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Performance Audit

# **Administration of the Trade Training Centres in Schools Program**

**Department of Education, Employment and  
Workplace Relations**

Australian National Audit Office

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Canberra ACT  
2 February 2011

Dear Mr President  
Dear Mr Speaker

The Australian National Audit Office has undertaken an independent performance audit in the Department of Education, Employment and Workplace Relations in accordance with the authority contained in the *Auditor-General Act 1997*. Pursuant to *Senate Standing Order 166* relating to the presentation of documents when the Senate is not sitting, I present the report of this audit, and the accompanying brochure, to the Parliament. The report is titled *Administration of the Trade Training Centres in Schools Program*.

Following its presentation and receipt, the report will be placed on the Australian National Audit Office's Homepage—<http://www.anao.gov.au>.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ian McPhee', is positioned above the printed name.

Ian McPhee  
Auditor-General

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

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# Abbreviations

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ANAO	Australian National Audit Office
CGGs	Commonwealth Grant Guidelines
COAG	Council of Australian Governments
CIU	Cabinet Implementation Unit, Department of the Prime Minister and Cabinet
DEEWR	Department of Education, Employment and Workplace Relations
EOI	Expression of Interest
NAP	National Assessment Panel
NP	National Partnership
PSS	Project Specific Schedule
STAP	State and Territory Assessment Panel
TTC	Trade Training Centre

# Glossary

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Administered items	Expenses, revenues, assets or liabilities managed by agencies on behalf of the Australian Government having regard to relevant legislation and/or government policy. Use of this funding is not at the discretion of the agency. Administered expenses normally include grants, subsidies and benefit payments.
Block Grant Authority	Bodies that represent non-government schools in the states and territories for capital funding purposes. There are 14 Block Grant Authorities (BGAs), one for each of the two territories representing both the Catholic and independent sectors, and two in each state (one for Catholic schools and another for independent schools).
Cluster	A cluster (grouping) of secondary schools working together to establish a Trade Training Centre.
Consortium	A secondary school, or cluster of secondary schools, working in partnership with other bodies, for example, Registered Training Organisations (RTOs), Group Training Organisations (GTOs), and/or employers to establish a Trade Training Centre as a shared facility.
Education authorities	Comprise the eight state and territory education departments representing the government education sector and the 14 Block Grant Authorities representing the non-government education sector.
Effectiveness	The extent to which actual outcomes are achieved, in terms of the planned outcomes, via relevant outputs, as measured by key performance indicators.



Key performance indicators	Within the context of the Australian Government Outcomes and Programs Framework, key performance indicators (KPIs) are established to provide information (either qualitative or quantitative) on the effectiveness of programs in achieving objectives.
Outcomes	The results, impacts or consequence of actions by the Australian Government on the Australian community.
Performance information	Evidence about performance that is collected and used systematically. Performance information may be quantitative (numerical) or qualitative (descriptive), and, should be verifiable.
Stakeholders	People or organisations with an interest in the operations, activities, results or resources of an agency. In the context of outcomes and programs, agencies' primary stakeholders are government and the Parliament. Other stakeholders include members of the public, special interest groups and non-government organisations.



## **Summary and Recommendations**



# Summary

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## Overview of the program

1. A major policy platform of the incoming Australian Government at the November 2007 federal election was to increase investment in education, skills and training. The Trade Training Centres in Schools Program (the program) is one of a series of recent education initiatives under the Government's education reform agenda, known collectively as the *Education Revolution*. The program involves a commitment to invest \$2.5 billion over 10 years to provide facilities to enhance vocational education opportunities for students in Years 9 to 12 attending eligible Australian secondary schools.<sup>1</sup> The program is an executive scheme<sup>2</sup> and one of the programs that the Labor Government committed to commencing within its first 100-days of office.
2. Under the program, schools can lodge applications in response to advertised funding rounds, for grants of between \$500 000 and \$1.5 million to establish or upgrade trade or vocational education and training centres. Schools lodge applications through their state or territory education department or Block Grant Authority<sup>3</sup> (collectively known as 'education authorities'). Funding can be used to undertake major capital works construction such as trade facility buildings, minor capital works or upgrades of existing facilities, and to purchase or replace a range of trade related equipment.

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<sup>1</sup> Schools are eligible if: they attract Australian Government general recurrent grants funding under the *Schools Assistance Act 2004* legislation; are delivering a level of secondary education as determined by the Minister under the Act; and meet financial and educational accountability requirements of Commonwealth and state or territory legislation.

<sup>2</sup> Executive schemes are programs established and implemented by decision of the Australian Government under authority of the executive powers provided by section 61 of the Constitution and for which specific legislative authority is not sought from the Parliament, other than in relation to the appropriation of funding. Australian National Audit Office, *Implementing Better Practice Grants Administration*, ANAO, Canberra, June 2010, p.iv.

<sup>3</sup> Block Grant Authorities (BGAs) are bodies that represent non-government schools in the states and territories for capital funding purposes. There are 14 BGAs, that is, one for each of the two territories that represents the Catholic and independent sectors, and two in each state (one for the Catholic schools and another for independent schools).

3. The Department of Education, Employment and Workplace Relations (DEEWR) is responsible for overall management of the program on behalf of the Australian Government. This involves: designing administrative arrangements; conducting application rounds, assessing applications against criteria (including value for money) and recommending applications for in principle approval; developing overarching funding agreements with education authorities, and negotiating costs and contractual arrangements for individual projects under these agreements; managing program payments; and monitoring and reporting on progress.

4. Education authorities are also closely involved in implementation of the program by, for example, overseeing the development of applications and management of projects by secondary schools, and providing advice on labour market trends.<sup>4</sup>

5. The initial phases of the program, including the first three application rounds, have been administered as a grants program supported by bilateral partnership arrangements. Following the commencement of the new federal financial relations framework,<sup>5</sup> DEEWR began negotiating a Trade Training Centres National Partnership (NP). DEEWR anticipates that the delivery of the program under the NP will not result in substantive change to the program's funding agreements, guidelines and administrative instructions. The NP was initially expected to come into effect in July 2010 but was not finalised as at January 2011.

## **Program objectives and priorities**

6. The objectives of the program are to help: increase the proportion of students achieving Year 12 or an equivalent qualification to 90 per cent by

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<sup>4</sup> Department of Education, Employment and Workplace Relations (DEEWR), *Trade Training Centres in Schools Program, Program Guidelines–2008 (Pending Finalisation of Partnership Arrangements)*, DEEWR Canberra, March 2008, p. 32. *Program Guidelines–2008 (Round One–Phase Two)*, p. 33. *Program Guidelines*, February 2009, pp. 17 and 39. *Program Guidelines*, 2010, pp. 8–12.

<sup>5</sup> The new framework for federal financial relations, which commenced on 1 January 2009, aims to provide clearer specification of the roles and responsibilities of each level of government so that the appropriate government is accountable to the community. It also aims to provide more transparent reporting of outputs and outcomes to drive better service delivery and reform.

2015;<sup>6</sup> and address national skills shortages in traditional trades and other eligible occupations by improving the relevance and responsiveness of trade training programs in secondary schools.

7. An important step to achieving these goals is to ensure students have access to high quality, relevant education and training opportunities that continue to engage them and encourage completion of their studies. Through the program, the Government aims to:

- improve student access to trade training facilities that meet industry standards;
- improve the quality of schooling offered to secondary students undertaking trade related pathways; and
- assist young people to make a successful transition from school to work or further education or training.<sup>7</sup>

8. In the initial stages, program funding was to be prioritised to secondary schools assessed as having the greatest need and capacity to benefit from a new or upgraded trade training centre (TTC).

9. Seven areas of priority have been considered in allocating funds,<sup>8</sup> including support for secondary school communities with Indigenous students, and students from regional or other disadvantaged communities; encouragement of enrolment at the Certificate III<sup>9</sup> (or higher level) of traditional trades identified as experiencing skills shortages on the National

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<sup>6</sup> This objective of the program was initially to help increase the proportion of students achieving Year 12 or an equivalent qualification to 85 per cent in 2015 and 90 per cent by 2020, but the 2015 target was raised to 90 per cent by the Council of Australian Governments (COAG) in November 2008. The program is one of several government programs aimed at addressing Year 12 retention rates.

<sup>7</sup> DEEWR, *Program Guidelines*, 2010, op. cit., p. 1.

<sup>8</sup> Over the life of the program, the Australian Government aims to achieve an equitable distribution of funding among states, territories and across education sectors. The final distribution of funds will, however, depend on the quality of applications received from each sector in each state and territory. *ibid.*, p. 2.

<sup>9</sup> Certificate III qualifications focus on relevant theoretical knowledge and the ability to perform a wide range of skills and usually require an on-the-job training element. Government reports forecasting shortages of people in these vocational areas contributed to Certificate III qualifications being given priority for the program.

Skills Needs List;<sup>10</sup> and the inclusion of local industry, taking into account local employment opportunities.

## **Program application process and funding**

10. Program application rounds are held each financial year. To assist in managing demand, the first step in the process is submission of an expression of interest (EOI) by schools. Subsequently, schools that submitted an EOI may prepare applications and lodge them online. In their application, the schools must demonstrate support for the project from relevant stakeholders<sup>11</sup> and also provide a completed project implementation plan that sets out funding objectives and project implementation strategies; project timelines; and a detailed financial plan.

11. Following the application period, DEEWR forms State and Territory Assessment Panels (STAPs) to assess applications. Applications are assessed against the following criteria:

- the quality of the proposal;
- need and capacity to benefit; and
- value for money.

12. A National Assessment Panel (NAP) (comprising senior DEEWR national office personnel) makes recommendations based on the STAP assessments to the Minister for School Education, Early Childhood and Youth for in principle project funding approval. The final funding amount is dependent on the outcomes of detailed contract negotiations between DEEWR and the school. Once negotiations have concluded, grants are authorised. Payments are then made according to schedules established for each project and in accordance with the different funding arrangements established for government and non-government schools.

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<sup>10</sup> The National Skills Needs List identifies trades that are deemed to be in national skill shortage based on research conducted by DEEWR. Australian Government, [Internet] available from <[http://www.australianapprenticeships.gov.au/whatsnew/NSNL\\_announced.asp](http://www.australianapprenticeships.gov.au/whatsnew/NSNL_announced.asp)>, [accessed 7 September 2010].

<sup>11</sup> Stakeholders include the education authority, Registered Training Organisations, industry groups and associations and other schools involved in any cluster arrangements.



### *Funding rounds*

13. By early November 2010, DEEWR had completed three funding rounds, involving 440 applications of which 73 per cent were approved.<sup>12</sup> The 2008 funding round (Round 1) was conducted in two phases, consistent with the Government's undertaking to move quickly to implement this election commitment. From 2009 (Round 2), a single funding round per year was to be undertaken (until 2018).

14. At the conclusion of Round 3, applications for \$1.41 billion had been processed by DEEWR, with \$1.03 billion in project funding approved.

### **Audit objectives and methodology**

15. The audit objective was to assess the effectiveness of DEEWR's administration of the Trade Training Centres in Schools Program.

16. The audit's major focus was on assessing the program's administrative framework and whether its implementation has been well managed to date. The audit also considered the adequacy of the program performance information framework. The capital program's long planning and construction lead-times meant completed TTCs had not provided a full year of training at the time of the audit.

17. The audit examined the effectiveness of DEEWR's: administrative framework for the program; management of the application, assessment and funding processes; and monitoring of and reporting on the program's performance.

18. In order to form an opinion against the audit objective, the ANAO primarily conducted fieldwork and documentation reviews at DEEWR's central office. A stratified random sample (in order to provide for representation from states, territories and school sectors) of 74 applications from Rounds 1 and 2 was also selected for detailed examination. Through this sample, the ANAO sought to determine whether funding applications had been assessed in accordance with the established assessment criteria and that quality assurance mechanisms for the assessment process were effective.

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<sup>12</sup> Round 3 of the program closed on 4 June 2010, with remote service delivery applications closing on 2 July 2010. The audit focused on the first two rounds.

19. To obtain feedback on DEEWR's administration of the program, the ANAO met with officials from other Australian Government agencies and education authorities, and visited 10 government and non-government secondary schools in New South Wales, South Australia and Victoria with TTCs at varying stages of construction.

## Overall conclusion

20. The Australian Government established the Trade Training Centres in Schools Program (the program) in 2008 as one of several programs developed under the *Education Revolution*, with a view to increasing investment in education, skills and training. The program is one of several developed by the Australian Government to improve Year 12 retention rates. Its objectives are to help: increase the proportion of students achieving Year 12 or an equivalent qualification to 90 per cent by 2015; and address national skills shortages in traditional trades and other eligible occupations by improving the relevance and responsiveness of trade training programs in secondary schools.

21. The program requires effective collaboration between the Australian Government, education authorities and schools, given their responsibilities for the financing, administration and provision of education within Australia. In this context, DEEWR was responsible for developing a sound administrative framework and implementing it effectively. This involved establishing administrative arrangements; assessing applications; managing funding agreements; and monitoring and reporting program delivery and outcomes.

22. By early November 2010, DEEWR had completed three funding rounds, involving 440 applications of which 73 per cent were approved. At the conclusion of Round 3, applications for \$1.41 billion had been processed by DEEWR, with \$1.03 billion in project funding approved. The audit considered the allocation of funding for Rounds 1 and 2 having regard to seats held by the two main political parties in the then House of Representatives, and found no bias or inconsistency with the application assessment criteria. For these early rounds there were indications that the allocation of funding was consistent with program objectives and priorities: a broad range of trades on the National Skills Needs List and in emerging industries were to be taught; and regional and remote areas received high proportions of funding relative to their population shares. Two hundred and thirty projects had funding approved in principle from Rounds 1 and 2. Of these, at 4 January 2011, 210 had executed agreements in place, involving 48 completed projects and another 162 were in the planning, procurement and construction stages. DEEWR also advised that

up to 68 TTCs were expected to be operational from the start of the 2011 school year.

23. DEEWR's approach to planning, and its administrative framework for the program, were generally sound. The program framework included appropriate program guidelines, application and assessment arrangements; and funding agreements that provided a reasonable basis for program and funding accountability. DEEWR has also given attention to value for money considerations in the assessment of applications and the subsequent negotiation of project level agreements.

24. Nevertheless, the audit identified issues relating to DEEWR's implementation of the program's administrative framework. In a range of instances, DEEWR was not consistent in the implementation or documentation of application assessment processes; the department's oversight of compliance with funding agreements has been limited; and there is scope to further strengthen the program's performance information framework:

- For the initial application rounds, DEEWR did not consistently apply some key application assessment quality controls and procedures, and there were weaknesses in its documentation of application assessments. The automated capture of application assessments from Round 2 has led to improvements.
- The program has placed emphasis on the effectiveness of partnership arrangements and the appropriate conduct of associated responsibilities. For the first two program rounds, DEEWR has not systematically monitored education authorities' and schools' compliance with the requirements of funding agreements. DEEWR has recognised a need to tighten its oversight of the program's funding framework, and in May 2010, finalised a strategy aimed at monitoring compliance in relation to the establishment and ongoing operation of projects, for a random sample of projects.<sup>13</sup>

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<sup>13</sup> In response to the proposed audit report, DEEWR advised that the *Compliance Handbook*, which puts into operation the compliance strategy, was trialled in some schools in Queensland during November 2010, and will be available for all program staff for full implementation from January 2011.

