developing the skills and experience of people and supports career development strategies... Temporary performance should be kept to a minimum and vacancies should be examined to consider other filling options and to determine whether the duties need to be performed. ¹⁷

4.20 In line with the Government's strategy for reducing the size of the Australian Public Service, the Department in 1996 introduced restrictions on temporary performance at higher levels. These included the review of long-term higher duties arrangements, and avoidance of all unnecessary short term arrangements.

4.21 The ANAO notes that this is consistent with the principles established in the PSMPC's *Framework*. The ANAO also notes, however, that higher duties allowance is not an entitlement usually paid in the private sector where the circumstances which attract HDA in the public sector are managed by reallocation of responsibilities without additional remuneration.

4.22 In 1995-96, there were 4920 HDA transactions covering the 2521 A-based staff employed by DFAT. In analysing HDA transactions processed between March and November 1996, the ANAO found evidence of a substantial degree of lack of compliance with procedures, the details of which are set out in Appendix 6. From this, the ANAO concluded that DFAT's management of temporary performance arrangements could be significantly improved, particularly in relation to short-term occurrences.

4.23 Further investigation revealed that the highest rate of short-term occurrences was in processing and technical areas. Other work by the ANAO, in Audit Report 4 of 1995-96 ¹⁸, indicated that high levels of short term HDA are often associated with delegated decision-making structures. The ANAO is of the view that the incidence can be reduced by reorganising the delegation of these powers.

4.24 The ANAO considers also that there are savings to be achieved by DFAT in revising current HDA arrangements in respect of LES. The newly emerging industrial relations framework provides scope for the Department to further rationalise current practices in respect of HDA arrangements.

4.25 In this context, the Advisory Panel also noted that, increasingly, short term access to increased work responsibilities contributes to an employee's development, and that the undertaking of higher level tasks should be in this light.

Recommendation No.7

4.26 The ANAO recommends that DFAT ensure that operational practices are in place which minimise the need for short-term occurrences of HDA for both A-based and LES, and that transaction processing complies with due process

DFAT response

4.27 Accepted. Existing practice is that HDA not be paid unless the occupant of a position is performing the duties of that position and that such performance is an operational requirement. As part of the HRM reform process, DFAT is reviewing the transaction processing of HDA.

Flexible employment arrangements

4.28 According to the PSMPC's *Framework*,

In a changing society, flexibility in working arrangements which suit the work of the organisation and which attract people to the organisation, may be essential in recruiting and retaining quality people. ... An organisation's ability to provide flexible working arrangements is a key consideration in meeting corporate goals. ¹⁹

4.29 Flexible working arrangements available in the APS include: part-time work (which may include job sharing); home-based work; and fixed term temporary employment. Most of these options are available to DFAT staff, although some specific exclusions apply in the overseas environment. As well, DFAT has promulgated a range of measures for workers with family responsibilities.

4.30 DFAT has issued guidelines or policy statements on most flexible employment provisions. These generally present a clearly articulated statement of DFAT's policy, and are promulgated to staff through Administrative Circulars. However, the ANAO found staff knowledge of these policies to be quite variable, as shown in Table 3 below.

Table 3 : Staff knowledge of flexible employment arrangements (percentage of respondents)

Staff	Permanent Part-time Employment	Job sharing	Home-based work	Other*
A-based	89.4	17.6	14.1	22.3
LES	40.0	22.5	5.0	5.0
All staff	73.6	19.2	11.2	16.8

* Most staff also included flextime as an example of a flexible employment arrangement

4.31 Interviewees were also asked if they believed the Department wanted them to take advantage of the arrangements offered. Some 30 per cent responded in the negative, indicating a significant perception that practical management support was somewhat lacking (see Table 4 below). In relation to a follow-on question about taking up flexible work arrangements being disadvantageous for one's career, the results were starker, as shown in Table 5 below.

Table 4 : Staff perceptions of management support for participation in flexible employment arrangements (percentage of respondents)

Staff	Yes	No	Neutral
A-based	42.4	37.6	10.6

LES	32.5	15.0	32.5
All staff	39.2	30.4	17.6

NB: not all staff responded to this question.

Table 5 : Staff perceptions of career disadvantage following take up of flexible employment opportunities (percentage of respondents)

Staff	Yes	No	Neutral
A-based	55.3	28.2	11.8
LES	25.0	20.0	37.5
All staff	45.6	25.6	20.0

NB: not all staff responded to this question.

4.32 These findings suggest that DFAT's efforts to encourage the use of flexible employment arrangements to further organisational and individual needs have had limited success. This is underlined by 1995-96 staffing statistics that report a total of 58 A-based staff out of the total A-based workforce of 2521 (or 2.3 per cent) availing themselves of part-time work opportunities. This compares with 3.9 per cent for the whole of the APS as at 30 June 1996.

Audit opinion

4.33 Flexible employment arrangements are available to DFAT staff and have been widely promulgated, although there are restrictions applying to work overseas. However, the ANAO found that there is a perception amongst staff that management support for these arrangements is limited. This is something that the Department may wish to address, in the context of providing flexible arrangements that encourage cost-effective delivery of core business in the context of DFAT's overall operating environment.

Equal Employment Opportunity (EEO)

4.34 The provision of equal employment opportunity in the APS is both a legislative requirement and a means to an end. The objective, ultimately, is 'to remove barriers which interfere with the effective operation of the merit principle in relation to appointment and promotion, thus allowing all officers to compete for positions on an equal basis.'²⁰

4.35 DFAT issued a new EEO program in April 1996, covering the period 1995-98. This program was the winner of the Regional Category of the 1996 APS Equality Award for Innovative Practice in Equal Employment Opportunity. It provides a framework for action throughout the Department. It is consistent with PSMPC guidelines, concise, easy-to-use, and comprehensive.

4.36 The program is supported by post-specific sub-programs, progress on which is reported annually through the Post Evaluation Review process. The ANAO considers this aspect of DFAT's EEO administration accords with good practice as

it enables the Department's central EEO policy officer(s) opportunity to monitor the EEO activities undertaken at remote localities. The ANAO examined the sub-programs at the posts visited, and found the Washington approach particularly good practice, because EEO principles and practices have been sewn into mainstream decision-making processes, which are set out clearly and unambiguously.

4.37 Generally, posts have a designated EEO liaison officer(s). Some posts have appointed a locally engaged EEO liaison officer while others, including larger posts, have both A-based and LES EEO liaison officers. At large posts there may be an EEO Committee. In London, the fact that the Deputy High Commissioner chairs the EEO Committee gives added profile and support for EEO activities. Similarly, the strongly pro-active role adopted by the Ambassador to Beijing provides leadership and support for EEO at that post. In Jakarta, the analysis of in-country demographics and other local environmental factors and their impact on the local labour market, was another example of good practice that could be adopted more widely.

4.38 EEO liaison officers are often appointed *in situ*, that is, after they have commenced their posting. This makes access to the specialised training provided by the Department difficult. The ANAO received comments from several staff overseas (not just current EEO liaison officers) that more support could be provided from Central Office for new EEO liaison officers.

4.39 Interviews with a sample of staff showed strong support for EEO, and 85 per cent believed that it is an issue the Department regards seriously. Some 38 per cent indicated that they had benefited from EEO, and in the main, their comments specified advantages derived from a more diverse workforce, and from having access to a larger group of potential recruits. The ANAO found that the principles of EEO have been understood and accepted by most staff.

4.40 However, a degree of cynicism was also expressed in relation to the application of some of the EEO and harassment processes. There is an apparent staff perception that, for example, action in relation to sexual and workplace harassment is influenced by the level of the officers involved. DFAT's Policy on the Elimination of Workplace Harassment, introduced in January 1996, and other initiatives such as the Workplace Harassment Policy Group, should have served to allay some of the concerns, but they were still being reported 12 months later. This suggests that DFAT needs to address staff perceptions of policy as a matter of some priority.

4.41 Performance indicators and strategies for the EEO program are reported in the Department's annual report. The ANAO used the published data to compare EEO statistics over time. Trends in these data over five years are shown in Appendix 7. They indicate:

- little change in total proportion of men and women employed in the Department;

- more staff identifying themselves as falling into the NESB 1 and ATSI target groups; and
- fewer staff identifying themselves as falling into the NESB 2 and PWD target groups.

4.42 The ANAO recognises that DFAT management has not been complacent in trying to pursue improved EEO outcomes. Initiatives in recent years include a series of focus group discussions with women officers chaired by the Secretary, the publication of relevant discussion papers (e.g 'Women in Management: The DFAT Experience') published under cover of Administrative Circulars, the provision of child-care facilities in the Department's new headquarters, opportunities for flexible employment arrangements, and other family friendly employment policies. Despite these initiatives, the ten year trend indicates a marginal decrease in the total proportion of women (the only figures available) employed in DFAT, although again, the proportion of women in more senior positions has improved.

4.43 Appendix 7 provides comparative figures for Commonwealth Government Departments in meeting key EEO target objectives as summarised from data published by the PSMPC in 1995.

Audit opinion

4.44 The ANAO concluded that DFAT's EEO program complies with legislative provisions, is monitored through the annual report (and post reports), and is reviewed in accordance with legislative requirements. The program has received considerable support from successive Senior Executives in the Department, and a number of innovative practices have been introduced. However, the workforce demographics show only marginal change in some areas over five and ten year periods, which suggests that the effectiveness could be improved.

4.45 While there is strong staff support for EEO principles, there is also an apparent perception that line management support could be improved, and perceptions with respect to harassment may require particular attention.

Conclusion

4.46 The objective of staffing policies and practices is to ensure the availability of a competent and motivated workforce that can be flexibly and rapidly deployed to deliver core business. Policies and practices need to be directed towards the achievement of this fundamental objective.

4.47 The ANAO notes that a number of working parties were formed towards the end of this audit to address different aspects of DFAT's staffing practices, and that DFAT had plans to develop an HR plan as well. If the findings in this chapter are advanced by the relevant working parties, DFAT has the opportunity to ensure that staffing practices are integrated with the achievement of core business objectives.