- The program's performance information framework has improved over time through the adoption of a broader set of performance measures, such as the trend in students participating in vocational and technical education. However, as the program matures, there remains scope to further strengthen the framework, including by developing clearer milestones of program implementation. There is also an opportunity to heighten transparency by establishing expectations for overall program infrastructure development and subsequently reporting on progress.

25. As the program is a competitive process and does not have specific targets for the construction of TTCs, it is difficult for stakeholders to assess the extent to which the program is successful in developing the infrastructure that underpins it:

- At the individual project level, there have been time lags between projects receiving in principle approval and finalisation of contractual agreements (on average 240 days for Rounds 1 and 2), in part due to the need for detailed planning and the close attention given by DEEWR to project costs.
- There have also been delays in approved projects reaching specific construction milestone dates, with only 31 per cent of Rounds 1 and 2 projects meeting milestone two (commencement of construction) and 27 per cent meeting milestone four (completion of construction) on time. DEEWR advised there have been a variety of reasons for construction delays, such as: availability of subcontractors and building materials; weather conditions and other site issues; state and territory procurement requirements and lead times; and optimistic milestone proposals by schools having regard to planning, procurement and approval requirements.

26. DEEWR is well positioned to draw on lessons learned from the initial rounds to assist the transition of projects to contractual agreement and to ensure that projects set realistic milestone dates, enabling them to remain on track.

27. The ANAO has made three recommendations directed at strengthening program management and reporting of program performance to stakeholders. These involve DEEWR:

- reviewing, for each application round, whether established assessment quality controls and procedures have been applied;

- prioritising implementation of the program compliance strategy, and using the findings to refine program management approaches; and
- in association with education authorities, expanding the program's performance measures and public reporting on performance.

## Key findings by chapter

### Program planning and implementation (Chapter 2)

28. DEEWR established a generally sound administrative framework for the program, and met the Government's 100-day deadline for the commencement of the program. This included development and authorisation of guidelines that clearly outlined the program objectives, the criteria that would be used to select projects, and the information applicants would need to provide.

29. DEEWR's initial 2008 risk assessment for the program identified largely generic risks, such as staffing and implementation. The risks that are associated with administering a grant program were identified, to a limited extent, in a second assessment that was approved in October 2009. A more timely risk assessment taking into consideration more specific features of the program would have enabled proactive management of key risks, such as those relating to assessment processes. There was also no evidence of DEEWR monitoring and reviewing program risk management plans to ensure that the treatments and controls remained relevant.

### Management of funding applications (Chapter 3)

30. The assessment process for the program was designed to be rigorous and competitive, with each application assessed by DEEWR on its relative merit, priority given to schools with the greatest need and capacity to benefit, and applications needing to align with the program priorities. Schools were required to demonstrate support for the project from the relevant stakeholders and also provide evidence that they had fully considered the project's funding and implementation.

31. The guidance and processes developed by DEEWR to facilitate the assessment process were well-defined and systematic. This included outlining the roles and responsibilities of each party taking part in assessment processes, developing assessment criteria that aligned with the program objectives and

addressed value for money considerations, a quality control framework and standards for supporting documentation.

32. DEEWR did not consistently apply aspects of the quality control framework for the assessment process. For example, some staff involved in the assessment of applications did not complete the required confidentiality and conflict of interest declarations, or undertake assessor training. Similarly, for the sample of applications reviewed, in a range of instances key assessment procedures (such as eligibility and compliance checks) were not applied or appropriately documented.

33. Other documentation issues were also evident in the assessment process. Scorecards supporting assessment decisions for Round 1–Phase 1 could not be located. Errors identified by this audit in the spreadsheets used for ranking applications in Round 1–Phase 2 meant that the overall scores for one group of applicants were reduced by up to 20 points (out of a possible 500),<sup>14</sup> although none of the Round 1–Phase 2 applications in question were disadvantaged as a result.

34. DEEWR has given attention to value for money considerations during the assessment of applications—including through the independent review of project specifications for major capital works and the reasonableness of associated building material costs. The results of these reviews have subsequently been used by DEEWR in negotiations on project-level contractual arrangements.

35. After in principle funding decisions were made, the subsequent negotiation of the contractual arrangements took on average 240 days for projects approved in Rounds 1 and 2. These time lags have been caused by, among other reasons, time taken to finalise overarching funding agreements with education authorities; the close attention paid by DEEWR to project costs; and because some aspects of detailed project planning only occurred once applicants were informed they were successful.

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<sup>14</sup> DEEWR, *Schools Education Management Information System (SEMIS), Release 8, TTC Assessment Function Specification, Attachment 1–Questionnaires*, DEEWR Information Services Group, 20 May 2009.

36. Now that the program has been through several rounds, it would be timely for DEEWR to consider how best to reduce lengthy project negotiations, while also retaining focus on value for money. For example, DEEWR could usefully define a threshold for smaller items of fit-out that would lessen the administrative burden placed on schools while also protecting the interests of the Commonwealth. DEEWR advised it is also considering whether the competitive application model best fits with its objective for all eligible schools to be program beneficiaries over the life of the program.

## **Making payments and tracking progress (Chapter 4)**

37. DEEWR developed funding agreements for the program that provided a reasonable basis for program and funding accountability by, for example, requiring measures that outline project activities, milestones, reporting requirements and the schools' obligations for ongoing use of the TTCs.

38. The implementation of this framework revealed areas for improvement in DEEWR's management of program payments, and monitoring of compliance with funding agreements and project progress. For example, DEEWR did not receive any of the 2009 annual acquittals from the government education authorities by the dates specified in funding agreements.<sup>15</sup> The delays ranged from two to 10 months for those received. DEEWR also made limited use of documentation checks and site visits to monitor compliance with funding agreements and project status, and inaccuracies in the spreadsheets used by DEEWR to monitor project progress suggested the data had not been validated or subjected to quality checks. DEEWR is now automating milestone tracking through its management information system.

39. In May 2010, DEEWR finalised a compliance strategy for the program that proposes a check (against funding agreements) for a random sample of 25 per cent of projects from each funding round, using desk audits and some site visits. Implementation of the proposed compliance strategy should be given priority by DEEWR, so that the findings can be used promptly to refine application processes, funding agreements and monitoring activities, as appropriate, in support of program progress and outcomes. Future compliance

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<sup>15</sup> In response to preliminary audit findings, DEEWR advised that all the required statements had been received as at 25 June 2010.

monitoring could be further enhanced by tailoring the allocation of available compliance resources according to program management approaches adopted by education authorities and schools, and attributes of the different types of projects.<sup>16</sup>

40. DEEWR has adopted a payment model that involves prepayments to education authorities for all project construction milestones (government sector) or milestones falling due in the relevant financial year (non-government sector). The release of payments by education authorities to schools is linked to provision of advice to DEEWR on achievement of project milestones. This approach facilitates the payment of construction bills when they fall due, but reduces DEEWR's control over the use of Commonwealth funds. In this regard, implementation of the program compliance strategy should help ensure a tighter nexus between project milestone achievement, provision of associated advice, and the release of school project funding by education authorities.

*Using project milestones to measure progress*

41. The TTC project schedules developed by each school, in conjunction with the relevant education authority, identify key milestones which DEEWR approves as part of project negotiations. ANAO testing<sup>17</sup> showed that delays had occurred in achieving milestones with, for example, only 31 per cent of projects meeting milestone two (commencement of construction) on time. DEEWR has acknowledged reasons that contribute to delays, including the need to comply with at times complex procurement processes in the states and territories and optimistic milestone proposals given planning, procurement and approval requirements.

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<sup>16</sup> The level of devolution of responsibility for financial decisions varies between education authorities and in some cases within them. The independent schools sector is composed largely of self-managing schools, which have complete autonomy in decision-making on financial matters. Decision-making on financial matters in school systems, on the other hand, is generally more centralised with the greatest level of centralisation existing in the government sector. Australian National Audit Office, *Building the Education Revolution-Primary Schools for the 21<sup>st</sup> Century*, Audit Report No 33, 2009-10, p. 131.

<sup>17</sup> Testing was conducted on 125 projects that had executed a contractual agreement at 13 July 2010.



## Measuring and reporting program performance (Chapter 5)

42. Since commencement of the program, DEEWR has strengthened the program's Portfolio Budget Statements (PBS) performance information framework by including additional key performance indicators to measure program effectiveness. Key performance indicators now include 'trend in the number of students participating in vocational and technical education in schools and trend in Year 12 or equivalent attainment.'

43. DEEWR will gather the data to measure program trends from the Australian Bureau of Statistics and the Ministerial Council for Education, Early Childhood Development and Youth Affairs. While there are inherent complexities in obtaining comparable data across jurisdictions, there would be merit in DEEWR reporting in the program performance information framework the gap that existed in 2008 between the percentage of students already achieving Year 12 (or an equivalent) and the 2015 program objective of 90 per cent.<sup>18</sup> Similarly, there would be benefit in developing target trend data, such that DEEWR could assess progress and take any remedial action necessary.

44. It is recognised that progress against the key performance measures, particularly Year 12 or equivalent attainment and Year 11 and 12 retention rates, will be affected by a wide range of factors, including the activities of stakeholders and other DEEWR programs. As a result, it may be difficult to establish a definitive link between any improvement and the program.

45. To undertake a more complete assessment of program outcomes, the department will need to consider other factors which contribute to the program objectives, including the number of TTC graduates proceeding through the program and onto paid employment in their areas of expertise. To this end, DEEWR is now implementing a *Reporting and Evaluation Strategy* for the program which further explores the impact of the program on retention rates and the numbers of Certificate II and Certificate III qualifications in skill shortage or emerging industry areas, and has identified other 'preliminary

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<sup>18</sup> A 2006 Australian Bureau of Statistics report stated that 25 per cent of Australians left school early, a figure that increased to 60 per cent for young Indigenous Australians. ABS, *Schools Australia*, 2006, cited in K Rudd and S Smith, *Labor's Education Revolution: New Directions for Vocational Education and Training: Trades Training Centres in Secondary Schools*, ALP, May 2007, p. 4.

indicators' in this regard. Such indicators that are central to program objectives should be reflected in the PBS as data becomes available. The strategy's proposed evaluation is also an opportunity for DEEWR to consider whether the program has fulfilled the intent of its value for money criterion.

46. None of the overall program performance measures, and consequential public reporting, address the timeliness of construction or upgrades of TTC facilities. As a result there is a lack of transparency concerning the adequacy of progress in the development of Trade Training Centre infrastructure which underpins the achievement of planned outcomes. DEEWR's experience to date with grant application round outcomes, and project approval and construction timelines, could assist in the development of project demand and completion estimates. This would provide a basis for public reporting on the progress of development of TTC facilities, while also informing expectations regarding movements in key performance trends over time, such as students participating in vocational and technical education.

#### *Achieving program priorities*

47. There were indications, in terms of the kinds of skills to be taught, the focus on need and awarding of funds, that the implementation strategy was contributing to program objectives and priorities. ANAO analysis indicated that for Rounds 1 and 2, regional and remote areas received high proportions of TTC funding compared to their population shares; TTCs located in regional areas received 52 per cent of total funding, which is significantly higher than the proportion of the Australian population (29 per cent) living in regional areas. Similarly, TTCs located in remote areas received seven per cent of total funding, compared to their population share of only two per cent. These funding allocations are consistent with the program's priorities of supporting Indigenous students, students from regional and other disadvantaged communities, and establishing regional skills hubs.

48. One program priority was to encourage increased enrolments in trades experiencing skills shortages or emerging industries. A broad range of these trades were to be taught for a sample of school projects analysed. Analysis of a sample of 46 projects from Rounds 1 and 2 with approved contracts showed that this group of TTCs will support trades such as the automotive and engineering, construction and food trades, and other emerging industries.

## Summary of agency response

**49.** DEEWR provided the following summary response to the audit report:

The Trade Training Centres in Schools Program (the Program) represents one of the most significant investments in education, skills and training undertaken with a commitment to invest \$2.5 billion to provide facilities which will enhance vocational education opportunities for all students from Years 9 to 12 across Australia.

With up to 68 Trade Training Centres expected to be operational from the commencement of the 2011 school year, the Program is building the momentum to enhance the vocational educational opportunities for Australian secondary school students.

The construction of Trade Training Centres throughout Australia ensures that Australia has the infrastructure in place to support all students seeking a vocational pathway in their secondary schooling.

**50.** DEEWR agreed with each of the three recommendations in this report. DEEWR's responses to each of the recommendations are shown in the body of the report following the relevant recommendation. DEEWR's full response to the audit is included at Appendix 1 of the report.

# Recommendations

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*The ANAO made three recommendations aimed at improving: application assessment processes; management of the program's funding framework; and the program's performance information framework.*

**Recommendation No.1**  
**Para 3.61** The ANAO recommends that DEEWR monitor in each funding round the application of assessment quality controls and procedures.

**DEEWR response:** *Agree.*

**Recommendation No.2**  
**Para 4.49** The ANAO recommends that DEEWR implement the program compliance strategy, and use the findings to inform:

- refinement of application processes and funding agreements; and
- tailoring of future compliance monitoring according to the program management approaches of education authorities and schools, and attributes of the different types of projects.

**DEEWR response:** *Agree.*

**Recommendation**  
**No.2**  
**Para 5.45**

The ANAO recommends that DEEWR strengthen the program performance information framework in the Portfolio Budget Statements, and public reporting on performance, by defining and reporting against:

- overall expectations for the timing of development of Trade Training Centre infrastructure;
- the baseline level of Year 12 retention at the commencement of the program; and
- additional performance measures that relate to the program objective of addressing national skills shortages in traditional trades and emerging industries.

**DEEWR response:** *Agree.*



## **Audit Findings**





# 1. Introduction

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*This chapter describes the Trade Training Centres in Schools Program, the audit objective, criteria and scope, and the structure of the report.*

## Overview of the program

**1.1** A major policy platform of the incoming Australian Government at the November 2007 federal election was to increase investment in education, skills and training. The Trade Training Centres in Schools Program (the program) is one of a series of recent education initiatives under the Government's education reform agenda, known collectively as the *Education Revolution*. The program involves a commitment to invest \$2.5 billion over ten years to provide facilities to enhance vocational education opportunities for students in Years 9 to 12 attending eligible Australian secondary schools.<sup>19</sup> The program is an executive scheme<sup>20</sup> and one of the programs that the Labor Government committed to commencing within its first 100-days of office.

**1.2** Under the program, schools can lodge applications in response to advertised funding rounds, for grants of between \$500 000 and \$1.5 million to establish or upgrade trade or vocational education and training centres. Schools lodge applications through their state or territory education department or Block Grant Authority<sup>21</sup> (collectively known as 'education authorities'). Funding can be used to undertake major capital works construction such as trade facility buildings, minor capital works or upgrades of existing facilities, and to purchase or replace a range of trade related equipment.

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<sup>19</sup> Schools are eligible if: they attract Australian Government general recurrent grants funding under the *Schools Assistance Act 2004* legislation; are delivering a level of secondary education as determined by the Minister under the Act; and meet financial and educational accountability requirements of Commonwealth and state or territory legislation.

<sup>20</sup> Executive schemes are programs established and implemented by decision of the Australian Government under authority of the executive powers provided by section 61 of the Constitution and for which specific legislative authority is not sought from the Parliament, other than in relation to the appropriation of funding.

<sup>21</sup> Block Grant Authorities (BGAs) are bodies that represent non-government schools in the states and territories for capital funding purposes. There are 14 BGAs, that is, one for each of the two territories that represents the Catholic and independent sectors, and two in each state (one for the Catholic schools and another for independent schools).

**1.3** The Department of Education, Employment and Workplace Relations (DEEWR) is responsible for overall management of the program on behalf of the Australian Government. This involves: designing administrative arrangements; conducting application rounds, assessing applications against criteria (including value for money) and recommending applications for in principle approval; developing overarching funding agreements with education authorities, and negotiating costs and contractual arrangements for individual projects under these agreements; managing program payments; and monitoring and reporting on progress.

**1.4** Within the states and territories, education authorities are also closely involved in implementation of the program by, for example, overseeing the development of applications and ongoing management of projects by secondary schools, and providing advice on local issues such as labour market trends.<sup>22</sup>

**1.5** The program roles and responsibilities of DEEWR, education authorities and schools, as set out in the program's partnership arrangements, guidelines and funding agreements, are outlined in Table 1.1.

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<sup>22</sup> DEEWR, *TTCSP, Program Guidelines–2008 (Pending Finalisation of Partnership Arrangements)*, DEEWR Canberra, March 2008, p. 32. *TTCSP, Program Guidelines–2008 (Round One–Phase Two)*, p. 33. *TTCSP, Program Guidelines*, February 2009, pp. 17 & 39. *Program Guidelines*, 2010, pp 8–12.

**Table 1.1****Program roles and responsibilities**

Trade Training Centres in Schools Program function	DEEWR	Govt. EAs	Non Govt. EAs	Govt. schools	Non Govt. schools
Promoting the program	✓	✓			
Developing and maintaining strong relationships with stakeholders	✓	✓	✓	✓	✓
Negotiating partnership arrangements	✓	✓	✓		
Developing and managing program policies, procedures and program's website	✓				
Managing the application process	✓				
Jointly developing applications		✓	✓	✓	✓
Undertaking assessment of applications	✓	✓	✓		
Negotiating funding agreements including project specific schedules	✓	✓	✓	✓	✓
Facilitating partnerships between schools and with industry, employers and the training sector		✓	✓	✓	✓
Monitoring adherence with funding agreements	✓	✓	✓	✓	✓
Making payments in accordance with funding agreements	✓	✓	✓		
Monitoring, evaluating and reporting (including compliance requirements)	✓	✓	✓	✓	✓
Managing expectations about available funding	✓	✓	✓		
Ensuring proposed projects comply with all relevant laws and policies		✓	✓	✓	✓
Ongoing management and reporting on TTC operations		✓	✓	✓	✓

Source: ANAO.

**1.6** The initial phases of the program, including the first three application rounds, have been administered as a grants program supported by bilateral partnership arrangements and funding agreements with education authorities. Following the commencement of the new federal financial relations framework in 2009,<sup>23</sup> DEEWR began negotiating a Trade Training Centres National Partnership (NP). DEEWR anticipates that the delivery of the program under the NP will not result in substantive change to the program's funding agreements, guidelines and administrative instructions. The NP was initially expected to come into effect in July 2010 but was not finalised as at January 2011.<sup>24</sup>

## **Program objectives and priorities**

**1.7** The objectives of the program are to help: increase the proportion of students achieving Year 12 or an equivalent qualification to 90 per cent by 2015;<sup>25</sup> and address national skills shortages in traditional trades and other eligible occupations by improving the relevance and responsiveness of trade training programs in secondary schools.

**1.8** An important step to achieving these goals is to ensure students have access to high quality, relevant education and training opportunities that continue to engage them and encourage completion of their studies. Through the program, the Government aims to:

- improve student access to trade training facilities that meet industry standards;
- improve the quality of schooling offered to secondary students undertaking trade related pathways; and

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<sup>23</sup> The new framework for federal financial relations, which commenced on 1 January 2009, aims to provide clearer specification of the roles and responsibilities of each level of government so that the appropriate government is accountable to the community. It also aims to provide more transparent reporting of outputs and outcomes to drive better service delivery and reform.

<sup>24</sup> DEEWR advised that a meeting was held on 17 November 2010 between DEEWR and the Department of the Prime Minister and Cabinet to obtain feedback on and negotiate the draft NP. The Government was still considering the future of the NP at that time.

<sup>25</sup> This objective of the program was initially to help increase the proportion of students achieving Year 12 or an equivalent qualification to 85 per cent in 2015 and 90 per cent by 2020, but the 2015 target was raised to 90 per cent by the Council of Australian Governments (COAG) in November 2008. The program is one of several Australian Government programs aimed at addressing Year 12 retention rates.

- assist young people to make a successful transition from school to work or further education or training.<sup>26</sup>

**1.9** In the initial stages, program funding was to be prioritised to eligible schools assessed as having the greatest need and capacity to benefit from a new or upgraded TTC. This required that the assessment process be closely linked to the program objectives.

**1.10** Seven areas of priority have been considered in allocating funds, including support for secondary school communities with Indigenous students, and students from regional or other disadvantaged communities; encouragement of enrolment at the Certificate III (or higher level) of traditional trades identified as experiencing skills shortages on the National Skills Needs List; and the inclusion of local industry, taking into account local employment opportunities.<sup>27</sup>

## **Program application process and funding**

**1.11** Program application rounds are held each financial year. To assist in managing demand, the first step in the process is submission of an expression of interest (EOI) by schools. Subsequently, schools that submitted an EOI may prepare applications and lodge them online. In their application, the schools must demonstrate support for the project from relevant stakeholders<sup>28</sup> and also provide a completed project implementation plan that sets out funding objectives and project implementation strategies; project timelines; and a detailed financial plan.

**1.12** Following the application period, DEEWR forms State and Territory Assessment Panels (STAPs) to assess applications. Applications are assessed against the following criteria:

- the quality of the proposal;

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<sup>26</sup> DEEWR, Program Guidelines, 2010, op. cit., p. 1.

<sup>27</sup> Over the life of the program, the Australian Government aims to achieve an equitable distribution of funding among states, territories and across education sectors. The final distribution of funds will, however, depend on the quality of applications received from each sector in each state and territory. *ibid.*, p. 2.

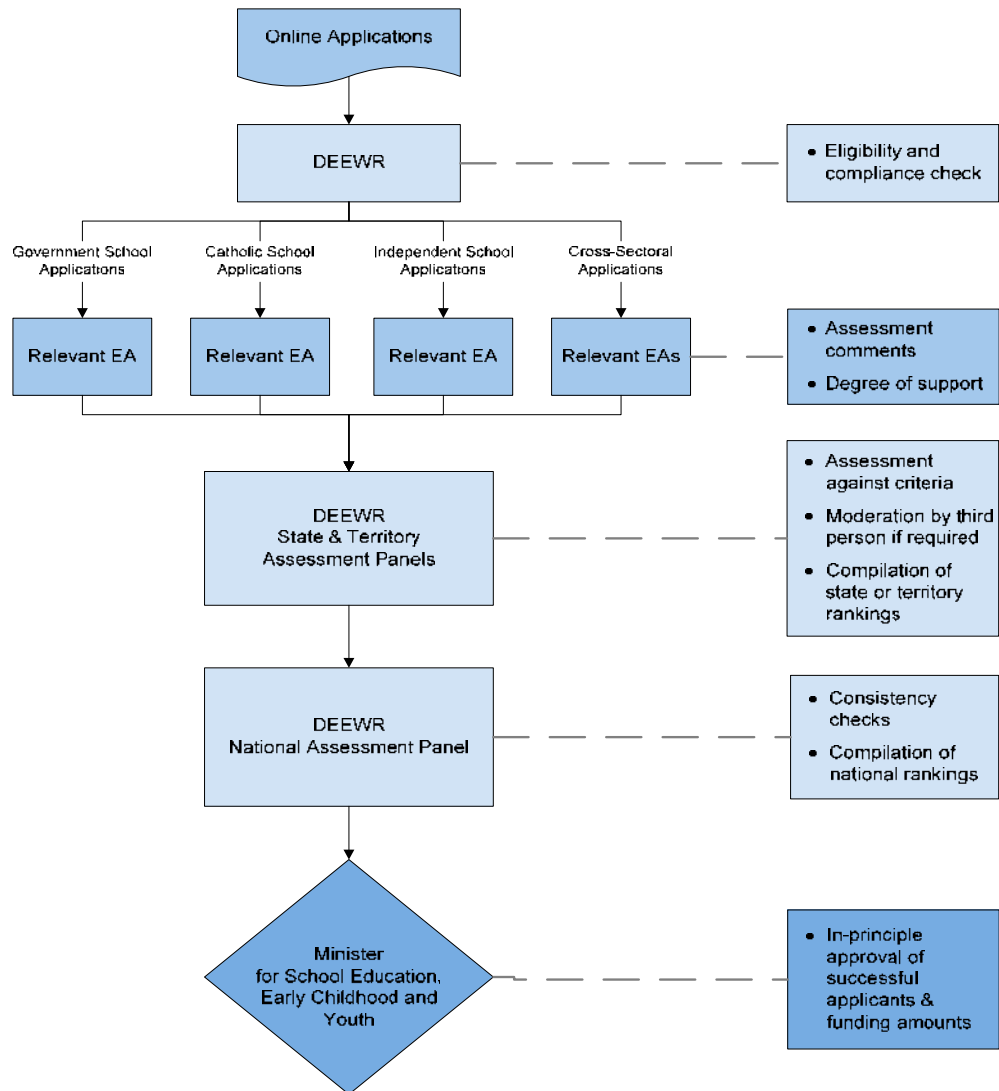
<sup>28</sup> These include the Education Authority, Registered Training Organisations, industry groups and associations and other schools involved in any cluster arrangements.

- need and capacity to benefit; and
- value for money.

**1.13** A National Assessment Panel (NAP) (comprising senior DEEWR personnel) makes recommendations based on the STAP assessments to the Minister for School Education, Early Childhood and Youth for in principle project funding approval. The assessment process is illustrated in Figure 1.1.

**Figure 1.1**

**Application and assessment process**



Source: ANAO.

**1.14** The final project contract is dependent on the outcomes of detailed negotiations between DEEWR and the school. Once negotiations have concluded, grants are authorised. Payments are made according to schedules established for each project and in accordance with the different funding arrangements established for government and non-government schools.

### *Funding rounds*

**1.15** By early November 2010, DEEWR had completed three funding rounds, involving 440 applications of which 73 per cent were approved (see Table 1.2).<sup>29</sup> The 2008 funding round (Round 1) was conducted in two phases, consistent with the Government's commitment to move quickly to implement this election commitment:

- DEEWR expected that, as Round 1–Phase 1 (which opened on 11 March 2008) would only allow a two month period for applications to be submitted, applications received would mostly be for minor upgrades or equipment purchases.
- Round 1–Phase 2 (opening May 2008) would allow around eight months for applications to be submitted which would suit more complex applications, such as those for major capital works.<sup>30</sup>
- From 2009 (Round 2), a single funding round per year was to be undertaken (until 2018). Round 2 opened in June 2009. At the conclusion of Round 3, applications for \$1.41 billion had been processed by DEEWR, with \$1.03 billion in project funding approved.

**1.16** Two hundred and thirty projects had funding approved in principle from Rounds 1 and 2. Of these, at 4 January 2011, 210 had executed agreements in place, involving 48 completed projects and another 162 were in the planning, procurement and construction stages. DEEWR also advised that up to 68 TTCs were expected to be operational from the start of the 2011 school year.

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<sup>29</sup> Round 3 of the program closed on 4 June 2010, with remote service delivery applications closing on 2 July 2010. The funding decisions for Round 3 were announced on 4 November 2010.

<sup>30</sup> Round 2 included an additional \$110 million in funding brought forward as part of the Government's 2008–09 *Building the Education Revolution* initiative. Total program funding remains \$2.5 billion over 10 years. This component of the *Building the Education Revolution* initiative was not examined in ANAO Audit Report No. 33 2009–10, *Building the Education Revolution—Primary Schools for the 21st Century*.

**Table 1.2**

**Program funding disbursements by lead school education sector**

Item	Round 1–Phase 1			Round 1–Phase 2			Round 2			Round 3			Total
	Govt	Catholic	Ind	Govt	Catholic	Ind	Govt	Catholic	Ind	Govt	Catholic	Ind	
No. of EOIs Received <sup>(a)</sup>	N/A	N/A	N/A	197	51	66	124	29	19	89	35	17	627
No. of applications submitted	44	18	25	93	23	19	93	25	24	47	18	11	440
Value of applications received (mil) <sup>(b)</sup>	\$109	\$48	\$32	\$305	\$47	\$26	\$461	\$76	\$46	\$167	\$52	\$38	\$1407
No. of applications approved	21	8	5	85	14	5	62	16	14	39	11	8	288
Value of applications approved (mil) <sup>(b)</sup>	\$53	\$27	\$11	\$292	\$35	\$9	\$305	\$52	\$27	\$150	\$42	\$27	\$1030
Successful applications%	49%	56%	34%	96%	74%	35%	66%	68%	58%	90%	81%	71%	73%

Source: ANAO analysis of DEEWR data.

Notes: (a) EOI = a submission of an expression of interest (EOI) for funding (not required for Round 1–Phase 1). Applicants who had submitted an EOI for Round 1–Phase 2 were not required to re-submit an EOI for Round 2. The total value of EOIs submitted was: Round 1–Phase 2 \$620 million; Round 2 \$586 million and Round 3 \$524 million.

(b) Rounding to the nearest \$ million.



## Audit approach

**1.17** The audit objective was to assess the effectiveness of DEEWR's administration of the Trade Training Centres in Schools Program.

**1.18** The audit's major focus was on assessing the program's administrative framework and whether its implementation has been well managed to date. The audit also considered the adequacy of the program performance information framework. The capital program's long planning and construction lead-times meant completed TTCs had not provided a full year of training at the time of the audit.

## Audit criteria

**1.19** Four high-level audit criteria, based on the better practice principles found in the ANAO's *Administration of Grants Better Practice Guide* (2002),<sup>31</sup> were used to assess the effectiveness of DEEWR's program administration:

- administrative arrangements were well-designed;
- applications were properly sought and assessed;
- funding agreements were properly managed; and
- delivery and outcomes were effectively monitored and reported.

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<sup>31</sup> ANAO *Better Practice-Guide-Administration of Grants*, May 2002. Canberra. In June 2010, after this audit began, the ANAO published a revised *Better Practice Guide-Implementing Better Practice Grants Administration*, which addresses the enhanced legislative and policy framework for grants administration that came into full effect on 1 July 2009. ANAO *Better Practice Guide-Implementing Better Practice Grants Administration*, Canberra, June 2010.

## **Audit methodology**

**1.20** In order to form an opinion against the audit objective, the ANAO undertook the main component of fieldwork and documentation reviews at DEEWR's central office. Audit testing included:

- assessment of the design of partnership arrangements and funding agreements;
- examination of the program guidelines;
- analysis of documentation supporting application assessments, funding decisions and payment data;
- examination of the development of, and reporting against, performance measures for the program;
- assessment of the adequacy of arrangements put in place by DEEWR to monitor whether funds are being used as intended, and examination of acquittal data provided under these arrangements; and
- comparison of agreed timelines in project agreements and progress reporting to DEEWR to assess whether implementation of TTCs is in line with expectations.