1

Ibid., p. 21.

2

Ibid., p. 3.

3

Op cit., Watson Wyatt, p. 7; Reith, *Towards a best practice Australian Public Service*, p. 21.

4

Ibid., p. 25.

5

ACEPS, p. 3.

6

ACEPS, p 19.

7

Ibid., p. 22.

8

Ibid., p. 23.

9

Ibid., p. 26.

10

Ibid., p. 27.

11

Op cit., Watson Wyatt Worldwide, p. 23.

12

Framework, p. 40.

13

Op cit., Conference Board of Canada, p. 3.

14

Towards a best practice Australian Public Service, p. 15.

15

Framework, p. 41.

16

ACEPS, pp. 28-9.

17

Ibid., p. 43.

18

Auditor-General, *Regional office resourcing and benefit processing*, Department of Social Security, Audit Report No. 4, 1995-96.

19

Framework, p. 45.

20

Ibid., p. 47.

5. Performance Management

Background

5.1 Since the late 1980s, international better management practice has held that the putting into place of tools to measure and analyse performance is integral to the efficient achievement of organisational objectives. Canvassing the linkage between the human resource contribution and organisational objectives, the 1993 MAB/MIAC report, *Building a Better Public Service*, acknowledged the emerging critical importance of performance management in the public sector, noting that a 'continuing emphasis on organisational effectiveness and productivity, and increasing community pressures for quality of service, will focus attention on the link between individual and corporate performance.'¹

5.2 The PSMPC *Framework* described the objective of performance management as the means 'to foster productivity and effectiveness by maximising and maintaining individual and team performance.'² It identified six elements as key to effective performance management in the APS: induction and probation; supervising people; performance appraisal; incentives and rewards; managing underperformance; ethics and managing conduct.

5.3 The importance of this broad objective was underlined in the Government's discussion paper, *Towards a best practice Australian Public Service*, which noted that 'To strengthen the commitment to achieving the outcomes set by the government, ...effective performance monitoring and feedback are essential.'³

5.4 Mr Peter Howes, from the Advisory Panel for this audit, advised that there is a 'need to ensure that there is an over-arching performance oriented culture' across organisations 'before any performance management process can be

effectively institutionalised.' The Advisory Panel also noted that developing performance oriented cultures in organisations, may take up to five or six years. DFAT has maintained performance appraisal systems for its staff in various forms already for more than a decade.

5.5 The Department expects that Divisional Business Plans (to be implemented throughout the Department with effect from July 1997) will contribute to the fostering of a performance oriented culture. The ANAO understands that DFAT anticipates that the Business Plans will assist to identify specific linkages between individual and corporate objectives. In this context, the Advisory Panel emphasised the importance of using non-enforcement techniques in introducing performance management schemes, and the role of managers as coaches, as being crucial to successful performance management.

5.6 The ANAO assessed the effectiveness of DFAT's performance management systems by focusing on the two key strategic elements of the PSMPC's *Framework*: performance appraisal and underperformance. The ANAO's observations should assist the Department to focus on developing strategies to ensure that the Business Plans initiative becomes an effective tool in DFAT's suite of performance management tools.

Performance appraisal

5.7 The PSMPC's *Framework* notes that the objective of performance appraisal is 'to improve work performance against agency corporate goals by improving individuals' understanding of their work responsibilities and the performance standards expected of them.'⁴ In providing guidance to agencies, the *Framework* also notes that 'performance appraisal directly relates individual performance to corporate achievement. It assesses individual achievement and links this achievement to corporate success through matching individual job responsibilities, standards and performance indicators to the corporate plan.'⁵

DFAT's Performance Appraisal Systems for Staff

5.8 DFAT has four performance appraisal schemes in place for all A-based staff. Three are downwards appraisal processes segmented according to level: SES, SOS, and ASO 1-6. The fourth is an upwards appraisal scheme, introduced in February 1994. Participation in all four schemes is compulsory.

5.9 DFAT's Performance Management Handbook was among a sample of policy documentation assessed for clarity of roles and effectiveness of promulgation. The guidelines for individual appraisal scheme are generally of a high standard. Together with explanatory policy circulars they provide an unambiguous statement of departmental management's expectations in relation to performance appraisal processes and the performance management of the workforce.

5.10 There is no compulsory scheme for LES, who comprise 38 per cent of DFAT's work force, although the Department has suggested that posts adopt the A-based ASO 1-6 scheme at those posts that have no alternative schemes in place for LES. Some posts have introduced such schemes. These were found to vary in style

from the adaptation of increment reporting mechanisms to sophisticated schemes integrated with wider HRM concerns, including staff development.

5.11 The responsibility for the performance management of LES rests with post management. In terms of locally developed performance appraisal schemes for LES, the process developed and in an early implementation stage in the Washington post is a good example of better practice which can be confidently emulated by other posts in terms of its documentation and design. As a measure of its practicality, it is being used by some A-based supervisors in Washington for both themselves and their A-based staff in preference to the existing Senior Officer and ASO appraisal schemes (although the ANAO notes that, technically, this practice breaches departmental guidelines). For other posts, however, the model provided by the Jakarta post may be more valuable, as it is based on the acquisition of skills - something assumed in the Washington scheme.

5.12 The ANAO examined the implementation of these schemes, and found high levels of non-compliance, despite the clearly stated departmental policies. The findings are detailed in Appendix 6 but, in summary, the ANAO estimates that levels of compliance could be as low as 52 per cent for Senior Officers and 35 to 45 per cent for the ASO 1-6 scheme.

5.13 Qualitative evidence from a number of survey respondents bring into question the overall effectiveness of performance appraisal processes. These staff reported that they, and in some cases their supervisor, participate in the process in either a cynical or superficial manner. On an anecdotal level, several officers described their own and/or their perception of their supervisors' cynicism in regard to the appraisal processes. In these instances, it is difficult to discern conclusively whether performance appraisal adds value in assisting the Department to achieve core objectives more effectively.

5.14 To further put ANAO concerns in context, it is noted that 35 per cent of the survey sample respondents believed that they did not receive adequate *informal* performance feedback from their supervisors. Where this situation overlaps with superficial or non-compliance with the formal appraisal processes there will be a significant number of staff without any adequate feedback at all in regard to their work performance.

5.15 The ANAO concluded that, while some mechanisms for assessing and managing staff performance have been put into place by DFAT, they are not working effectively. This is reflected in the fact that coverage is not comprehensive (existing schemes do not automatically include LES); compliance is variable, with high levels of non-compliance found in three of the four compulsory schemes for A-based staff; and managers are not ensuring that departmental policies are implemented. From this, the ANAO concluded that, following advice on best practice, DFAT needs to ensure that an overarching performance oriented culture is in place across the Department. This is a challenge for most public sector entities.

Performance agreements

5.16 According to PSMPC and DFAT guidelines, performance agreements should specify individual responsibilities, standards and performance indicators that are linked to corporate objectives. Of the sample of agreements examined by the ANAO, there were some good examples but many did not comply to any great extent with the guidelines for the scheme of which they are a part:

- some show evidence of being based on minor amendments of generic duty statements/job descriptions, rather than specifying individual responsibilities;
- generally the agreements pay scant regard to competency development/performance;
- some omit development action plans entirely;
- many disclose little or no attempt to articulate other than the most generalised performance standards; and
- few attempt to link individual and corporate objectives.

5.17 The exception here was provided by the post at Beijing, where the standard of performance agreements for some A-based staff was generally much higher than elsewhere.

5.18 The ANAO concluded that, in relation to the quality of performance agreements, there is evidence of poor linkages of performance to corporate objectives, inadequate performance indicators in the agreements, and lack of linkages to individual development action plans to promote improvement.

Recommendation No.8

5.19 The ANAO recommends that DFAT ensure that its performance management and appraisal processes are based on systems that assess an individual's competence to achieve core business objectives effectively and that they are implemented as an integral part of the Department's broader HRM practices. To achieve better practice performance management outcomes, DFAT also needs to ensure that staff comply with the requirements of the performance appraisal systems.

DFAT response

5.20 Accepted. DFAT has long recognised the importance of performance appraisal and management as a management tool but industrial arrangements at the agency level have restricted wider usage for management purposes. A project team is currently being established as part of the HRM reform process to develop a better integrated personnel performance management system.

Underperformance

5.21 The Advisory Panel for this audit noted that experience has shown that managers are reluctant to use the same scheme for managing poor performance

and rewarding good performance. They advised that emerging better practice in the management of underperformance was the putting into place of a set of procedures to address underperformance that are separate from performance appraisal processes. In this context, the *Framework* notes:

Effective performance is the outcome of a number of factors including effective appointment, promotion and transfer, the responsible use of induction and probation, access to training and development, and appropriate supervision and performance feedback. ... There is a range of formal and informal mechanisms for addressing underperformance. Where informal mechanisms are not successful in restoring performance, the inefficiency provisions provide a formal mechanism for managers to deal with poor performers quickly and effectively, while protecting people against arbitrary or unfair action. ⁶

5.22 To assess DFAT's handling of underperformance the ANAO reviewed a number of case studies, in Canberra and at overseas posts. Overall the ANAO found that the cases of underperformance examined were managed in an ad hoc manner with variable results and that the local management culture seemed to be the key determinant in the approach adopted. In the main, the triggers for management action to address underperformance appear to have arisen outside of the context of performance appraisal processes, and in some cases, were matters that were not covered by performance agreements. Again, this is an area where most agencies need better management practices.

Recommendation No.9

5.23 The ANAO recommends that DFAT review its mechanisms for identifying underperformance, and develop strategies appropriate for its management.

DFAT response

5.24 Accepted. See response to Recommendation 8.

Other issues

5.25 Evidence in regard to performance appraisal schemes indicates widespread non-compliance of relevant HR policy by a large number of staff and their supervisors and managers despite a clear and unambiguous statement of management expectations. This suggests that line managers are not fulfilling their responsibilities adequately, and are not ensuring that they, and their first level supervisors, implement departmental policies with commitment.

Recommendation No.10

5.26 The ANAO recommends that DFAT reinforce the importance of the role of line managers in providing leadership (including through the coaching of junior staff), guidance and effective supervision as well as in assessing and encouraging performance more oriented to program outcomes.

DFAT response

5.27 Accepted. DFAT requires line management to provide leadership, guidance and effective supervision to staff and makes a substantial commitment to management training available to this end. As part of the HRM reform process a number of project teams are considering options to improve officers leadership and management skills. Proposed business plans at the Divisional and Post level will specifically link performance at the individual level (including development/training) to the achievement of Divisional/Post and corporate objectives.

Conclusion

5.28 The ANAO is of the opinion that DFAT does not effectively manage individual performance in order to achieve corporate objectives. DFAT needs better application of good management techniques if it is to maximise and maintain individual and team performance.

6. Human Resource Development

Background

6.1 Organisations need to ensure that staff are adequately skilled to deliver core business objectives, current and future. If staff cannot be recruited with requisite skills, then an organisation should provide development opportunities to bridge the gaps. Hence, Human Resource Development (HRD) is integral to the achievement of optimum efficiency by members of an organisation in their work. The Advisory Panel for this audit noted that, increasingly, practitioners see a partnership between employer and employee in undertaking development and training activities, where employees are expected to contribute to the process. In fact, they advised that the primary responsibility for personal development rests with the individual - the organisation's role is to provide information and opportunity.

6.2 The PSMPC's *Framework* notes;

The strategic significance given to HRD is in the establishment and maintenance of an effective learning culture in the organisation - one which supports development of individual potential and fosters increased commitment and motivation. But to be strategically effective, HRD activities must:

- *form an integral part of the corporate planning process;*
- *relate to, and service, corporate and program goals and needs;*
- *be regularly and rigorously evaluated; and*
- *be adequately resourced.*

*In particular, HRD must have close links with agencies' HRM and performance management processes. As part of a broader HRM strategy, these links ensure that people have the appropriate competencies to contribute to achieving their agency's goals and that effective strategies are available to enhance individual and team performance.*⁷

6.3 The ANAO assessed DFAT's strategic management of HRD activities and their effectiveness in developing staff by examining HRD frameworks in the Department and at the various localities visited. In addition, the ANAO examined HRD evaluation and linkages between those processes with HR planning and the achievement of corporate objectives.

Need for an HRD framework linked to the corporate plan

6.4 The ANAO found that DFAT did not have an articulated human resource development (HRD) framework that provides a corporate strategy for integrating individual training and development needs to organisational objectives. The absence of such strategic linkages in the delivery of development and training activities undermines the benefits that accrue for the organisation in the opportunities it provides for, and its investment in, HRD.

6.5 This investment in HRD is not insubstantial. Expenditure on formal training in 1995-96 amounted to approximately \$4.5 million for A-based staff in Australia, exclusive of opportunity costs (that is, the cost of staff time when absent on training). This investment represented about 2.7 per cent of the Department's A-based salary budget in that year. In addition, the Department estimated expenditure in 1995-96 of \$1.18 million in training for staff overseas. The Department needs an effective HRD framework if it is to achieve cost-effective outcomes from this investment, consistent with better practice organisations.

HRD in state offices and overseas posts

6.6 The Department has devolved responsibility to state offices and overseas posts for developing their own HRD framework and strategies. There is a lack of ready access to literature on the better practice aspects of managing HRD programs at many posts. Little guidance is provided by the Department (although the Department's Evaluation and Audit Section review LES training when undertaking visits to posts). This has led to a variable quality of HRD strategies, or their absence, in overseas posts, with consequent impact on the effectiveness of training activities.

6.7 In spite of this, the ANAO observed one example of good practice in a post, that is worthy of wider application. The Australian High Commission in London has an HRD strategy, including a quarantined training budget, that seeks to improve the overall productivity of the post. This is a key element of a strategic framework that was developed specifically to improve organisational effectiveness. The framework comprises three prongs: establishing clear work objectives, re-engineering work flows through the streamlining of processes and as down-sizing takes place, and by linking personnel development activities towards achieving improved work performance within the umbrella of the post's improvement framework.

6.8 As part of the implementation of the strategy, one position on establishment is responsible for managing the Human Resources Development Unit. The post acquired appropriate training database software, and a system of Personal

Development Plans has been introduced that is tied to performance appraisal for all LES. The framework and systems that have been implemented cover the whole office (including other government agencies represented in London), and includes the Manchester office managed by the Department of Immigration and Multicultural Affairs (DIMA). A budget of \$100 000 had been ear-marked for staff development activities in 1996-97. This was being used across a wide range of identified training needs, including where appropriate, to access external courses including formal arrangements that have been made with tertiary institutions for the provision of training in higher level management and information technology disciplines.

6.9 By implementing this strategy, the post has been able to reduce actual expenditure on HRD, while supporting a wider range of development activities. Survey results of LES interviewed in London revealed that 70 per cent of staff believed that the courses they attended improved their work productivity and broadened their career options.

6.10 In the ANAO's view, the experience of the High Commission in London demonstrates the value of developing better practice HRD strategies that fit within an overall framework that is linked to the post's core objectives. Accordingly, the ANAO considers that DFAT could usefully explore the opportunities for London to provide assistance to posts in the European and Middle Eastern regions in implementing similar practices. In addition, the Department should examine the feasibility of identifying specialist HRD positions in other regions.

Recommendation No.11

6.11 The ANAO recommends that DFAT develop and promulgate an HRD framework that ensures that individual training and development activities more directly support the achievement of core business objectives.

DFAT response

6.12 Accepted. A project team has been established on a training and development system focused on achieving corporate objectives. As noted in response to Recommendation 10, this linkage will be a specific requirement of business plans at the Post/Divisional level.

6.13 Given the absence of a strategic HRD framework, the ANAO examined various components of DFAT's training and development activity, to assess whether or not they contribute effectively to the achievement of the Department's core objectives.

Assessing development and training needs

6.14 In 1992, the Senate Inquiry into the Management of DFAT recommended that the Department develop and maintain a skills register covering all staff. In response, DFAT advised that it had decided to conduct a skills audit of all staff in order to identify training needs. This has not yet occurred. The Department has,

however, trialed a database that will record the training activities of its A-based staff, and has advised the ANAO that it is in the process of establishing that system as a skills register.

6.15 In determining staff training priorities, better practice HRD frameworks will establish development activities enabling staff to contribute effectively to the achievement of an organisation's core objectives and in meeting their career aspirations. In 1996, DFAT redefined its training priorities in response to budget constraints. The outcomes of this exercise were to focus effort on: leadership and management training, pre-posting training, language training, writing skills, orientation and media skills. In addition, a range of financial management and data systems training was identified as deserving priority attention. The focus of many of these priorities is in the context of pre-posting preparation and skills acquisition. The ANAO considers that, in accordance with better practice, DFAT should also be focusing on development strategies to meet future capability requirements. Over time, this would also reduce the need for the current concentrated effort on pre-posting training, as staff would be selected on the basis of having the requisite skills.

6.16 The training and development needs of individual staff members are identified through two mechanisms. The first is part of the mandatory performance appraisal systems, under which supervisors and staff are required to identify training and development needs. Once identified, these are forwarded to the Department's Staff Development Section, which coordinates and develops a calendar of training events. Although supervisors and staff are expected to identify appropriate development opportunities and activities, an ANAO examination of a sample of performance agreements indicated that inadequate attention is paid to overall staff development concerns. The focus was on the identification of training needs.

6.17 Unsatisfactory levels of compliance with the performance appraisal system have served to undermine the proper identification of the organisation's training needs as the Department does not have a comprehensive means by which to determine accurately what training is required.

6.18 Furthermore, the system does not explicitly provide for the identification of individual training needs in the context of the organisation's strategic objectives. Instead, it has tended to focus on identifying the training needs of staff to enable them to fulfil their work obligations within their section or branch.

6.19 The second mechanism for identifying training and development needs is part of the selection process for overseas postings. The Department has issued several Administrative Circulars dealing with pre-posting preparation and training. Posts are required to provide information about the competencies and skill levels that are required for positions as they fall vacant. This advice, the Pre-posting Training and Briefing Form, is used to develop a training program for the staff member who has been selected to fill the overseas position. The identification of training needs is developed in discussion between the staff

member and the Staff Development Section. The ANAO noted a weakness in these procedures, inasmuch as the process relies heavily on the staff member's assessment of their own skills. The Department does not maintain a skills register, and the Staff Development Section does not verify an individual's claims with the staff member's supervisor.

Evaluation of development strategies and programs

6.20 To be strategically effective, HRD activities must: form an integral part of the corporate planning process; relate to, and service, corporate and program goals and needs; be regularly and rigorously evaluated; and be adequately resourced. In particular, HRD must have close links with agencies' HRM and performance management processes.⁸ Better practice management of HRD programs will, therefore, provide mechanisms for the ongoing monitoring and review of specific programs. This enables an organisation to assess the effectiveness of individual development activities and provides an opportunity to ensure the activities offered remain relevant to the organisation's needs and direction. At a second tier, organisations will have in place systems that provide feedback on whether development programs have been effective in delivering identified objectives.

6.21 The Advisory Panel for this audit noted that whilst evaluation of development activities can be a difficult area, better practice will have organisations developing diagnostic tools to measure the effectiveness of opportunities provided. These might include assessments of levels of communication, rates of staff turnover, levels of job satisfaction, performance management participation rates, etc., although the tools actually used will vary according to policies and practices within different organisations.

6.22 In the past, DFAT has relied heavily on course evaluations prepared by staff immediately following completion of a training course to assess the effectiveness of a particular training program. This does not provide any information on whether these programs are effective in contributing to the achievement of strategic HR and corporate goals.