**1.21** Further, the ANAO selected a stratified random sample (in order to provide for representation from states, territories and school sectors) of 74 applications from Rounds 1 and 2 for detailed examination. Through this sample the ANAO sought to determine whether funding applications had been assessed in accordance with the established assessment criteria and quality assurance mechanisms for the assessment process were effective.

**1.22** To obtain feedback on DEEWR's administration of the program, the ANAO met with officials from other Australian Government agencies and education authorities and visited ten government and non-government secondary schools in New South Wales, South Australia and Victoria with TTCs at varying stages of construction.

**1.23** The audit was conducted under section 18 of the *Auditor-General Act* 1997 and in accordance with the ANAO Auditing Standards at a cost of approximately \$500 000.

## **Report structure**

**1.24** The remainder of the report consists of four chapters, which examine DEEWR's:

- planning for and implementation of the program, including establishment of program guidelines (Chapter 2);
- application and assessment processes for the program, and steps taken by the department following in principle approval of applications (Chapter 3);
- management of the program's funding agreements and monitoring of project progress (Chapter 4); and
- measuring of and reporting of program performance and outcomes (Chapter 5).

## 2. Program Planning and Implementation

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*This chapter examines DEEWR's planning for, and implementation of, the Trade Training Centres in Schools Program.*

### Introduction

**2.1** Effective planning is the cornerstone of an economic, efficient and effective program.<sup>32</sup> Key design features and related processes should be commensurate with the scale, nature, complexity and risks involved in the activity.<sup>33</sup>

**2.2** The ANAO has published guidance on the administration of grants that is applicable to a wide spectrum of circumstances where the Australian Government funds the activities of others, including, state, territory or local governments.<sup>34</sup> Drawing on this guidance, the ANAO examined the establishment and make-up of the following key elements of the program's framework:

- administrative arrangements;
- program guidelines; and
- funding agreements.

### Program administrative arrangements

**2.3** Following the 2007 general election, DEEWR worked to a 100-day deadline to launch the program by 11 March 2008. To meet this challenging timeframe, DEEWR moved quickly to establish governance arrangements for the program. DEEWR established a Trade Training Centre (TTC) Taskforce

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<sup>32</sup> ANAO, *Administration of Grants*, 2002, op. cit., p. 5.

<sup>33</sup> Department of Finance and Deregulation, *Commonwealth Grant Guidelines*, Finance, Canberra, p. 19, [Internet] available from <[http://www.finance.gov.au/publications/fmg-series/docs/FMG23\\_web.pdf](http://www.finance.gov.au/publications/fmg-series/docs/FMG23_web.pdf)> [accessed 7 September 2010].

<sup>34</sup> ANAO, *Administration of Grants*, 2002, op. cit., p. 2.

with responsibility for program planning and implementation. The TTC Taskforce's activities were overseen by an Inter-Departmental Committee.<sup>35</sup>

**2.4** The TTC Taskforce developed key governance documents for the program including:

- an implementation statement and schedule outlining the key activities and milestones for the initial implementation of the program;
- an implementation plan;
- the funding model to be adopted for the program;
- stakeholder engagement and communication strategies;
- partnership arrangements with education authorities; and
- program guidelines and funding agreements.

**2.5** The *Implementation Plan* specified the ongoing governance arrangements, reporting and performance measures for the program. It was provided to the Cabinet Implementation Unit (CIU)<sup>36</sup> in February 2008 to facilitate monitoring of DEEWR's progress.

## Planning principles

**2.6** Effective planning, based on a logical sequence of events, is essential to achieving a cost-effective grant program.<sup>37</sup> The ANAO reviewed the governance documents developed for the program against the key factors to be considered in planning a grants program. Table 2.1 provides an overview of the extent to which DEEWR addressed key factors.

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<sup>35</sup> Convened in December 2007, the Inter-Departmental Committee consisted of representatives from the DEEWR and the departments of: Prime Minister and Cabinet; Treasury; Infrastructure, Transport, Regional Development and Local Government; Innovation, Industry, Science and Research; and Resources, Energy and Tourism.

<sup>36</sup> 'The Cabinet Implementation Unit is part of the Strategic Policy and Implementation Group in the Department of the Prime Minister and Cabinet. The Unit was established in October 2003 to help the Prime Minister and the Government manage and deliver the Government's strategic reform priorities, including reporting to the Prime Minister on progress with the delivery of these priorities across the Australian Public Service'. Australian Government, Department of Prime Minister and Cabinet, Cabinet Implementation Unit, Canberra [Internet] available from <<http://www.dpmc.gov.au/implementation/index.cfm>> [accessed 7 September 2010].

<sup>37</sup> ANAO, *Administration of Grants* 2002, op. cit., p. 5.

**Table 2.1****Effective planning principles**

Requirement	Met	Comments
Need for the program established.	Not applicable	The program is an executive scheme. The new Government was sworn in on 3 December 2007, and one of its election commitments was to commence the program within its first 100–days in office.
Objectives clearly defined.	Yes	The objectives of the program were clearly defined in governance documents.
Delivery options developed and compared.	Yes	A number of options for delivery were developed and compared as part of implementation planning, with the decision made to adopt a 'direct delivery model'.
Well-documented plan for delivery, monitoring and evaluation.	Mostly	Structured and timely implementation plans were developed and rolled-out, and progress monitored. However, the <i>Reporting and Evaluation Strategy</i> was not implemented until 2010 (see Chapter 5).

Source: ANAO based on *Administration of Grants, Better Practice Guide*, May 2002.

**2.7** Table 2.1 demonstrates that DEEWR took a considered approach to most key aspects of implementation planning. In particular, under the direct delivery model chosen for the program,<sup>38</sup> DEEWR has responsibility for assessing applications and forming recommendations for in principle approval by the relevant Minister. This increases the level of control and influence of the department over the proposed allocation of government funding. The following sub-sections examine DEEWR's establishment of partnership arrangements with education authorities, and approach to risk management, in more detail.

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<sup>38</sup> DEEWR defined the direct model as one that: 'allows school communities (principals, teachers and parents) to identify and prioritise areas of need that exist within their school; would see state/territory government, catholic and independent schools apply directly to the [department] and their applications prioritised; state and territory government panels would assess risk, viability and whether projects are on existing priority lists to be funded through state governments; independent assessment panels would assess and score projects based on need and would be made up of representatives across relative sectors; provides more control for the Australian Government to approve submissions which meet the identified priorities; and is more resource intensive for the Department, but allows the Department to target and work with disadvantaged schools to increase the likelihood of funding'. *Minutes of TTC Inter-Departmental Committee*, 20 December 2007.

## Bilateral partnership arrangements

**2.8** The December 2007 Council of Australian Governments' (COAG) meeting, held after the formation of the newly elected Australian Government, agreed to 'a new model of [intergovernmental] cooperation underpinned by more effective working arrangements'.<sup>39</sup> Consequently, the program is underpinned by formal partnership arrangements between the Australian Government and both government and non-government education authorities. The partnership arrangements were to encompass: a shared commitment to the program and its objectives; a collaborative approach to its development and implementation; and complementary roles to ensure the sustainability of TTCs.

**2.9** In developing these partnership arrangements, DEEWR sought the views of key stakeholders from schools, industry, and vocational education and training sectors. The partnership arrangements were designed to be consistent with the principles articulated in paragraph 2.8—they place emphasis on collaborative and complementary roles for DEEWR and education authorities, within the direct delivery model. Once the proposed partnership arrangements had received in principle agreement from the various education authorities, their details were forwarded to the state and territory ministers for Education, and also officials of non-government education authorities on 1 February 2008 for endorsement. The partnership arrangements were finalised between March and early July 2008, prior to the announcement of the results of the first round of funding.

## Risk management

**2.10** The identification and treatment of risk should be undertaken at the earliest opportunity, that is, during policy design. Risk identification and treatment should be an element of the control framework put in place for effective program implementation.<sup>40</sup> Appropriate risk analysis and management practices during the design, implementation and ongoing

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<sup>39</sup> Council of Australian Governments, *Council of Australian Governments' Meeting, Melbourne, 20 December 2007, Communiqué* p. 1, COAG 2007.

<sup>40</sup> ANAO *Better Practice Guide-Implementation of Programme and Policy Initiatives*, Canberra 2006, p. 19.

operations of a program may assist in avoiding unintended consequences and/or poor levels of achievement against the intended outcomes.<sup>41</sup>

**2.11** DEEWR commenced implementation of the program in early December 2007. DEEWR's implementation plan for the CIU, finalised on 18 February 2008, identified 'high-level risk and mitigation strategies' and reported that a detailed risk management plan had been developed using the department's risk management system.<sup>42</sup>

**2.12** The first *Risk Assessment and Plan for the Implementation of the Program* was approved on 6 March 2008. This version dealt with risks such as staffing levels, timeframes for implementation and partnership arrangements. A second program assessment 'to cover the risks within the program's scope, from the application and assessment phases to final acquittal' was commenced in January 2008 but only approved in October 2009. The approver noted that 'although this plan is only being approved in the system today, it has been considered throughout the Branch while progressing funding agreements and other activities'.

**2.13** The second program assessment addressed a further range of risks, such as the application process and probity, stakeholder management, IT systems and compliance with guidelines to achieve project outcomes. It also addressed approximately half of the range of risks applicable to grant programs documented by the ANAO in its guidance, including the possibility of fraud or misrepresentation. The risk management plan did not address some key program risks, such as conflict of interest, although DEEWR did establish controls for this risk in other program documentation such as funding agreements.

**2.14** Although risk management is an iterative process, the time taken to approve the risk assessments meant that some key risk management strategies were only formally approved well after the program had been implemented. A more timely risk assessment that takes into consideration the specific features of a program would have enabled a proactive management of key risks. There

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<sup>41</sup> ANAO, *Implementing Better Practice Grants Administration*, 2010, op. cit., p. 4.

<sup>42</sup> This intranet-based application enables risk assessments to be completed and updated online and records by whom and when any revisions are made to the risk assessments.



was also no evidence that ongoing monitoring and review of the risk management plans was undertaken to ensure that the treatments and controls remained relevant.

**2.15** In September 2010, DEEWR began a review of the current risk management plan with a view to developing a plan that more fully addresses the range of risks facing the program. At this stage in the program, DEEWR has also to oversee the construction and ongoing operation of TTCs, which accordingly should be a key focus of risk management planning. DEEWR proposed to also establish formal arrangements for risk monitoring from October 2010 'to ensure an increased focus and sustained effort' on risk management.

## Program guidelines

**2.16** Clear, consistent and well-documented guidelines are an important component of effective and accessible administration and funds disbursement.<sup>43</sup> The program was established under executive authority. In such cases, program rules are set by government decisions, and guidelines are prepared by the administering agency. Through the Commonwealth Grant Guidelines (CGGs),<sup>44</sup> last updated in 2009, the Australian Government has introduced a number of grant-specific processes, decision-making and reporting requirements applying to agencies and Ministers. This includes the requirement that:

Agencies *must* develop grant guidelines for new grant programs, and make them publicly available (including on agency websites) where eligible persons and/or entities are able to apply for a grant under a program. Agencies *must* ensure that grant guidelines and related operational guidance are in accordance with the CGGs.<sup>45</sup>

**2.17** The CGGs also state that 'as well as being understandable, grant guidelines should clearly inform potential recipients if the Commonwealth has

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<sup>43</sup> Finance, *Commonwealth Grant Guidelines*, op. cit., p. 22.

<sup>44</sup> The purpose of the CGGs is to establish the policy framework and articulate the Government's expectations for all departments and agencies (agencies) subject to the *Financial Management and Accountability Act 1997* (FMA Act), and their officials, when performing duties in relation to grants administration. Finance, *Commonwealth Grants Guidelines* op. cit., p. 2.

<sup>45</sup> Finance, *Commonwealth Grants Guidelines*, op. cit., p. 11.

terms and conditions that recipients will need to meet during the life of the project' (such as financial and performance reporting). The ANAO's revised guidance on grant administration, published in 2010, outlines the general requirements for an agency when determining the content of program guidelines.<sup>46</sup> Table 2.2 confirms that these requirements have been addressed by DEEWR in the program's guidelines, which were suitable given the nature of the program.

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<sup>46</sup> ANAO, *Implementing Better Practice Grants Administration*, op. cit., p. 59.

**Table 2.2****Grant program guideline content requirements**

Grant program guideline content requirements	Met	Coverage in program guidelines
Define the program's purpose, scope, objectives and desired outcomes.	Yes	Part 1 - 'Overview of program'
Define the total funding that is available and any limitations on the amount individual applicants will be able to apply for.	Yes	Part 1 - 'Overview of program'
Define the types of projects that will (and will not) be funded.	Yes	Part 1 - 'Overview of program'
Define the entities that are eligible to apply for or receive funding and any that are not eligible.	Yes	Part 3 - 'Eligibility of projects and schools'
Define the governance arrangements that will apply to the program's administration (including the respective roles and responsibilities of the Minister, agency officials and any advisory panel that may be involved).	Yes	Part 2 - 'Stakeholder Roles and Responsibilities'
Define the process by which eligible entities will be able to apply to the program, including the information that is required to accompany any application and any deadline for submitting applications.	Yes	Part 4 - 'Application Process'
Define the process by which funding recipients will be selected, including specifying all criteria on which funding decisions will be based (including whether there is discretion for criteria to be waived or amended during the assessment and/or decision-making process and, if so, how that discretion will be exercised).	Yes	Part 5 - 'Assessment criteria'
Specify any review or appeal mechanism that will be available to unsuccessful applicants and the processes that will be applied.	Yes	Part 5 - 'Assessment criteria'
Specify the terms and conditions that will apply to the provision of a grant, including the reporting and other accountability requirements that funding recipients will be expected to comply with. It is advisable for a copy of the funding agreement for the program to accompany the published guidelines.	Yes	Part 3 - 'Eligibility of projects and schools'

Source: ANAO analysis.

**2.18** The TTC program guidelines, which were developed in consultation with stakeholders, include the program's objectives, priorities, eligibility criteria, and administrative arrangements. Amendments to the program guidelines, based on stakeholder feedback and administrative matters highlighted in the course of the program's operation, were also prepared,

approved and published on the department's website before each funding round.

**2.19** Early planning identified that the program's partnership arrangements, and guidelines, would determine critical parameters for the program and that these, in addition to the final funding profiles, should be approved by the Expenditure Review Committee.<sup>47</sup> DEEWR sought and obtained the required approval for these program governance arrangements before implementation, and for subsequent amendments.

## Funding agreements

**2.20** The CGGs advise that, unless legislation or policy mandates the form of a funding agreement, agencies should choose the appropriate form based on:

- an analysis of the risks;
- the context in which the grant is made (for example, the nature of the recipient, relevant applicable legislation, and relevant policy directions);
- the desired remedy for non-compliance; and
- legal advice where appropriate.<sup>48</sup>

**2.21** DEEWR, in collaboration with the relevant education authorities, developed program funding agreements specific to each educational sector. These were Overarching Funding Agreements between the Australian Government and state and territory education authorities for the government schools sector and Master Agreements between the Australian Government and education authorities for the non-government schools sector.<sup>49</sup> The

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<sup>47</sup> The Expenditure Review Committee meets to consider major new policy and savings proposals, and recommends to the Cabinet those proposals that it wants included in the Budget. When making decisions on budget proposals, the Committee uses information from Portfolio Budget Submissions and briefs prepared by Finance. Australian Government, Department of Finance and Deregulation, [Internet] available from <<http://www.finance.gov.au/budget/budget-process/erc.html>> [accessed 7 September 2010].

<sup>48</sup> Finance, *Commonwealth Grant Guidelines*, op. cit., p. 14.

<sup>49</sup> Except in the Australian Capital Territory where a joint Master Agreement for both the Catholic and independent sectors is held with the Catholic Education Commission.

funding agreements were executed between late 2008 and in some cases not until March 2009.

**2.22** DEEWR advised that the time taken to finalise these agreements reflected education authorities' different levels of engagement and understanding, and their differing arrangements for executing funding agreements. The time taken also contributed to delays in finalising underpinning project level contractual arrangements for Round 1–Phase 1 projects (discussed further in Chapter 3).

**2.23** Both sets of agreements included similar terms and conditions and specified the payment rules for both DEEWR and the education authority. The differences in the agreements for each sector reflected the different appropriation and payment responsibilities, and the varying levels of authority that education authorities hold over the schools in their jurisdictions. Notwithstanding the differences, both types of agreements:

- formally acknowledged partnership arrangements;
- established financial accountability requirements; and
- established monitoring and reporting requirements in relation to the program, and project progress, for education authorities and schools.

**2.24** Although DEEWR did not consider the risks associated with these funding arrangements in its initial (2008) risk management planning, it did so in subsequent risk planning (approved in October 2009), identifying milestone payments, progress reports and acquittal statements as controls in managing the accountability of funds.

**2.25** In this vein, the program funding agreements provide an adequate framework for the protection of the Australian Government's interests through the inclusion of clauses requiring: certified acquittals of the use of program funds; the repayment of any funds not used for the purposes established; the transference of risks associated with cost over-runs; a requirement for legislative compliance to building codes; attention to occupational health and safety issues; and the responsibility for the ongoing costs of the operation of the TTCs to be met by the education authorities. The funding agreements are further discussed at Chapter 4.

## Conclusion

**2.26** DEEWR established a generally sound administrative framework for the program, and met the Government's 100-day deadline for the

commencement of the program. This included development and authorisation of guidelines that clearly outlined the program objectives, the criteria that would be used to select projects, and the information applicants would need to provide.

**2.27** DEEWR's approach to risk management could have been implemented in a more timely manner and also been more targeted towards the risks that arise from grant programs. DEEWR recently started a review of the current risk management plan and planned also to improve risk monitoring arrangements.

## 3. Management of Funding Applications

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*This chapter examines the design and management of DEEWR's application and assessment processes for the program, and steps taken by the department following in principle approval of applications.*

### Introduction

**3.1** Decisions made in relation to applications for Australian Government funding should be transparent and clearly documented. A well-defined, publicised and systematic appraisal process can assist in forming decisions and increase stakeholder confidence in the selection process. Without robust processes and controls in place there is an increased risk that funding may not effectively target projects of the greatest need, or contribute to achieving the program outcomes.

**3.2** The ANAO examined whether DEEWR:

- established sound application and assessment processes for the program; and
- followed the defined assessment process for Rounds 1 and 2, including in relation to documentation of decisions and deliberations.

**3.3** The ANAO also examined funding round outcomes, and steps taken by DEEWR following in principle approval of applications.

### Application and assessment processes

**3.4** The application and assessment processes for the program are described in paragraphs 1.11 to 1.13, and illustrated in Figure 1.1. They involve annual EOI and application processes for eligible schools, consideration of applications by relevant education authorities, and assessment of applications by DEEWR. The following sub-sections examine these processes in more detail, including guidance available to potential applicants and those involved in application assessment.

## Expression of interest process

3.5 From Round 1–Phase 2,<sup>50</sup> DEEWR established an EOI process to ‘assist with determining and managing the overall demand for funding’ and also facilitate high quality proposals going to full application.<sup>51</sup> An EOI was required before a funding application would be considered, although submitting an EOI did not oblige the school to proceed with an application.

3.6 EOIs provide core information about the proposed application, including:

- a description of the proposal;
- the approximate amount of program funds being sought;
- the consortium members (where applicable); and
- the nature of training being offered through the Trade Training Centre.<sup>52</sup>

3.7 DEEWR reported that Round 2 was oversubscribed by almost \$200m.<sup>53</sup> Subsequently, DEEWR amended the EOI process to require schools to include with the EOI a *Letter of Intent to Apply* received from their education authority; this was designed to ensure that education authorities were better informed of those schools within their sector that intended to apply for funding.

3.8 DEEWR’s program guidelines and application guidance inform potential applicants about the application process and associated requirements. The ANAO reviewed the material developed by DEEWR for this purpose and concluded that it addressed all key requirements. This included outlining: information required to assess applications; the closing date for applications and likely decision dates; and details on the selection process, including who is responsible for making final recommendations and approvals (see also Table 2.2).

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<sup>50</sup> The limited time available for Round 1–Phase 1 applications meant it was not possible for applicants to complete an EOI prior to submitting an application.

<sup>51</sup> DEEWR, *Program Guidelines*, 2010, op. cit., pp. 3 and 5.

<sup>52</sup> DEEWR, *Interim Program Guidelines*, March 2008, op. cit., p.9.

<sup>53</sup> DEEWR, *Expression of Interest – Discussion Paper, Trade Training Centres in Schools Program*. Trade Training Centres Taskforce, Infrastructure and Funding Group, DEEWR Canberra, n.d. p. 1.



## Application requirements

**3.9** Schools, in collaboration with their education authority, were required to prepare and submit applications online through the School Entry Point website,<sup>54</sup> in accordance with the program's guidelines and application guide.

**3.10** The application form for schools (as of Round 2) was 17 pages long, had 59 questions and required seven attachments. Applications were required to contain:

- a completed project implementation plan detailing:
  - funding objectives and project implementation strategies;
  - overall project timelines – what will be completed and by when; and
  - financial plans, including the capital budget, in-kind contributions<sup>55</sup> and a disbursement management plan for the overall amount of funding being sought;<sup>56</sup> and
- documentation showing consultation and liaison with other project stakeholders (such as local industry), and evidence of support from their relevant education authority, Registered Training Organisations, industry bodies and each school included in a cluster arrangement.<sup>57</sup>

**3.11** The application process requires comprehensive consideration by schools of important planning elements. However, DEEWR received some early feedback from stakeholders that the application form was cumbersome and that schools were finding it difficult to complete the form. This view was supported by the assessors in the review of the Round 1–Phase 1 assessment process who also saw scope to improve the form by, for example, making the questions less repetitive.

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<sup>54</sup> The School Entry Point website is a DEEWR online system which allows schools to apply for funding from the Trade Training Centres in Schools Program and the National Secondary School Computer Fund.

<sup>55</sup> For the purposes of the project implementation plan, the in-kind contributions section details the costs (usually ongoing operational costs) that will be met by the relevant education authority and/or school.

<sup>56</sup> DEEWR, *Interim Program Guidelines–2008*, op. cit., p. 18.

<sup>57</sup> DEEWR, *Program Guidelines*, 2010, op. cit., p. 22.

**3.12** There is a balance to be struck in designing the form so as to obtain sufficient information to provide assurance that government funds will be well spent, while not creating unnecessary work for education authorities and schools in developing applications. To this end, over time DEEWR has streamlined elements of the application form by reducing and simplifying questions, while still capturing essential information. Further steps taken to streamline the application form, in conjunction with continuing to improve the effectiveness of the EOI process, would assist DEEWR to achieve a sound balance in the use of education authorities' and schools' resources during the application phase.

### **Assessment criteria and scoring process**

**3.13** It is important that the criteria established to assess funding applications assist in identifying projects that both support the program's objectives and provide value for money. The program guidelines advise applicants that 'the assessment process is competitive and each application will be assessed on its relative merit'<sup>58</sup> against the assessment criteria contained in the guidelines. The criteria are summarised in Figure 3.1.

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<sup>58</sup> DEEWR, *Assessment Guide*, 2008, op. cit., p. 21.

**Figure 3.1****Assessment criteria**

- Quality of the proposal (made up of 39 sub-criteria):
  - consortium arrangements, consisting of six sub-criteria;
  - local partnerships, (for example, with local industry) consisting of five sub-criteria;
  - high quality trade training and student support services, consisting of 14 sub-criteria;
  - sustainability, consisting of four sub-criteria;
  - project implementation expertise, consisting of three sub-criteria; and
  - program priorities, consisting of seven sub-criteria.
- Need and capacity to benefit (made up of 11 sub-criteria):
  - current Year 12 retention rates and proposed improvements, local skills shortages in the region, the condition of existing trade training facilities, and the number of students who would potentially benefit from the trade training centre.
- Value for money:
  - an overall assessment considering both the cost and quality of the proposal.

Source: ANAO, from DEEWR's program guidelines.

**Rating applications**

**3.14** The method used to assess applications should discriminate between applications of varying merit, in terms of the selection criteria and the objectives of the program.<sup>59</sup>

**3.15** DEEWR adopted a scoring methodology using ordinal scales<sup>60</sup> where assessors score applications as *High*, *Medium*, *Low* or *Not Assessable* against each sub-criterion for *quality of the proposal* and *need and capacity to benefit*. The degree that the proposal represents *value for money* informs the decision-making process, but is not allocated a score.

**3.16** These ordinal scores are converted to raw numerical values, which are weighted for the *quality of the proposal* criterion (except for its program priorities sub-criteria) as part of obtaining an overall score:

<sup>59</sup> ANAO, *Administration of Grants*, 2002, op. cit., p. 42.

<sup>60</sup> An ordinal scale is a measurement scale that assigns values to objects based on their ranking with respect to one another. statistics.com, 2004–2010 [Internet] available from <<http://www.statistics.com/resources/glossary/o/ordscale.php>> [accessed 7 September 2010].

Under each individual assessment criteria there are an unequal number of questions assigned to each sub-criteria. To overcome this imbalance, DEEWR will apply a conversion within the assessment scorecard to reflect the weightings.<sup>61</sup>

**3.17** Importantly, the scoring methodology for the *quality of the proposal* criterion contains three 'quality benchmarks'. The assessment guide states that any application failing to meet these 'quality benchmarks' should not proceed any further through the assessment process. These benchmarks relate to:

- demonstrated ability to meet ongoing recurrent costs for the project;
- long-term sustainability of the project; or
- not meeting 10 or more quality sub-criteria.<sup>62</sup>

**3.18** The assessment criteria and scoring process developed by DEEWR aligned with the program's objectives and priorities by, for example:

- prioritising funding to schools with the greatest need for, and capacity to benefit from, a new or upgraded TTC;
- identifying traditional trades experiencing skills shortages;
- encouraging schools to form clusters or consortiums in order to deliver the highest levels of qualifications, or create accessible pathways to achieving qualifications for the students after finishing Year 12; and
- considering the extent to which the cost and quality of the project offered value for money.

**3.19** Notwithstanding, the scoring process adopted is not straightforward, given the large numbers of scores awarded and the requirement for certain scores to be weighted.

## **Process for assessing applications and maintaining quality assurance**

### *Four-step process for assessing applications*

**3.20** DEEWR has established a four-step process for assessing program applications. The intent of these steps is to help ensure the assessment process

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<sup>61</sup> 'DEEWR may allocate weightings for some or all of the assessment criteria', DEEWR, *Program Guidelines*, 2009, op. cit., p. 32.

<sup>62</sup> DEEWR, *Assessment Guide*, 2008, op. cit., pp. 15-16.

selects those applications that best match the objectives of the program. Table 3.1 lists the steps and their purpose in the assessment process.

**Table 3.1**

**Trade Training Centre application assessment process internal controls**

Step	Purpose
Step 1—Eligibility and compliance check by DEEWR	This check is undertaken to ensure only eligible and compliant <sup>63</sup> applications deemed as 'assessable' progress further through the process.
Step 2—Assessment of sustainability and viability by the relevant education authority.	'Assessable' applications are provided to education authorities to indicate the degree of their support and to confirm that the schools involved have the capacity to meet the recurrent costs of the TTCs. <sup>64</sup>
Step 3—Assessment of applications against established criteria by DEEWR State and Territory Assessment Panels (STAPs).	Once the STAP assessments against the criteria are completed, the assessments are passed on to the Moderator/Manager for review.  A report of the results of the assessment (including individual scores for each application) is compiled by the STAP and forwarded to the NAP. <sup>65</sup>
Step 4—DEEWR National Assessment Panel (NAP) review of the assessments undertaken by the STAPs and making of funding recommendations to the Minister.	The NAP checks the consistency of the STAP assessments; ranks the applications nationally; and makes funding recommendations to the Minister  The Minister considers recommendations from the NAP and provides in principle approval of applications, subject to final project negotiations.

Source: ANAO based on DEEWR's program guidelines and assessor guidance for Rounds 1 and 2.

**3.21** As part of Step 3, the STAP requires an Independent Capital Works Assessment, undertaken by an external industry contractor, for all major

<sup>63</sup> 'An application will be considered complete and compliant if all relevant sections of the form have been completed, and the required attachments are correctly filled and attached'. DEEWR, *Assessment Guide*, op. cit., p. 2.

<sup>64</sup> 'During the assessment of proposals involving schools from more than one sector, each relevant sector will have the opportunity to contribute to the assessment, consistent with their role during the assessment process as set out in the respective Partnership Arrangements. Where applications are cross-sectoral, comments are required from all the relevant education authorities'. DEEWR, *Interim Program Guidelines—2008*, op. cit., p. 22.

<sup>65</sup> Where the scores applied to any of the sub-criteria by the individual assessors vary by more than two ranking points, or the application fails to meet the specified 'quality benchmarks' (see the following section), the application is required to be independently assessed by the moderator who undertakes a third assessment of the application.

capital works project applications. The assessments include a review of project specifications and the reasonableness of associated building material costs. The ANAO noted that DEEWR used this information when negotiating the final scope of projects and their costs.

### **Assessors**

**3.22** It is important to clearly define the roles and responsibilities of all parties involved in the assessment of funding applications, and to make sure these are well understood by those responsible.

**3.23** DEEWR developed supplementary guidance and handbooks (updated as required for each round) to inform DEEWR and education authority staff taking part in the assessment of applications of their responsibilities.<sup>66</sup>

**3.24** The ANAO has noted that the separation of duties is a fundamental internal control for assessment processes, and that agencies should ensure this is maintained at all times.

Good internal control requires that no single officer should appraise an application for funding assistance, give financial approval for the expenditure and make the offer to the applicant. Such an arrangement involves an unacceptable risk of collusion and fraud.<sup>67</sup>

**3.25** The framework established by DEEWR for the program sought to ensure that the discrete parts of the assessment process were undertaken by different parties, as illustrated in Table 3.1, involving education authorities, the STAPs and the NAP. At a more detailed level, under the assessment guidance,<sup>68</sup> STAP assessment teams were to consist of a staff member from DEEWR's national office and one from the relevant DEEWR state office to ensure the independence of the assessors. The inclusion of state officers was also to ensure that local issues and relevant community contexts were taken into consideration.

**3.26** In practice, this was not always achieved. For example, there were:

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<sup>66</sup> All the supplementary guidance materials state 'In all instances this information is supplementary to the Program Guidelines and is not intended to replace the Guidelines'.

<sup>67</sup> ANAO, *Administration of Grants*, 2002, op. cit., p. 40.

<sup>68</sup> TTCSP Program Guidelines, Assessor's Handbook and Assessment Guide, Rounds One and Two.