6.23 In 1995, the Department recruited an HRD specialist to the Staff Development Section. Some headway has been made in carrying out broad evaluations of particular training programs, such as for pre-posting training. Rigorous evaluations for most training programs in the Department, however, are yet to be introduced. Better practice in HRD evaluation processes provides for the establishment of 'agency benchmarks for participation in, and for expenditure on, development activities.'⁹ Good practice requires also that organisations 'evaluate their HRD activities, including against objectives which link to corporate and strategic goals.'¹⁰ Whilst DFAT has, to an extent, measured this in respect of pre-posting training and by undertaking recall sessions by the participants of two SES courses, there is currently no systematic approach to an ongoing evaluation of its training programs that provides linkage to corporate and strategic objectives.

Recommendation No.12

6.24 The ANAO recommends that DFAT ensure that personal development (including training) programs are evaluated to ensure their effectiveness in supporting the achievement of core business.

DFAT response

6.25 Accepted. DFAT already undertakes a number of effectiveness evaluations of personal development programs. The work of the project team on a training and development system focused on achieving corporate objectives will help ensure a closer linkage between training and development activities and achieving corporate objectives.

The value of existing staff development programs

6.26 The ANAO surveys of DFAT staff in Canberra and at five overseas posts revealed that close to 41 per cent of A-based staff believe that training programs they have undertaken are *not* effective in giving them the confidence and competence to meet their career aspirations. This contrasts with approximately 83 per cent who felt that the training they had undertaken was effective in giving them the skills to meet their job demands. 'Effective HRD strategies are not only aimed at enhancing people's current work performance. They have a whole-of-career focus which can prepare people for future career paths and work roles quite different from what they may be doing now.' ¹¹

6.27 In accordance with the principles set out in the PSMPC's *Framework*, DFAT should also formally articulate the nexus between individual training strategies with corporate objectives, in the more general, non-posting context. When implemented, this will enable the Department to operate more efficiently, with staff skilled to undertake new job responsibilities more effectively. It will also provide the Department with a more flexible work force, and so enhance the capacity for staff to identify a whole-of-career focus.

Access to development opportunities

6.28 DFAT advised that staff members average 18 days training per annum. This figure includes full-time language training, pre-posting training, full-time tertiary study, as well as shorter courses of less than one day duration. However, this average does not give an indication of how many days training most staff actually receive per year. Interviews with a sample of staff conducted by the ANAO indicated that slightly more than 50 per cent of A-based staff had undertaken fewer than four days training in the past twelve months. Of the same sample, 33 per cent declared that they had undertaken no training whatsoever in the past twelve months. This figure was significantly higher for A-based staff overseas, with 43 per cent reporting no training within the past twelve months.

6.29 The majority of other A-based overseas staff noted pre-posting training and/or training resulting from the introduction of new technologies at post as comprising the training they have undertaken within the last twelve months. While recognising that pre-posting training involves a substantial investment, better practice principles that seek to establish learning cultures within

organisations would ensure that development opportunities were provided regularly when necessary, particularly where staff were on posting for up to four years.

6.30 The ANAO acknowledges that training opportunities at some localities may be limited. However, the increasing availability of interactive media and computer-based learning packages enables staff at these localities to have access to, and to take up, relevant training opportunities. This is in addition to opportunities that may be available through nearby posts.

Assessment of specific programs

6.31 The ANAO reviewed a sample of departmental development programs to assess their impact and effectiveness.

Orientation Training for Locally Engaged Staff

6.32 The ANAO examined processes used by overseas post administrations to provide orientation to newly recruited locally engaged employees. Four of the five posts visited have in place reasonably detailed documentation that they provide to new staff on commencement. This material included details about an employee's terms and conditions of employment, canvassed basic office procedures including information on fraud, misconduct, ethics awareness issues, and provided an overview of the post's operations with explanations provided of the roles and responsibilities of the various sections within the mission.

6.33 The best example the ANAO found was at the Australian Embassy in Washington where post administration provide newly commencing Locally Engaged Staff with a comprehensive information package that not only includes the basic information described above but also incorporates copies of all current office circulars, and explicit advice on a range of personnel management related matters such as EEO, confidentiality, security regulations, emergency instructions, first aid, sexual harassment and AIDS. The manual provided by the Australian Embassy in Paris was also of a high standard. The difference between the two was the inclusion of current office circulars in Washington, which were not provided in Paris.

Access to Tertiary Level Studies

6.34 DFAT has established access for all staff to tertiary level studies, including for A-based and locally engaged staff overseas, by distance learning. Access to these courses provides useful incentives, particularly for locally engaged staff to attain formal Australian qualifications in disciplines that have application to an individual staff member's work responsibilities.

Language Training

6.35 A major portion of DFAT's training budget is spent on language training. In 1995-96, this amounted to \$2.45m, representing 54 per cent of training budgets controlled by DFAT's Central Office. Language training in that year focussed on

209 A-based staff, or 8.3 per cent of DFAT's A-based staff. In addition, contract tutors provide assistance with language training discussion groups for staff who wish to retain proficiency in a language. A sizeable number of staff have benefited from these arrangements.

6.36 Language proficiency is obviously a key requirement for the achievement of DFAT's core objectives. However, the ANAO notes that language skills are more commonly available in the wider community than has been the case traditionally, especially in languages such as Arabic, Chinese (Cantonese and Mandarin), Japanese, Korean, and Vietnamese. These are also languages in which it is expensive to acquire a suitably high standard of proficiency. The Department thus has the option of recruiting staff who are proficient in one or more of these languages, and training them in other areas. Alternatively, the Department could maintain its existing policy of recruiting generalist staff with analytical skills, and training them in languages. Whichever strategy the Department pursues, it should be confident that it is cost-effective over the longer term, and that maximum advantage is made of language proficiency. The ANAO notes that both recruitment strategies have been pursued by DFAT at different times. However, we found no evidence that changes in direction had been based on a cost-benefit analysis.

Recommendation No.13

6.37 The ANAO recommends that DFAT ensure that the assessment of cost-effectiveness of different ways of acquiring language proficiency is effectively built into recruitment and HRD strategies and is understood by staff.

DFAT response

6.38 Accepted. In seeking to recruit staff with the best possible mixture of skills and qualifications, DFAT has always attached high importance to language proficiency. This is reflected in the number of graduate level recruits with language skills.

Conclusion

6.39 The ANAO found that DFAT did not have an articulated human resource development framework that provides a corporate strategy for linking individual training and development needs to organisational objectives, although it notes that plans to develop such a framework were announced in April 1997, within the context of the Government's reform agenda for the public service. Some examples of appropriate frameworks were found at the local level.

6.40 The ANAO considers that there tends to be an emphasis on training rather than on the broader personal development needs of staff. There is also scope for the Department to improve the means by which it identifies staff training and development needs. In addition, DFAT should seek to develop a systematic approach to an ongoing evaluation of its training programs that provides linkage to corporate and strategic objectives.



Canberra ACT

25 June 1997

P. J. Barrett

Auditor-General

1

Building a better public service, p. 21.

2

Framework, p. 78.

3

Op cit., p. 19.

4

Framework, p. 84.

5

Ibid., p. 84.

6

Ibid., p. 89.

7

Framework, pp. 96-7.

8

Framework, pp. 96-97.

9

Ibid., p. 97.

10

Ibid., p. 97.

11

Ibid., p. 96.

Appendix 1 - Audit Issues and Criteria

Issue	Criteria
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1 - If DFAT effectively forecasts and plans for future people requirements, then:	(a) Responsibilities for HR activities will be clearly delineated and promulgated: and managers will exercise the full range of delegated powers.
	(b) Jobs will be designed to facilitate optimal achievement of organisational objectives, including the provision of opportunities for job satisfaction and career progression.
	(c) Adequate information will be available to and used by management to inform human resource decisions, especially in the areas of: <ul style="list-style-type: none"> • recruitment planning; • career planning; • succession planning; and • resource allocations
2 - If DFAT ensures fair and effective procedures and processes for the selection and deployment of people to meet organisational needs, then:	(d) Appointment, promotion, transfer and temporary employment processes will be conducted in accordance with Public Service Act and enterprise agreement provisions, and in a way that facilitates organisational objectives.
	(e) Opportunities for flexible employment arrangements will be available and use of them by management and staff will be encouraged.
	(f) EEO programs will exist, will be in accordance with legislative requirements and will be monitored and revised regularly.
3 - If DFAT fosters productivity and effectiveness by maximising and maintaining individual and team performance then:	(g) Performance appraisal mechanisms will be in place at all levels of the organisation, and will be used in the management of individual performance (including underperformance).
	(h) Performance agreements will specify individual responsibilities, standards and performance indicators that are linked to Corporate objectives.
4 - If DFAT improves organisational effectiveness by fostering the skills and knowledge of people, then:	(i) A framework will exist that identifies organisational needs and strategies to meet those needs and provides opportunities to facilitate individuals acquisition of requisite skills.
	(j) The effectiveness of HRD strategies will be monitored and reviewed regularly to ensure continual currency, including linkages with HR planning.