- six occasions (Round 1–Phase 1) when there was DEEWR national office representation but no state or territory representation from the state of the applicants, which raised the possibility that local knowledge could not be fully taken into account in the assessment process; and
- three occasions (Round 1–Phase 2) in which there was state and territory representation on the panel but no DEEWR national office representation, which could raise perceptions about the independence of the process.

### *Training for assessors*

**3.27** To help staff involved in the assessment process clearly understand their role and responsibilities, DEEWR developed training modules for staff involved in the assessment process.

**3.28** However, not all relevant staff attended the required training. In this context, DEEWR advised that training for moderators was provided on an as needed basis, given the seniority and experience of these staff in program assessment. In such circumstances, it may still be worthwhile for staff to attend training, as each program has unique features and scoring approaches. This is particularly pertinent given that, as discussed in the following section, the audit found that key assessment processes, including moderation of assessments where appropriate, were not always followed.

**3.29** DEEWR reviewed the operation of the assessment process after Round 1–Phase 1. In relation to training, assessor feedback was positive about the interaction between national and state and territory officers and also the informative nature of the program guidelines. Nevertheless, concerns were expressed that:

- training was not interactive;
- there were gaps in the knowledge of the trainers about vocational education and training and/or schools; and
- in some instances, the degree to which the trainers followed the assessor guide or handbook.<sup>69</sup>

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<sup>69</sup> DEEWR, *Trade Training Centres in Schools Program, Report on the Review of the Assessment Process ~ Round One (Phase One)*, DEEWR, Canberra, nd, p.13.

**3.30** DEEWR has advised that an updated training package, developed for Round 3, took into consideration suggestions for training improvements arising from this review.

#### *Other assessment probity matters*

**3.31** Completion of confidentiality declarations and conflict of interest statements by assessors provides another means to help ensure the integrity of assessment processes. While confidentiality declarations and conflict of interest statements were required to be completed for the program, some staff involved in the assessment of applications did not complete the required interest declarations and statements.<sup>70</sup>

## Assessment of applications

**3.32** The ANAO's 2010 guidance on grants administration states:

The assessment processes undertaken in relation to each application must be adequate and appropriate such that they represent inquiries that would be considered reasonable in the relevant circumstances in order to support a defensible decision to award or not award the grant. This is necessary in order to support the ability of the decision maker to demonstrate that he or she has satisfied the statutory obligations that arise when deciding whether to approve a spending proposal.<sup>71</sup>

**3.33** By mid-2010, applications had been sought, assessed and funding announced for Rounds 1 and 2 (Round 1 was undertaken in two phases). The ANAO selected a stratified random sample of 74 (approximately 20 per cent) of applications from these rounds for detailed examination of application assessments, in order to ascertain whether the process followed was reasonable and in accordance with that defined in program guidelines. The scope of the ANAO's testing was limited to examining DEEWR's records of their assessments and did not seek to validate assessment decisions.

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<sup>70</sup> DEEWR advised that for Round 3, all assessors completed conflict of interest statements and undertook probity training.

<sup>71</sup> ANAO, *Implementing Better Practice Grants Administration 2010*, op.cit., p.73.



## Applying the specified assessment process

3.34 The ANAO's examination (for the sample of applications) of the first three steps of the assessment process indicated that for 96 per cent of the audit sample, the required Independent Capital Works Assessment was evident. The ANAO also identified a number of assessment issues (outlined in Table 3.2), including:

- approximately half of eligibility and compliance checklists were either missing or incomplete;
- although 99 per cent of applications contained evidence of education authority input, these records were not always complete or provided only limited information (for example, only 'yes' or 'no' responses which provided little insight into the education authority's perspective on the quality of the applications);
- justification statements provided were not consistent in their explanation of the assessment teams' opinions on the quality of the evidence provided by the applicant, nor did they provide sufficient detail to substantiate the reasons for scores given;<sup>72</sup> and
- seventy-nine per cent of assessments that should have had a moderator review had actually documented its occurrence; and fewer than 66 per cent of the moderated applications in the sample provided appropriate justification statements for the scores allocated.<sup>73</sup>

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<sup>72</sup> For example, one successful application contained a justification statement of 'The applicant provided the NSW standard DET [Department of Education and Training] response' to nine of the *Quality of the proposal* sub-criteria. Another application, (approved for approximately \$11 million of funding) contained no justification statements under the *value for money* criterion.

<sup>73</sup> Of particular concern were instances where the moderator justification statement was limited to 'No Further Comment'. While this response may be sufficient where the score recorded by the moderator is the same as that of the assessors, this response provided no explanation for occasions when the moderator's score differed from that of both assessors, as was the case for many of the application assessments.

**Table 3.2****Addressing assessment process requirements**

Application process step	Percentage of sample meeting process requirement			
	Round 1 Phase 1	Round 1 Phase 2	Round 2	Total
Eligibility and compliance check	Not applicable	31.1	93.1	62.1
Evidence of education authority input	96.7	100	99.5	98.7
Justification statement completed by assessor/s	85.6	100	87.5	91.0
Evidence of a moderator review where required	69.6	98.4	67.9	78.6
Justification statement completed by moderator/s	96.7	76.0	58.1	65.6
Independent Capital Works Assessment on file	94.7	97.8	98.0	95.6

Source: Results of ANAO testing of audit sample applications.

**3.35** These findings indicate that, while DEEWR has established a sound framework for the assessment of applications, in practice some key application assessment processes were not always followed, and for others, there was limited evidence of their proper application.

### *Scoring by State and Territory Assessment Panels*

**3.36** When each assessment is finalised by the STAP, the weightings for relevant assessment sub-criteria are applied to the raw scores to calculate the application's overall score. The overall scores are then used to rank the applications by the nature of the project<sup>74</sup> from highest to lowest for each state and territory. Each STAP then includes these rankings in a consolidated report for consideration by the NAP.

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<sup>74</sup> This includes: equipment, minor upgrades of facilities and major capital works.

**3.37** In relation to Round 1, the ANAO observed that:

- DEEWR was unable to provide the ‘final’ version of the scorecard spreadsheets used to apply weightings and calculate the overall application scores for Round 1–Phase 1; and
- formula errors existed in the final versions of the spreadsheets used to apply weightings to the *quality of the proposal* criterion for Round 1–Phase 2 resulting in, for one state, potential reductions in the overall score by up to 20 points (out of a possible 500).<sup>75</sup>

**3.38** The formula errors identified for Round 1–Phase 2 did not have an impact on the funding decisions. The applications in question met the ‘quality benchmarks’. No applications that met these benchmarks were excluded from options provided to the Minister for in principle approval of applications up to the available funding amounts.

**3.39** The scoring and weighting of applications was automated from Round 2 with the use of DEEWR’s School Education Management Information System. The use of this system has facilitated consistency in the application of these scoring and ranking methodologies.

#### *National Assessment Panel role and reporting*

**3.40** The report received by the NAP includes a national ranking list compiled from the STAP reports. The STAP reports are also required to ‘include sufficient explanations to support the ranking of applications’.<sup>76</sup>

**3.41** The NAP, comprised of senior DEEWR personnel, has the following responsibilities:

- confirm that appropriate steps have been taken to ensure that the assessment process has been undertaken in a nationally consistent manner;
- consider the lists of nationally ranked applications compiled collectively from the STAP ranked lists; and

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<sup>75</sup> DEEWR, *Schools Education Management Information System (SEMIS), Release 8, TTC Assessment Function Specification, Attachment 1–Questionnaires*, Information Services Group, 20 May 2009.

<sup>76</sup> DEEWR, *Assessors’ Handbook, Phase One (Round One)*, op. cit., p. 15.

- make recommendations to the Minister.<sup>77</sup>

**3.42** The NAP report to the Minister is required to contain, and did so for the funding rounds examined, the following information for each application:

- the score for *quality of the proposal, program priorities and need and capacity to benefit*;
- comments about *value for money*;
- an indication of the sector and state or territory to which a school belongs;
- schools or school clusters with a high number of Indigenous students;
- schools or school clusters in remote areas;
- details about the type of training to be delivered through the TTC; and
- information about any cluster arrangements.<sup>78</sup>

**3.43** The standard NAP advice to the Minister includes a statement that ‘the NAP is satisfied that the defined assessment process was followed and that the moderation process was effective’. For Rounds 1 and 2, the then Minister approved project funding (up to a specified amount) in principle, based on the advice provided by the NAP.

## **Documenting reasons for decisions and maintaining records of deliberation**

**3.44** The assessment framework established by DEEWR provided clear assessment guidance and specified standards for documenting assessment decisions. This included the requirement that assessments are to be supported by justification statements to the degree that:

An independent person who has no expert knowledge should be able to read the justification statement and understand the reasons for the score

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<sup>77</sup> DEEWR, *Assessment Guide*, op. cit., p. 26.

<sup>78</sup> *ibid.*, p. 27.

allocated...[and] should not have to read the claims made by the applicant to understand the reasons for the score given.<sup>79</sup>

**3.45** DEEWR's records of assessments consisted of a mix of both paper and electronic records maintained in multiple locations. DEEWR had not established a document control system to link these records and, as a result, a consolidated record of the assessment process was not available. Further, as indicated above, the 'final' version of scorecard spreadsheets for Round 1-Phase 1 could not be located.

**3.46** Many public sector administrations are currently in transition between paper and electronic records management systems. During such a transition, agencies and program managers need to pay close attention to the most appropriate document management practices to support effective public administration and accountability requirements in this circumstance.

**3.47** During the audit, DEEWR advised the ANAO that it had undertaken an internal quality assurance review of the program, which recommended the establishment of a recordkeeping plan consistent with departmental policy. The plan addresses, among other things, paper and electronic records management requirements. It has been approved for implementation and DEEWR has advised that implementation should be completed by end-February 2011.

## Application outcomes and follow-up

### Funding round outcomes

**3.48** At the time of audit fieldwork in early 2010, funding Rounds 1 and 2 had been completed and projects that received in principle funding had been announced. Of the 364 applications received, 63 per cent were successful, with 230 projects (734 schools)<sup>80</sup> receiving a total of \$811 million in assistance.

**3.49** The ANAO considered the allocation of total funding for Rounds 1 and 2 according to seats held by the two main political parties in the then

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<sup>79</sup> DEEWR, *Trade Training Centres in Schools Program, Assessors' Handbook, Phase One (Round One)*, 2008, op. cit., pp. 8-9.

<sup>80</sup> As permitted under the program guidelines, many schools have chosen to form a cluster and received funding for a joint proposal.

House of Representatives. The analysis did not reveal any unexpected outcomes or inconsistency with the application assessment criteria. The proportion of funding awarded by electorate was consistent with the proportion of seats held in the then House of Representatives by the Australian Labor Party and the Liberal National Coalition. Chapter 5 examines the allocation of funding in more detail, and shows that, consistent with the program's priorities, regional and remote areas received a higher proportion of TTC funding than their respective population shares.

## **Advising applicants of assessment outcomes**

**3.50** DEEWR publicly reported each funding round outcome on the program's website. In addition, applicants received written notification from DEEWR advising them of the outcome of their application. Notification is also provided to the relevant education authority. The ANAO's review of the assessment sample indicated that notification was provided within two weeks of the completion of the assessment process.

## **Project negotiations**

**3.51** The assessment guide states 'DEEWR reserves the right to negotiate with applicants recommended for funding regarding both the level of funding and the nature of the proposal'.<sup>81</sup> As a consequence, in principle approval of applications up to the value applied for is granted to successful applicants pending negotiation of the final project agreement.

**3.52** Following in principle approval of projects DEEWR entered into detailed negotiations of contractual arrangements for projects. For Rounds 1 and 2, lengthy negotiations often occurred during the period from a project receiving in principle funding approval until the execution of the contractual arrangements for the projects. Table 3.3 illustrates the average time to execute the agreements.

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<sup>81</sup> DEEWR *Assessment Guide*, op. cit., p. 19.

**Table 3.3****Average time taken to execute project agreements**

Round	Approved projects	Finalised project agreement as at 17 June 2010	Average time for completion (days)
Round 1–Phase 1	34	34	289
Round 1–Phase 2	104	95	234
Round 2	92	21	184
<b>Total</b>	<b>230</b>	<b>150</b>	<b>240</b>

Source: ANAO analysis.

**3.53** DEEWR advised the ANAO that the length of project negotiations was partly attributable to the competitive nature of the application process, which resulted in applicants delaying aspects of detailed planning until after being advised they were successful—rather than expending additional funds on application preparation.

**3.54** DEEWR also advised that time taken to execute some funding agreements with government education authorities (following announcement of Round 1–Phase 1 funding) led to delays in execution of project level agreements. For Round 1–Phase 2 and Round 2, Table 3.3 shows a decline in the average time to execute project agreements. However, for these rounds many projects were still to have a finalised agreement, and as additional projects are finalised, the average time to complete agreements for the rounds can be expected to increase.

**3.55** The ANAO visited 10 schools with projects at various stages of progress, ranging from recently approved for funding to nearing completion of construction, and obtained a range of views on the project negotiation process. A recurrent theme was that the detailed breakdown of project costs required by DEEWR to finalise each project agreement was resulting in significant delays in finalising these documents and causing frustration among schools.

**3.56** With experience of project cost structures and given the delays that have occurred in negotiations, it would be timely for DEEWR to define a threshold for smaller items of fit-out that would lessen the administrative burden placed on schools while also protecting the interests of the Commonwealth and retaining focus on value for money. There is also an opportunity for DEEWR to consider whether the current competitive

application model best supports timely development and agreement on quality project plans, given the objective that all eligible schools be program beneficiaries over the life of the program.

## Conclusion

**3.57** The assessment process for the program was designed to be rigorous and competitive, with each application assessed by DEEWR on its relative merit, priority given to schools with the greatest need and capacity to benefit, and applications needing to align with the program priorities. Schools were required to demonstrate support for the project from the relevant stakeholders and also provide evidence that they had fully considered the project's funding and implementation.

**3.58** The guidance and processes developed by DEEWR to facilitate the assessment process were well-defined and systematic. This included outlining the roles and responsibilities of each party taking part in assessment processes, developing assessment criteria that aligned with the program objectives and addressed value for money considerations, a quality control framework and standards for supporting documentation.

**3.59** DEEWR did not consistently apply aspects of the quality control framework for the assessment process. Examples of departure include all relevant parties not completing the required confidentiality and conflict of interest declarations, and not undertaking assessor training. Similarly, for the sample of applications reviewed, in a range of instances key assessment procedures (such as eligibility and compliance checks) were not applied or appropriately documented. Other documentation issues were also evident in the assessment scoring process.

**3.60** After in principle funding decisions were made, the subsequent negotiation of the contractual arrangements took on average 240 days for projects approved in Rounds 1 and 2. These time lags have been caused by, among other reasons, time taken to finalise overarching funding agreements with education authorities; the close attention paid by DEEWR to project costs; and because some aspects of detailed project planning only occurring once applicants were informed they were successful.



## Recommendation No.1

**3.61** The ANAO recommends that DEEWR monitor in each funding round the application of assessment quality controls and procedures.

### Agency response

**3.62** Agree. Prior to the completion of the ANAO's audit fieldwork, DEEWR had incorporated into the Trade Training Centres in Schools Program's administrative procedures comprehensive monitoring strategies designed to ensure adherence to assessment procedures and quality control processes. These were in place for Round Three.