Appendix 2 - DFAT's HRM Reform Working Parties

Working party	Timing
Establishing a framework for people management	April - June 1997
Integrated personnel performance management system	To commence late 1997
Consolidated manual of DFAT people management policies and practices	To commence early 1998
Streamlining selection and promotion processes	March - June 1997
Jobs skills/competencies analysis	March - December 1997
Broadbanding	July - December 1997
Senior Administrative Officers: career planning, training and succession	March - June 1997
Training and development system focused on achieving corporate objectives	May - July 1997
Improving leadership and management skills	April - June 1997
GAA and entry level training	March - April 1997
Streamlining pay and conditions	April - September 1997
Streamlining overseas conditions of service	March 1997 - June 1998
Contracting/outsourcing/competitive tendering of corporate services	April - December 1997
Assessing DFAT's needs and the options for a new HRMIS	April 1997 - June 1998
Developing a capacity for workforce modelling and forecasting	April - September 1997
Workplace Relations framework and management agenda	March - April 1997
Drawing up and negotiating the Certified Agreement/Australian Workplace Agreements	April 1997 - ongoing

Appendix 3 - Human Resource Strategic Planning Benchmarking Results

Table 3.1: HR Strategic Planning survey respondents by industry group
(See Footnote ¹)

Industry	Respondents
Public Administration	17.3%
Education	12.8%
Wholesale and retail trade	14.7%
Manufacturing	7.7%

Finance	10.9%
Transport	8.3%
Electricity, Gas and Water	9.0%
Mining	9.0%
Business services	2.6%
Other	7.7%

Table 3.2: Current growth status of respondents

(See Footnote ²)

Status	Organisation	Employee numbers
Expanding	58.8%	25.2%
Stable	27.7%	45.0%
Contracting	13.5%	29.8%

Appendix 4 - Positions Initially Withdrawn from Overseas, 1996-97

Post	Positions
Bangkok	SOG C, ASO 6
Beijing	Medical Officer Grade 2, ASO4, ASO3
Berlin	SES 1
Brussels	SOGC
Jakarta	SES 1, ASO6, ASO4, ASO2
Kuala Lumpur	ASO2
London	SES1, SOGC, ASO5
Moscow	ASO2
New Delhi	ASO6
Osaka	SOGC
Ottawa	SOGB, SOGC, ASO3
Paris	SOGC, ASO6, ASO2
Paris OECD	SOGB
Port Moresby	SOGB

Rome	ASO6, ASO5
The Hague	ASO4
Tokyo	SOGC, ASO5, ASO2
Washington	SES1, ASO6, 2 x ASO2
Wellington	SOGC

1. *HRM Consulting, HR Strategic Planning Report* (1996), p.6.

2. *Ibid.*, p.7.

Appendix 5 - Transaction Processing

Unnecessary processing

The ANAO identified several key areas where unnecessary processing was involved. These were:

- in Central Office electronic processing was paralleled by a paper trail which obviously added to the costs of the personnel transactions by extending the time required for their completion;
- at some posts, there was a third locally maintained paper trail which duplicated the electronic record and the centrally held paper record;
- in Central Office, processing staff had contrary views on which of them held particular delegations, leading to unnecessary extra checking and action;
- numerous examples of unnecessary checking of routine entries made by salaries clerks by supervisory staff, for example, in processing HDA in central office a 'budget coordinator' from an operational area may originally enter the details of the transaction into the PERSPECT system, but if the HDA is for a period of more than three months a clerk in the Staffing Section would check these entries before sending it to the Pay and Conditions Section, where the entries would be once again be checked by a pay clerk, whose supervisor would check these entries yet again.
- some processing staff routinely manually checked with a hand held calculator the arithmetic calculations provided by their computers;
- in some instances, staff receive routine confirmation notices regarding the completion of a transaction from two different officers processing different stages of the transaction.;
- unnecessary optional steps arise in processing of HDA in Central office leading to extra handling, as well as difficulty in accurately controlling the levels of incidence of HDA within the Department by Staffing Branch; and
- compliance with a Department of Finance requirement that agencies must utilise a prepare/check/certify process for many routine personnel transactions that was removed in December 1994.

Process mapping

The ANAO mapped HDA and recreation leave processing in Canberra and at a range of overseas posts. A selection of the outcomes is shown in Figures 5.1 to 5.7 below. These diagrams also show specific steps that the ANAO considers could be eliminated without significant risk to good management, indicated on the following pages by a strike through.