## 4. Managing Funding Agreements and Monitoring Progress

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*This chapter examines DEEWR's management of the program's funding agreements and monitoring of project progress.*

### Introduction

**4.1** A well-designed funding agreement helps to establish the basis for a constructive and cooperative relationship between relevant parties, providing clarity of objectives and a shared set of understanding and expectations.<sup>82</sup> DEEWR, as the administering department for the program, needed to develop funding agreements and associated payment arrangements for the program.

**4.2** The ANAO's *Implementing Better Practice Grants Administration* guide advises:

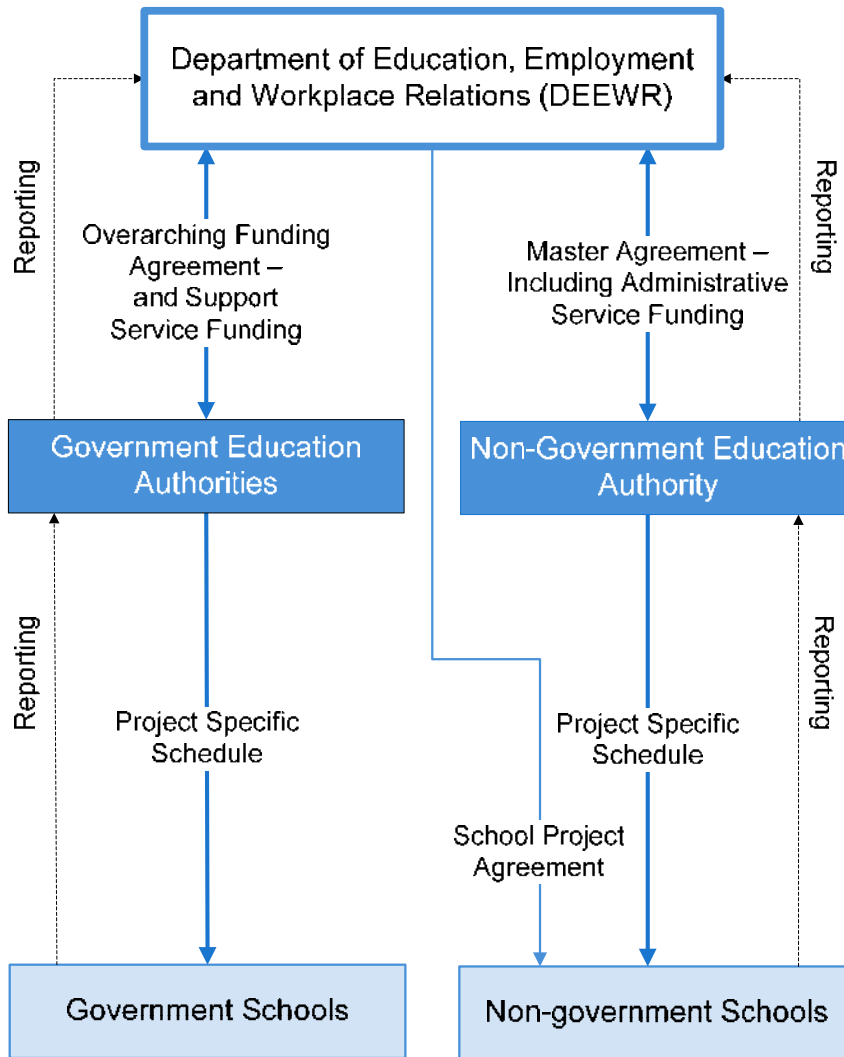
Once the appropriate form of funding agreement for a grant has been determined and executed, it is important for agencies to be careful to ensure that the Commonwealth's rights and obligations under the agreement are appropriately observed and maintained. This will require timely and pro-active monitoring of compliance with the terms of the agreement.<sup>83</sup>

**4.3** DEEWR, in consultation with its state and territory partners, established program funding arrangements (as illustrated at Figure 4.1) which stipulated the payment and related reporting requirements for the program.

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<sup>82</sup> Finance *Commonwealth Grant Guidelines*, op. cit., p. 19.

<sup>83</sup> ANAO, *Implementing Better Practice Grants Administration*, op. cit., p. 90.

**Figure 4.1****Program funding and reporting arrangements**

Source: ANAO.

**4.4** Funding agreements are in place to cover both TTC funding and administrative services provided by education authorities in relation to the

program. The ANAO examined the different funding agreements to ascertain whether in each case:

- funding agreements had been established that defined the terms and conditions for payments and protected the Commonwealth's interests;<sup>84</sup>
- program payments were provided in accordance with funding agreements; and
- monitoring arrangements were in place to ensure that funds were used in accordance with funding agreements and to ascertain project progress.

## Funding agreements

### Support funding agreements

**4.5** During early program consultations in 2008, government education authorities sought funding from the Australian Government to establish dedicated program support units. For reasons of equity, the program also provided for administrative services funding to be made available to the Catholic and independent school sectors. Education authorities were required to make a matching contribution toward the cost of the support units.

**4.6** To facilitate this arrangement, DEEWR required *Agreements for Support Services and Ten Year Plans* to be signed with the government education authorities in each state and territory. For non-government education authorities, the specified terms and conditions for *Administrative Services* and *Administrative Services Funding* were provided through the Master Agreements. Both the government and Catholic sectors were required to develop Ten Year Plans outlining how they were going to engage students in vocational training, and to assist in managing future demand for program funding.<sup>85</sup>

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<sup>84</sup> This includes the Overarching Funding Agreements and Agreements for Support Services and Ten Year Plans with the government schools sector; and Master Agreements with the non-government schools sector.

<sup>85</sup> Education authorities in the independent schools sector were not required to develop Ten Year Plans as independent schools are represented by an association, and the association does not have overall administrative control of the schools.

## Program funding agreements

4.7 The Overarching Funding Agreements and Master Agreements (referred to as program funding agreements) were executed between late 2008 and March 2009, some eight months after funding for Round 1–Phase 1 was announced by the then Minister. As previously mentioned, DEEWR has advised that because no project agreements could be executed until these program contractual arrangements had been signed, the time taken to finalise the agreements resulted in some delays in commencing projects in the relevant states.

4.8 The program funding agreements contain a range of soundly designed provisions to protect the Commonwealth's interests through the inclusion of clauses requiring:

- certified acquittals of the use of program funds;
- the repayment of funds used for any purpose not established under the agreement;
- the transference of risk associated with cost over-runs;
- requirements for legislative compliance, including with building codes and occupational health and safety standards; and
- assignment of responsibility for meeting the ongoing operational costs of the TTCs.

4.9 The agreements also cover initial and ongoing program and project reporting requirements.

## Project funding agreements

4.10 At the finalisation of project negotiations, a Project Specific Schedule (PSS) to the funding agreement is executed for each successful project. The PSS specifies:

- the deliverable and the approved training courses for which the TTC is to be used on completion;
- the project timeframe and associated milestones and payments;
- the personnel responsible for the building project and also operation of the TTC once the capital works are completed (the project leader); and
- reporting requirements for both the capital works and training obligation periods.

**4.11** In addition, for non-government schools, a School Project Agreement is executed between DEEWR and the relevant school. This agreement addresses the school's obligations during the capital works phase and with respect to the ongoing use of the TTC facility. It also addresses circumstances that may occur when an independent school is not part of a wider network and therefore has financial responsibility for the project. The provisions in the project funding agreements were consistent with relevant ANAO guidance on the administration of grants.<sup>86</sup>

## Managing program payments

**4.12** DEEWR is subject to the requirements of the *Financial Management and Accountability (FMA) Act 1997*, and the *Financial Management and Accountability (FMA) Regulations 1997* (the FMA Regulations), which define the legal requirements for the approval to spend public monies. In this context, DEEWR needed to ensure that the strategy adopted for the payment of approved funds appropriately safeguarded the public money and promoted achievement of the agency's obligation to make proper use of Commonwealth resources.<sup>87</sup>

### Application of established payment framework

#### *Support funding payments*

**4.13** Under the support funding agreements, DEEWR was responsible for making the payments for support funding to all sectors during 2008–09 and 2009–10. Funding was calculated as one per cent of notional funding allocations<sup>88</sup> over the life of the program, payable in two parts:

- 80 per cent within 30 days of the execution of the support funding agreement; and
- the remaining 20 per cent to be paid upon each education authority's provision of, and DEEWR's acceptance of, the Ten Year Plan (or

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<sup>86</sup> ANAO, *Administration of Grants*, 2002, op. cit., p. 53.

<sup>87</sup> ANAO, *Implementing Better Practice Grants Administration*, 2010, op. cit., p. 92.

<sup>88</sup> Notional funding allocation refers to the total program funding broken down to each education authority's expected share over the life of the program, based on student numbers.

Statement of Satisfaction in the case of the independent school sector education authorities).

**4.14** The support funding paid to the education authorities is shown in Table 4.1.

**Table 4.1**

**Support funding amounts paid to education authorities**

State or territory	Sector			
	Government	Catholic	Independent	Total
ACT	\$120 000	\$47 000	\$55 000	\$222 000
NSW	\$765 000	\$213 000	\$269 000	\$1 247 000
NT	\$103 000	\$39 000	\$41 000	\$183 000
QLD	\$532 000	\$156 000	\$156 000	\$844 000
TAS	\$144 000	\$50 000	\$49 000	\$243 000
SA	\$187 000	\$51 000	\$67 000	\$305 000
VIC	\$579 000	\$215 000	\$191 000	\$985 000
WA	\$259 000	\$71 000	\$99 000	\$ 429 000
Total	\$2 689 000	\$842 000	\$927 000	\$4 458 000

Source: ANAO analysis.

Note: The proposed funding amounts for the Northern Territory, the Australian Capital Territory and the Tasmanian government education authorities included a base funding amount of \$75 000 in addition to funding based on their enrolments of students in Years 9-12.<sup>89</sup>

**4.15** The ANAO examined the arrangements for making support payments. The initial payments were appropriately made following the execution of the support funding agreements. For the second tranche of payments, in 44 per cent of cases examined, DEEWR's files did not contain the completed Ten Year Plans required to support the release of this funding to the relevant education authorities. DEEWR has advised that all required Ten Year Plans have since been provided.

<sup>89</sup> DEEWR, *TTCSP Partnership Arrangements between the Commonwealth and State and Territory Governments*, 4 March 2008 – Final, p. 4. [Internet] <<http://www.deewr.gov.au/Schooling/TradeTrainingCentres/Pages/partnershiparrangements.aspx>> [accessed 3 November 2010].

### *Project funding payments*

**4.16** When a PSS is executed for a government school project, DEEWR authorises the release of the funds to the full value of the project (through the Commonwealth Treasury which holds the appropriation) to the relevant state and territory treasury, which in turn provides the funding to the relevant education authority.

**4.17** For the non-government schools, the funding appropriation is held by DEEWR. The PSS for each non-government school provides for the upfront payment of each of the milestones due to fall *within* the financial year to the relevant education authority.

**4.18** Each education authority is required to liaise with its schools and provide project milestone achievement notifications to DEEWR. Once this advice is received and accepted, DEEWR authorises the education authority to release funding to the school for the achieved milestone in accordance with the provisions of the PSS.<sup>90</sup>

**4.19** For major capital works, the relevant payment percentages are:

- 10 per cent upon execution of the PSS;
- 40 per cent at the commencement of the project;
- 40 percent at the mid-point of construction; and
- the final 10 per cent upon completion.

**4.20** Minor capital projects include similar milestones to major capital projects, except there is no mid-point of construction milestone and 80 per cent of the project funding is paid on commencement of the project. The full value of equipment projects is paid upon execution of the PSS.

**4.21** DEEWR advised that this payment regime recognises education authorities and schools need to have sufficient cash flow to meet capital project payments when they become payable. If project payments are not made on time, there is a risk of higher project costs due to penalty fees. The payment

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<sup>90</sup> Education authorities are responsible for paying each school based on the notification of completed milestones to DEEWR and the education authority, as outlined in the PSSs. Management of these payments to the schools was not included in the scope of this audit.



regime does, however, reduce DEEWR's control over project payments. It is therefore important that education authorities manage payments in accordance with funding agreements, including only making payments on milestone achievement; and that DEEWR obtain sufficient assurance in this regard.

### *Prepayment of milestones*

**4.22** DEEWR departed briefly from these payment arrangements after identifying in December 2008 that there was a risk of a potential underspend of the program's appropriation for 2008–09. This circumstance arose because a number of non-government school projects for Round 1 would not commence until June 2009, with the result that associated milestone payments would not commence until the next financial year.<sup>91</sup>

**4.23** DEEWR sought and obtained the approval of the then Minister to allow, for these non-government schools, the prepayment up to the approved appropriation amount of project milestones that would fall in a subsequent financial year. DEEWR's supporting argument included that non-government education authorities would hold the additional funding until the achievement of relevant project milestones, and therefore the risks of the additional prepayment arrangement were low. This approach adopted by DEEWR was allowable within the Budget rules.

**4.24** In the circumstance described, the risks of additional prepayment were unlikely to be significant, provided non-government education authorities managed payments to schools in accordance with project milestone achievement. DEEWR resumed its previous non-government education authority payment approach for Round 2.

## **Monitoring compliance and project progress**

**4.25** As the Australian Government's administering agency for the program, DEEWR is responsible for overseeing compliance with funding agreements and monitoring project progress. The CGGs state:

A well-drafted agreement alone is not sufficient to ensure the objectives of the grant are met. Funding agreements need to be supported by performance and

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<sup>91</sup> Appropriations for funding are required to be expensed in the financial year for which the funding is appropriated.

financial monitoring frameworks informed by an analysis of the risks involved.

Performance monitoring determines the extent to which desired outcomes have been achieved, while financial monitoring determines whether the relevant accountability procedures associated with the funds have been complied with.

The monitoring of payments and progress are an integral part of good governance and risk management and provide a measure of assurance that public funds allocated to grant recipients have been spent for their intended purposes. Administrative procedures to acquit grants on a regular basis are also an important management control.<sup>92</sup>

**4.26** The ANAO examined DEEWR's arrangements for monitoring of compliance with program funding agreements, and monitoring of project progress. Approaches available to DEEWR for monitoring the use of funding and project progress include:

- requiring funding recipients to submit regular progress (milestone) reports, monitoring their timely provision, analysing the reports and taking corrective action as necessary;
- requiring timely acquittal of the expenditure of project funds; and
- instituting other monitoring arrangements to verify compliance with funding agreements, such as site inspections, and/or obtaining relevant documentary evidence.

## **Monitoring progress through project reports**

**4.27** Once a project is approved in principle, each school, in conjunction with the relevant education authority, identifies project milestones and seeks DEEWR's approval through negotiation of the Project Specific Schedule. DEEWR assigns a project manager whose role is monitor progress against these milestones. The education authority is responsible for forwarding milestone notifications to DEEWR, along with an assurance that it is satisfied with the project's progress. If accepted, DEEWR authorises the release of project funding by education authorities.

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<sup>92</sup> Finance, *Commonwealth Grant Guidelines*, op. cit., p.25.

**4.28** DEEWR also continues its monitoring once construction is complete. The focus at this later stage is on the number of students who have commenced approved training courses at the TTCs and the number of students who have completed these training courses. Program lead times mean that the first of these reports are only due in March 2011. DEEWR's oversight in this regard will be important in monitoring the return on the Government's investment in TTCs.