Figure 5.1

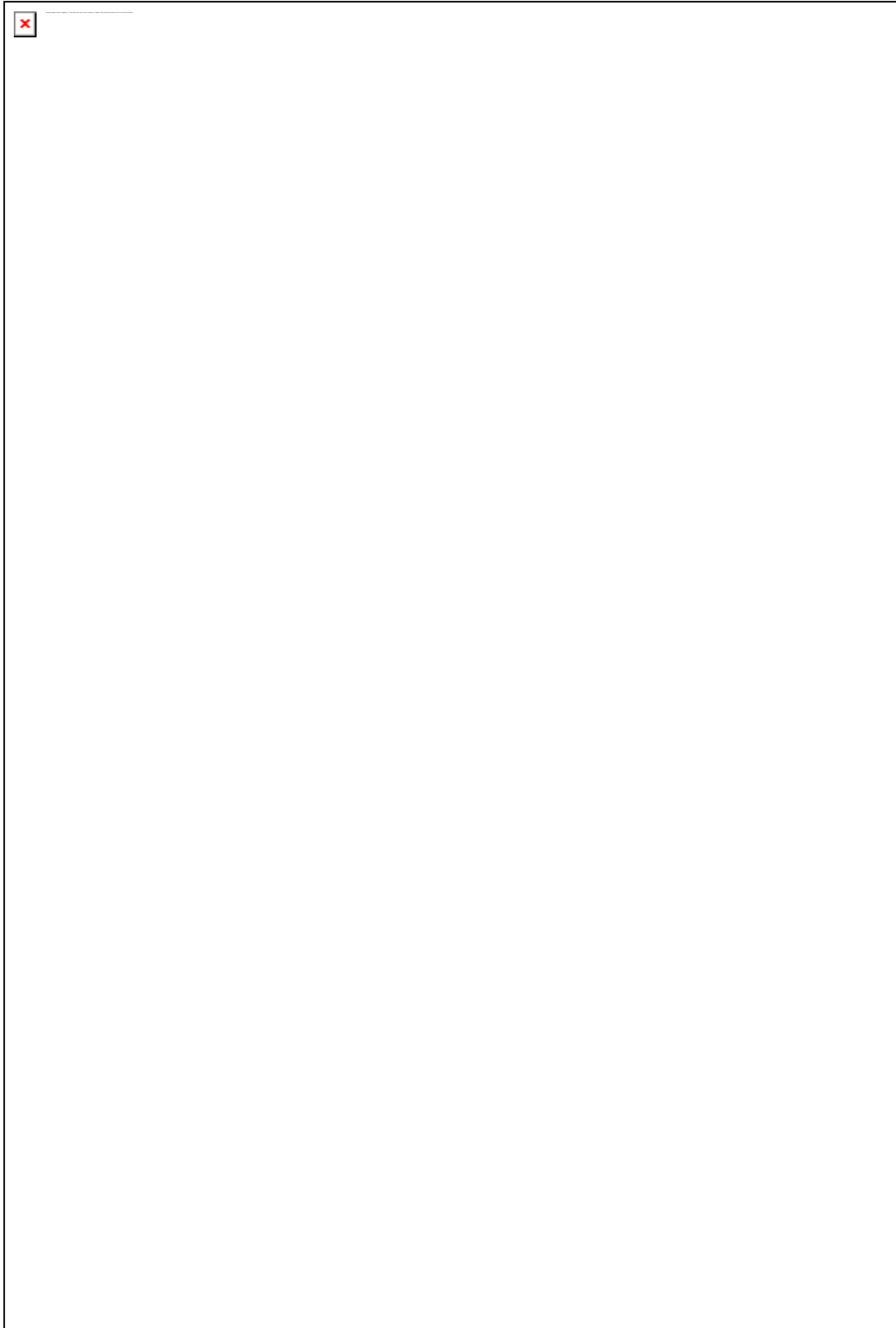


Figure 5.2







Figure 5.3

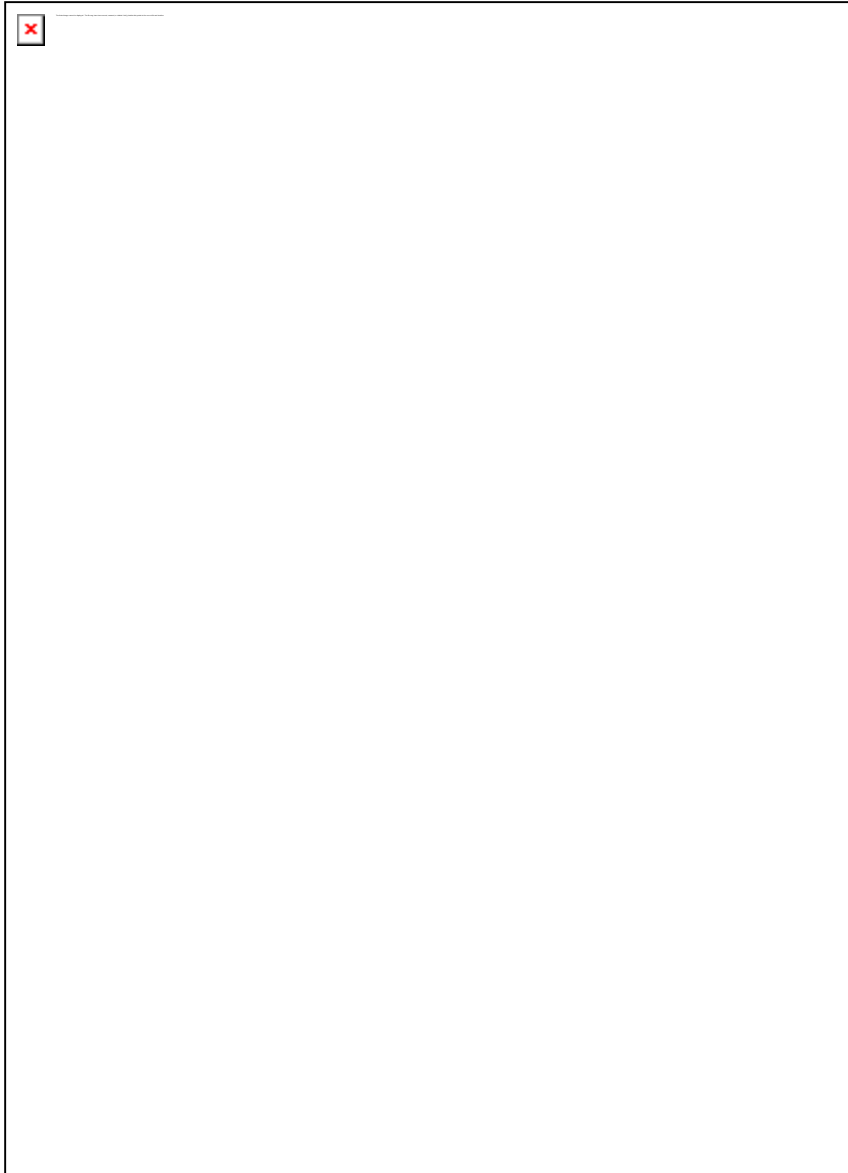


Figure 5.4

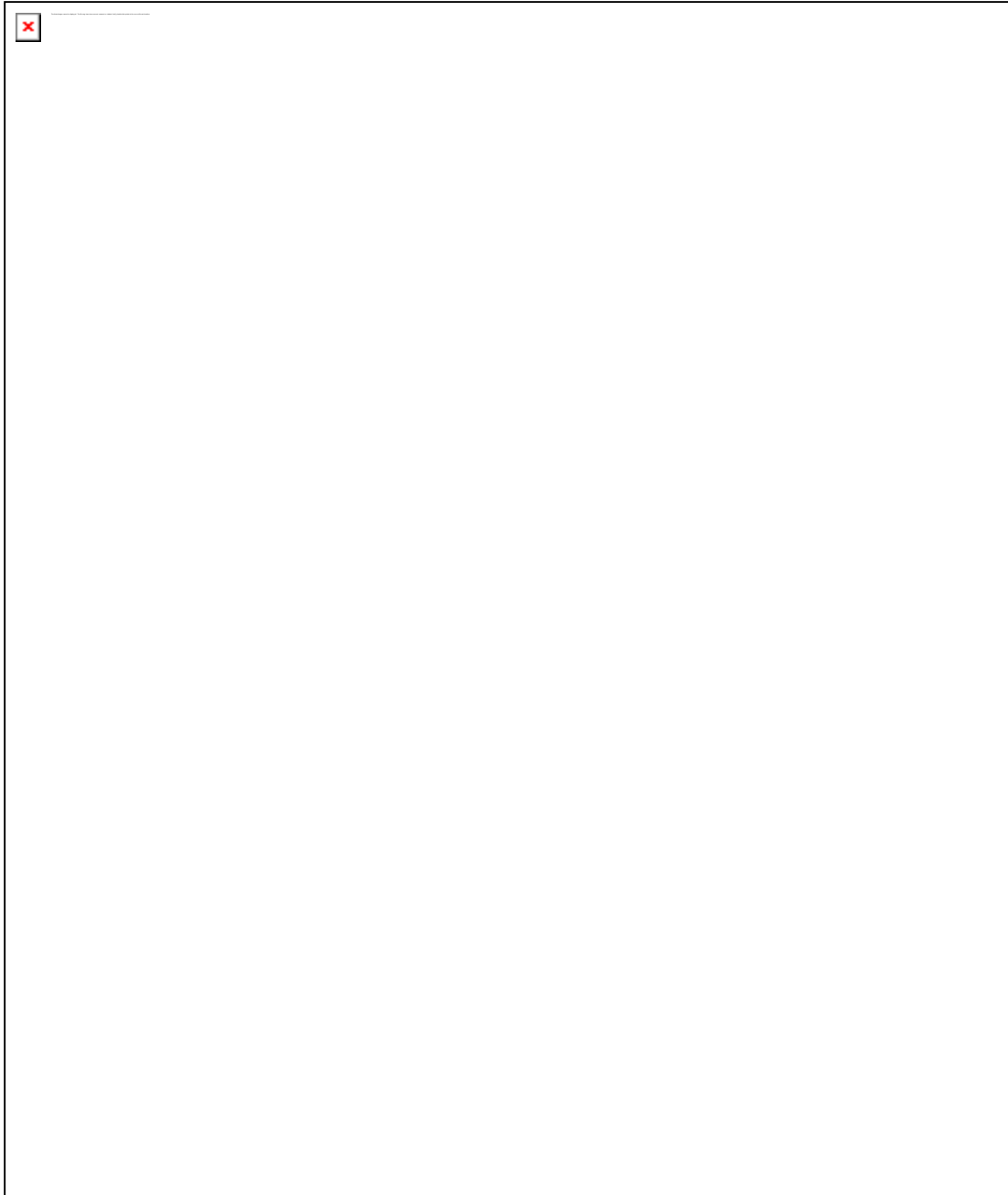


Figure 5.5

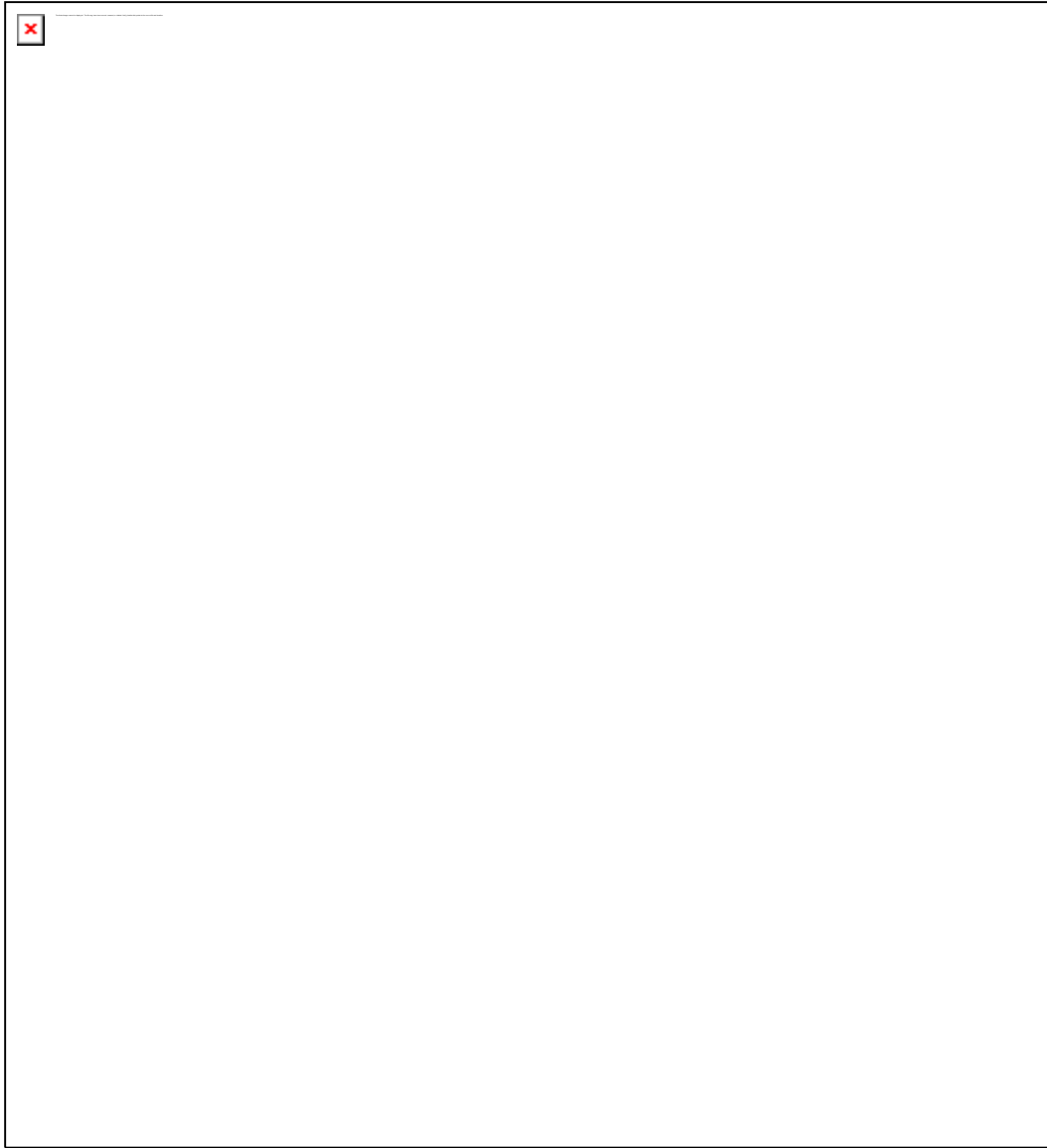


Figure 5.6

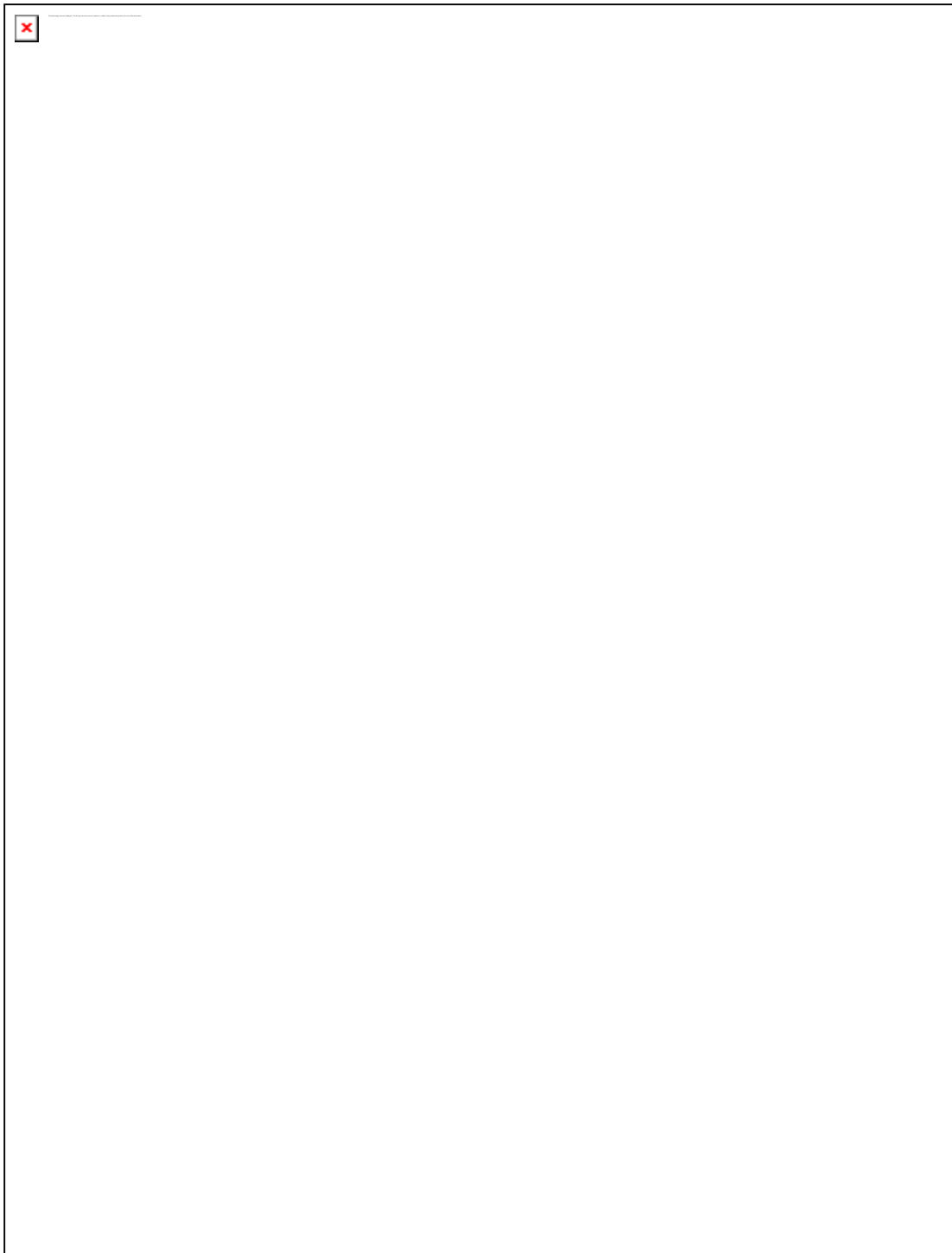
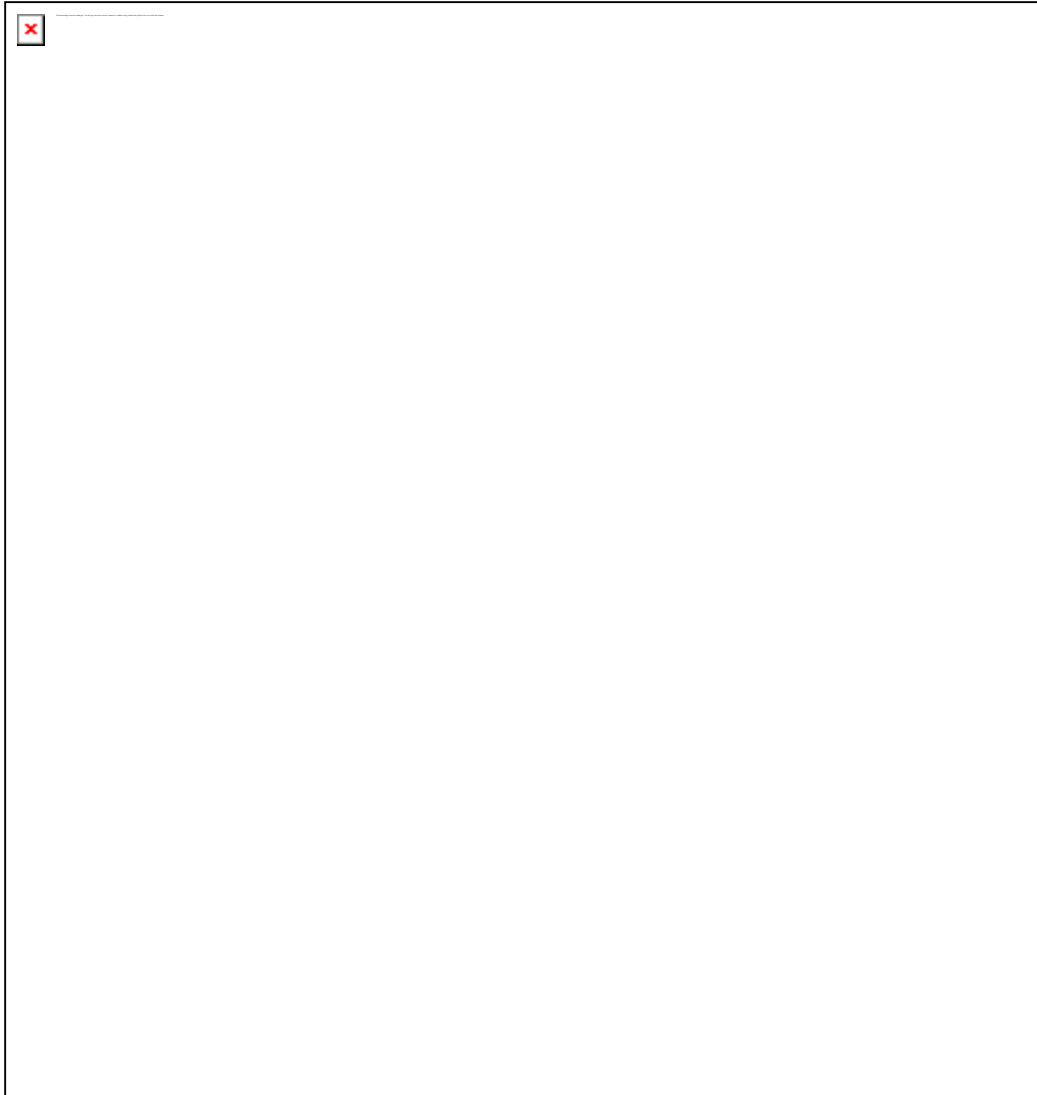


Figure 5.7



Processing costs and savings

Table 5.8 - DFAT processing costs for higher duties allowance.

DFAT	Adjusted Full Time Employees	Salary (\$)	Technology (\$)	Facilities (\$)	Other (\$)	Total costs (\$)
Regional Offices HDA	1.1	34,772	3,007	7,488	2,216	47,484
External HDA	2.8	81,992	7,163	14,870	5,269	112,661
Centralised HDA	1.8	52,109	4,962	9,559	3,507	70,136
TOTAL	5.7	168,873	12,432	31,917	10,992	230,281

The above costs were incurred in processing 7392 HDA variations. The cost per

transaction, then, was \$31.15, which is 27 per cent (\$6.55 per transaction) above the ACEPS average. Since these figures were compiled, DFAT has reduced the incidence of HDA - 4920 transactions were processed in 1995-96. Advice from Deloitte Touche Tohmatsu, who have been conducting follow-up benchmarking for Stage II of ACEPS, is that the base costs per transaction have remained constant since 1994-95. Accordingly, if DFAT were to reduce the cost per transaction to the average reported in ACEPS, it would realise savings of around \$32 000 per annum on HDA processing alone.

DFAT estimated that 70 per cent of the work of the salaries clerks and staff clerks (23 in all in Central Office) was in processing all applicable forms of leave and allowances. They also indicated that processing HDA alone takes up approximately 5 per cent of the available time, or approximately 7 per cent of total processing time. If the cost differential for HDA were applicable across all of DFAT personnel processing - and the ANAO finding that more steps were involved in processing both recreation leave and HDA than the reported ACEPS agencies supports this assumption - then the savings identified through HDA processing could be adjusted by a factor of 14 (since HDA represents approximately 7 per cent of processing time overall) to give a total indicative saving of over \$450 000 annually.

Appendix 6 - Compliance Issues

Temporary performance

The ANAO examined 100 HDA transactions processed between March and November 1996. We found that:

- personnel records section were not maintaining files in an appropriate manner as various files examined contained incomplete records;
- there was evidence of poor compliance with legislative requirements (especially Regulation 116, which relates to the basis of selection);
- there were examples of HDA being approved for two or more years continuously, although good practice suggests a maximum of 12 months;
- five officers had been on HDA for 9, 12 and 18 months at a time, without the positions being advertised;
- inappropriate use was being made of delegations by CMD, while other Divisions themselves were not exercising their appropriate delegations; and
- the majority of transactions were for short-term occurrences - although 100 transactions were examined, these were for pay variations for only 27 staff.

From this, the ANAO concluded that DFAT's management of temporary performance arrangements could be significantly improved, particularly in relation to short-term occurrences.

Performance appraisal

Although Departmental policy clearly stipulates that participation of A-based staff is compulsory (including the upwards appraisal scheme), compliance rates provided by the Department for 1995-96 were: SES - 100 per cent; Senior officers - 58 per cent; ASO 1-6 appraisal - 40 - 50 per cent (est.); and Upwards appraisal - 10 - 20 per cent.(est.) These figures are based on Appraisal Cover Sheets that are signed off by both staff and their supervisors and forwarded to Staffing Section at the end of each appraisal cycle. Reliance on this method of measuring compliance tends to over-estimate results in DFAT for the following reasons:

- double counting occurs where a single member of staff may have two or more compliance sheets entered in a cycle due to transfer/promotion of either the staff member or his/her supervisor (e.g. for the 1995-96 SES cycle there were 184 officers in this category and 203 cover sheets were forwarded as evidence of compliance). It is not unreasonable to assume that similar double counting occurs for staff at lower levels. This would indicate that the use of cover sheets to measure compliance will lead to an overstatement of compliance levels.
- in the course of ANAO interviews with staff, some SES officers stated that they did not have current performance agreements; this does not necessarily contradict DFAT's statistical data reflecting 100 per cent compliance for officers at this level, but it does indicate that at any time there may be numbers of SES officers without current performance agreements.
- a small number of officers within the survey sample at the ASO and Senior Officer levels admitted to the audit team that they had completed the appraisal cover sheets without carrying out the appropriate appraisal process in order to be seen to be complying with policy. This evidence compounds the impact of the double counting already noted.

Taking these factors into consideration, the ANAO considers that a more accurate report of compliance levels for schemes that cover non-SES A-based staff is less than 52 per cent for Senior officers; and around 35 to 45 per cent for ASO 1-6.

This assessment is supported by findings that resulted from ANAO interviews with A-based staff. Of the survey sample, 60 per cent claimed to have participated in a formal performance appraisal/feedback process with their supervisor. Only 48 per cent reported that such appraisal processes were documented. It is noted that documentation of the process is a requirement of performance appraisal processes under PSMPC guidelines and of departmental policy. In Canberra, less than 25 per cent of the sample provided evidence of a current agreement. At the posts visited, typically between 10 and 30 per cent could offer documentary evidence of compliance. Some managers provided evidence of having completed performance appraisal processes with all staff under their supervision. However, this was by no means widespread indicating the influence of individual managers

in ensuring or encouraging compliance with the guidelines on performance appraisal.

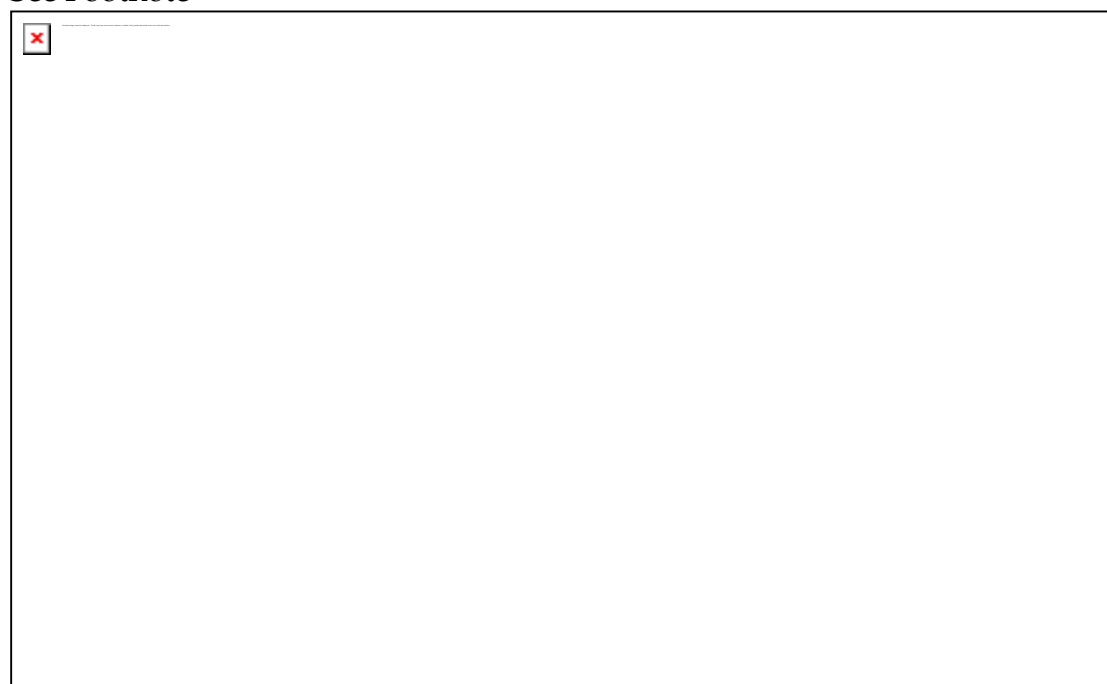
Of locally engaged staff interviewed, 62 per cent claimed to have participated in a performance appraisal process. As with A-based staff, however, a much smaller proportion could provide documentary evidence that such a process had occurred in the then current period.

The evidence points to poor compliance for three of the four compulsory performance appraisal schemes. The SES scheme is the smallest and the only scheme reportedly achieving 100 per cent compliance. It should also be noted that this is now the only scheme linked to performance pay.

Appendix 7 - Comparative EEO Data

Comparison of DFAT's staffing profiles

See Footnote [3](#)







PSMPC's ranking of agency outcomes against EEO Strategic Plan Indicators

Table 7.1: Representation of Aboriginal and Torres Strait Islanders as a percentage of total permanent staff

EEO Strategic Plan indicator: increase to 2% employment by the Year 2000

Department of Employment, Education and Training	5.20
Department of Social Security	4.30
Department of Prime Minister and Cabinet	3.10
Department of Human Services and Health	1.60
Department of Tourism	1.50
Department of Industrial Relations	1.00
Department of Veterans Affairs	1.00
Department of Defence	0.90
Department of Environment, Sport and Territories	0.90
Department of Foreign Affairs and Trade	0.90
Department of Immigration and Ethnic Affairs	0.90
Department of Communications and the Arts	0.80
Department of Housing and Regional Development	0.70
Department of Transport	0.70
Department of the Treasury	0.70
Attorney General's Department	0.60

Department of Administrative Services	0.40
Department of Industry, Science and Technology	0.40
Department of Primary Industries and Energy	0.30
Department of Finance	0.20

Table 7.2: Representation of people with disabilities as a percentage of total permanent staff

EEO Strategic Plan indicator: maintain at 4% of APS employment to 1995, Increase to 5% by the Year 2000

Department of Industrial Relations	7.20
Department of Human Services and Health	7.00
Department of Veterans Affairs	6.10
Department of Housing and Regional Development	5.90
Department of Defence	5.50
Department of Social Security	5.30
Department of Employment, Education and Training	4.80
Department of Environment, Sport and Territories	4.60
Department of Prime Minister and Cabinet	4.30
Department of Primary Industries and Energy	4.10
Department of Administrative Services	3.70
Department of the Treasury	3.50
Department of Industry, Science and Technology	3.30
Department of Immigration and Ethnic Affairs	3.20
Department of Transport	3.00
Department of Tourism	3.00
Attorney General's Department	2.90
Department of Finance	2.70
Department of Foreign Affairs and Trade	2.70
Department of Communications and the Arts	2.50

Table 7.3: Representation of non-English speaking background staff as a percentage of total permanent staff

EEO Strategic Plan indicator: increase to 15% employment by the Year 2000

Department of Foreign Affairs and Trade	23.90
Department of Immigration and Ethnic Affairs	23.20
Department of Transport	17.20

Department of Veterans Affairs	15.10
Department of Industry, Science and Technology	14.90
Department of Industrial Relations	12.50
Department of Social Security	12.40
Department of Communications and the Arts	12.30
Department of Prime Minister and Cabinet	11.70
Department of Administrative Services	11.40
Attorney-General's Department	11.30
Department of Defence	10.50
Department of Finance	10.80
Department of the Treasury	10.80
Department of Environment, Sport and Territories	10.50
Department of Employment, Education and Training	10.40
Department of Human Services and Health	10.10
Department of Housing and Regional Development	8.40
Department of Primary Industries and Energy	7.30
Department of Tourism	5.30

Table 7.4: Representation of women in the SES as a percentage of total permanent SES staff

EEO Strategic Plan indicator: increase to 15% by 1995, increase to 20% by the Year 2000

Department of Tourism	57.10
Department of Human Services and Health	36.50
Department of Employment, Education and Training	35.00
Department of Prime Minister and Cabinet	32.10
Department of Housing and Regional Development	30.40
Department of Communications and the Arts	28.60
Department of Industrial Relations	25.70
Department of Social Security	24.60
Department of Environment, Sport and Territories	20.90
Attorney-General's Department	18.70
Department of Immigration and Ethnic Affairs	17.60
Department of Industry, Science and Technology	15.50
Department of Administrative Services	14.50

Department of Transport	13.10
Department of Foreign Affairs and Trade	12.90
Department of Primary Industries and Energy	12.80
Department of Defence	9.80
Department of Finance	7.70
Department of Veterans Affairs	6.10
Department of the Treasury	2.60

Table 7.5: Representation of women in Senior Officer Grades A and B (or equivalent) as a percentage of total permanent Senior Officer staff

EEO Strategic Plan indicator: increase to 20% by 1995, increase to 28% by the Year 2000

Department of Prime Minister and Cabinet	42.80
Attorney-General's Department	41.10
Department of Human Services and Health	39.20
Department of Communications and the Arts	37.50
Department of Employment, Education and Training	35.70
Department of Housing and Regional Development	31.90
Department of Social Security	29.10
Department of Immigration and Ethnic Affairs	29.10
Department of Industrial Relations	28.70
Department of Veterans Affairs	26.50
Department of Environment, Sport and Territories	22.80
Department of the Treasury	21.70
Department of Industry, Science and Technology	21.00
Department of Foreign Affairs and Trade	19.90
Department of Finance	19.70
Department of Primary Industries and Energy	12.90
Department of Transport	10.50
Department of Defence	7.30

Information was not available from the Departments of Administrative Services and Tourism

Source for Tables 7.1 to 7.5: PSMPC, *Implementation of equal opportunity in the Australian Public Service - trends and strategies* (AGPS, Canberra, 1995).

Appendix 8 - Performance Audits in the Foreign Affairs and Trade Portfolio

Set out below are the titles of the reports of the main performance audits by the ANAO in the Foreign Affairs and Trade Portfolio tabled in the Parliament in the past three years.

Audit Report No.26 1994-95

Inoperative Staff in the APS

Audit Report No.27 1994-95

Studybank

Audit Report No.19 1995-96

Management of Small and Medium-sized Overseas Posts

Department of Foreign Affairs and Trade

Audit Report No.5 1996-97

Accounting for Aid

The Management of Funding to

Non-government Organisations

Australian Agency for International Development

Audit Report No.6 1996-97

Commonwealth Guarantees, Indemnities

and Letters of Comfort

Audit Report No.7 1996-97

IT Acquisition Councils

Audit Report No.11 1996-97

Follow-up Audit

The Export Market Development Grants Scheme

Australian Trade Commission

Audit Report No.16 1996-97

Payment of Accounts

NESB 1 is people born overseas who arrived in Australia after the age of 5, whose first language is not English; NESB 2 refers to children of migrants, including: those who were born overseas and arrived in Australia before the age of 5 but did not speak English as a first language; those people who are Australian-born but did not speak English as a first language; or who are Australian-born but neither parent spoke English as a first language; ATSI is Aboriginal or Torres Strait Islander; and PWD is People with Disabilities.