*Data issues in reviewing project progress*

**4.29** In the early stages of the program, DEEWR used a spreadsheet to track the progress of program projects using data gathered from PSS documentation (payments were not based on the data in the spreadsheet).

**4.30** The ANAO found inconsistencies in the data which suggested it had not been validated or subjected to quality checks. Issues identified in tracking project reporting on milestone two, for example, included:<sup>93</sup>

- nine projects flagged by DEEWR as meeting milestone two on time, despite the actual date recorded being after the due date;
- four projects flagged by DEEWR as not meeting milestone two even though the commencement date recorded was before the due date; and
- twelve projects, for which the commencement date of the milestone had passed, had not been flagged as being behind schedule.

**4.31** Despite these findings, the ANAO noted evidence of DEEWR pursuing late milestone achievement and related reporting with education authorities and schools. DEEWR has advised that it expects to automate its milestone tracking (from April 2011), and is working to improve the quality, reliability and validity of data. This should facilitate more accurate and timely milestone reporting and monitoring of project progress. Accurate and timely information about project performance is important in managing the program. There is a high level of Parliamentary and media interest in the program and its achievements.

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<sup>93</sup> Similar issues were identified with tracking other milestones.

### *Timely achievement of milestones*

**4.32** The ANAO analysed the data used by DEEWR to monitor progress of the 125 projects underway as at 13 July 2010. The data indicated:

- in relation to milestone two (commencement of construction): only 31 per cent of projects met the due date;
- in relation to milestone three (mid-point of construction): only 15 per cent of projects met the due date; and
- in relation to milestone four (completion of construction): only 27 per cent of projects met the due date.

**4.33** It would be beneficial if, in automating milestone tracking, DEEWR could also use the information gathered on progress against milestones to improve overall reporting on program progress. This reporting would be greatly improved if it indicated the extent to which projects were on time in achieving their milestones, and the reasons for any delays. In the absence of program targets (as discussed further in Chapter 5), the summary reporting of this information would give stakeholders a clearer picture about the progress being made and the extent to which the program is broadly on track.

### **Acquittal of project funds**

**4.34** The CGGs state that:

Reliable, timely and adequate evidence is required to demonstrate that grant funds have been expended in accordance with the terms and conditions of the funding agreement. The stringency of acquittal procedures should be balanced against the level of risk and take into account the cost of compliance.<sup>94</sup>

**4.35** Government education authorities are required to submit an *Annual Acquittal Statement* for program funding by 1 August each year over the term of the funding agreement.

**4.36** Non-government education authorities are required to submit an *Annual Report and Financial Accountability Statement* by 30 September each

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<sup>94</sup> Finance, *Commonwealth Grant Guidelines*, op. cit., p.25.

year.<sup>95</sup> Non-government sector acquittal reports must be supported by an independent audit statement to verify their accuracy.

**4.37** These acquittals are to be prepared in accordance with the Australian Accounting Standards and must:

- declare that funds have been spent in accordance with the agreement; and
- set out the income and expenditure in respect of the funding provided for each school project.

**4.38** The requirements are more detailed for non-government schools, involving reporting on, among other matters, details of administrative services provided and interest received and expended during the year.

**4.39** For 2009, DEEWR did not receive any of the *Annual Acquittal Statements* from the government education authorities by the dates specified in funding agreements. The delay ranged from two to 10 months for those received. In response to preliminary audit findings, DEEWR advised that all the required statements have now been received.

**4.40** The non-government education authority *Annual Report and Financial Accountability Statements* were all provided to DEEWR within, on average, one month of the due date.

**4.41** Although there are remedies in the agreements for non-compliance with acquittal requirements, DEEWR has chosen not to apply them and instead elected to negotiate where requirements have not been met. This is consistent with the program's partnership arrangements. While this approach is reasonable, particularly during the program's initial phases, there remains scope to improve the timeliness of acquittals and the quality of information reported for future reporting periods. DEEWR should continue to explore practical program management options in this regard.

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<sup>95</sup> The different reporting dates are based on government and non-government education authority reporting cycles.

## Other compliance monitoring arrangements

**4.42** The funding agreements established by DEEWR for the program include a range of conditions directed towards the appropriate use of funding by education authorities and schools. Having established funding conditions, it is then necessary for DEEWR to gain assurance they are being met.

**4.43** In May 2010, over two years after the establishment of the program, DEEWR finalised a program compliance strategy. The strategy recognised that:

To date, compliance monitoring has been achieved via school visits on an ad hoc basis to coincide with other activities including meetings with stakeholders. However the primary aim of these visits has been to discuss with schools their experiences of the Program and processes and to address any issues they may be experiencing ... The roll out of construction has meant that the level of monitoring activity associated with verifying construction milestones has been relatively low.<sup>96</sup>

**4.44** As a result, DEEWR has relied for the most part on reporting by the education authorities, as provided for in the partnership arrangements.

**4.45** The newly approved strategy covers compliance monitoring in relation to the construction phase of projects, their designated use and also their ongoing sustainability. Implementation of a more rigorous approach to compliance will help manage some key program risks. For example, DEEWR's planned monitoring during the construction phase includes a check of the education authorities' release of funds to participating schools, including the amount and timing, to ensure that funds are not being released ahead of milestones being achieved.

**4.46** DEEWR proposes that a randomly selected sample of 25 per cent of approved projects from each funding round will undergo a compliance check during the construction and post-construction stages. Implementation of the proposed compliance strategy should be given priority by DEEWR, so that the findings can be used promptly to refine application processes, funding agreements and monitoring activities, as appropriate, in support of program progress and outcomes.

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<sup>96</sup> TTCSP *Compliance Strategy*, May 2010.

**4.47** Future compliance monitoring could be further enhanced by tailoring the allocation of available compliance resources according to the program management approaches of education authorities and schools, and the attributes of the different types of projects.<sup>97</sup> In circumstances where program resources are limited, it would also allow the department to better target the resources at its disposal for compliance work.

## Conclusion

**4.48** DEEWR has established a funding framework for the program that overall provides a reasonable basis for program and accountability arrangements. However, there have been delays in acquittal reporting, in particular from government education authorities. DEEWR's compliance monitoring has been limited to date, but the department is now introducing a more structured approach to compliance monitoring. Effective compliance monitoring would form a basis of refinement of application processes and funding agreements, and future monitoring activities, in support of program progress and outcomes.

## Recommendation No.2

**4.49** The ANAO recommends that DEEWR implement the program compliance strategy, and use the findings to inform:

- refinement of application processes and funding agreements; and
- tailoring of future compliance monitoring according to the program management approaches of education authorities and schools, and the attributes of the different types of projects.

## Agency response

**4.50** Agree. As noted by the ANAO (paragraphs 24 and 4.43), DEEWR has developed a more structured and detailed approach to compliance monitoring

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<sup>97</sup> The level of devolution of responsibility for financial decisions varies between education authorities and in some cases within them. The independent schools sector is composed largely of self-managing schools, which have complete autonomy in decision-making on financial matters. Decision-making on financial matters in school systems, on the other hand, is generally more centralised with the greatest level of centralisation existing in the government sector. Australian National Audit Office, *Building the Education Revolution-Primary Schools for the 21<sup>st</sup> Century*, Audit Report No 33, 2009-10, p. 131.

with the finalisation of a Trade Training Centres in Schools Program Compliance Strategy in May 2010. This strategy is currently being implemented.



## 5. Measuring and Reporting Program Performance

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*This chapter examines DEEWR's measuring of and reporting of performance and outcomes. It also examines the distribution of program funding or projects by location, education sector and qualifications to be delivered.*

### Introduction

**5.1** An effective performance monitoring and reporting framework can contribute to successful program management through informed decision-making and use of resources, as well as appropriate accountability.<sup>98</sup> Performance information provides evidence about performance and may be quantitative or qualitative, and should be verifiable.

**5.2** The ANAO examined:

- the Portfolio Budget Statements (PBS)<sup>99</sup> performance information framework for the program, and information reported on the program in DEEWR's annual report;
- other internal and external performance reporting for the program, including under the recently established program *Reporting and Evaluation Strategy*; and
- the distribution of program funding or projects by location, education sector and qualifications to be delivered, and alignment of funding and projects with the program's priorities.

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<sup>98</sup> Derived from ANAO Audit Report No.23 2006–07, *Application of the Outcomes and Outputs Framework*.

<sup>99</sup> 'PB Statements set out the proposed allocation of resources to achieve Government outcomes. They set out performance information targets for departmental and administered programs. Annual reports report on the achievement of those targets.' Department of the Prime Minister and Cabinet *Requirements for annual reports for departments, executive agencies and FMA Act bodies*. [Internet] available from <[http://www.dpmc.gov.au/guidelines/docs/annual\\_report\\_requirements.pdf](http://www.dpmc.gov.au/guidelines/docs/annual_report_requirements.pdf)> [accessed 23 August 2010].

## Portfolio Budget Statements performance information framework and annual reporting

5.3 A sound performance information framework provides the basis for agency accountability. The PBS sets out the performance information framework, with results subsequently reported in annual reports. Against this background, DEEWR is responsible for the development of a collection of indicators and measures which best capture the program, its performance and the impact that such changes have on achieving the Government's outcomes.<sup>100</sup>

### Portfolio Budget Statements performance information framework

5.4 Resources controlled by the Australian Government but administered by agencies are known as administered items, and are appropriated to a particular outcome in the annual appropriation acts.<sup>101</sup> The performance framework defined by DEEWR for the 2010–11 PBS was developed in the context of Operation Sunlight<sup>102</sup> and addressed, in that context, the need to improve 'the relevancy of outcome statements'. The outcome, program objectives and performance indicators relevant to the program are set out in Table 5.1.

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<sup>100</sup> Department of Finance and Deregulation, *Guidance for the Preparation of the 2010-11 Portfolio Budget Statements*, 2010, Canberra, p. 23. [Internet] available from <http://www.finance.gov.au/budget/budget-process/docs/Guidance-for-the-Preparations-of-the-2010-11-Portfolio-Budget-Statements.pdf> [accessed 8 November 2010].

<sup>101</sup> Appropriation Acts authorise expenditure or have the effect of increasing, altering the destination of, or extending the purpose of an existing appropriation. Department of the Prime Minister and Cabinet *Requirements for annual reports for departments, executive agencies and FMA Act bodies*. [Internet] available from <[http://www.dpmc.gov.au/guidelines/docs/annual\\_report\\_requirements.pdf](http://www.dpmc.gov.au/guidelines/docs/annual_report_requirements.pdf)> [accessed 23 August 2010].

<sup>102</sup> Operation Sunlight was a reform program of the 2007 Government that was designed to improve the openness and transparency of public sector budgetary and financial management and to promote good governance practices.

**Table 5.1****DEEWR's Portfolio Budget Statements performance information framework for the program**

Outcome	The Trade Training Centres in Schools Program is an administered item located within DEEWR Outcome 2 – 'Improved learning and literacy, numeracy and educational attainment for school students, through funding for quality teaching and learning environments, workplace learning and career advice'.
Program objective	<p>Trade training is an important element of the government's workforce development agenda and will help address national skills shortages in traditional trades and emerging industries by improving the relevance and responsiveness of trade training programs in secondary schools.</p> <p>In addition, trade training will contribute to increasing the proportion of students achieving at least a Year 12 or equivalent Certificate II training to 90 per cent by 2015 as agreed by COAG in April 2009. Trade training in schools provides students with access to high quality, relevant education and training opportunities that continue to engage them and encourage them to complete their studies.</p>
KPIs to measure program effectiveness	<p>The effectiveness of trade training will be measured by its impact on the following indicators:</p> <ul style="list-style-type: none"> <li>• trend in number of students participating in vocational and technical education in schools;</li> <li>• trend in Year 12 or equivalent attainment;</li> <li>• trend in retention rates for Year 11 and 12 students; and</li> <li>• trend in Indigenous and non-Indigenous Students' Year 12 or equivalent attainment rates.</li> </ul>

Source: 2010–11 DEEWR PBS.

**5.5** Since commencement of the program, DEEWR has refined the program's initial performance information framework in the PBS, revising the outcome statement and also increasing the number of effectiveness indicators. As shown in Table 5.1, higher level performance measures now include the 'trend in [the] number of students participating in vocational and technical education in schools and trend in Year 12 or equivalent attainment'. The effectiveness indicators are now more comprehensive in addressing the program's objectives.

**5.6** DEEWR will gather the data to measure the PBS trend indicators from the Australian Bureau of Statistics and the Ministerial Council for Education, Early Childhood Development and Youth Affairs. While there are inherent complexities in obtaining comparable data across jurisdictions, there would be merit in DEEWR reporting in the program performance information

framework the gap that existed in 2008 between the percentage of students already achieving Year 12 (or an equivalent) and the 2015 goal of 90 per cent.<sup>103</sup> Similarly, there would be benefit in developing target trend data, such that DEEWR could assess progress and take any remedial action necessary.

5.7 It is recognised that progress against the effectiveness measures, particularly Year 12 (or equivalent attainment) and Year 11 and Year 12 retention rates will be affected by a wide range of factors, including the activities of stakeholders and other DEEWR programs. As indicated by the program objective, the program is one of several Australian Government programs that seek to contribute to improved Year 12 retention rates; as a result, it will be difficult to establish a definitive link between any improvement and the program.

5.8 To undertake a more complete assessment of program outcomes, DEEWR will also need to consider other factors which contribute to program objectives including the number of TTC graduates proceeding through the program and onto paid employment relevant to their training. In this respect, DEEWR has identified 'preliminary' indicators in the *Reporting and Evaluation Strategy* for the program approved earlier this year that are also designed to address key program objectives (see Table 5.2). These indicators cover matters such as qualifications delivered and the transition of students to employment and further training.

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<sup>103</sup> A 2006 Australian Bureau of Statistics report stated that 25 per cent of Australians left school early, a figure that increased to 60 per cent for young Indigenous Australians. ABS, *Schools Australia*, 2006, cited in, *Labor's Education Revolution: New Directions for Vocational Education and Training: Trades Training Centres in Secondary Schools*, K Rudd and S Smith Australian Labor Party, May 2007, p. 4.

**Table 5.2****Preliminary indicators**

Increase the proportion of students achieving Year 12 (or an equivalent certification)	The proportion of students completing a Year 12 (or equivalent qualification).
Address national skills shortages in traditional trades and emerging industries by ensuring that students have access to high quality, relevant education and training opportunities that continue to engage them and encourage them to complete their studies.	The number of TTCs that are delivering qualifications in identified areas of skill shortages.
Improve student access to trade training facilities that meet industry standards.	Number of TTCs that have been established (possibly split by geographical area/remoteness).
Assist young people to make a successful transition from school to work or further education or training.	Increase in students undertaking employment or further training after completion of Year 12.

Source: DEEWR Reporting and Evaluation Strategy.

**5.9** DEEWR seeks data relevant to these preliminary indicators through the application process and under program funding agreements. Under these agreements, additional school baseline information on student numbers and qualifications will be provided by schools from March 2011. As this data becomes available, DEEWR should consider how best to reflect it in the PBS performance information framework to improve the transparency of program outcomes.

**5.10** None of the current performance measures addresses the timeliness of construction or upgrades of TTC facilities. As a result there is a lack of transparency of the adequacy of progress in the development of program infrastructure, which underpins the achievement of the planned outcomes. DEEWR's experience to date with grant application round outcomes, and project approval and construction timelines could assist in the development of project demand and completion estimates. This would provide a basis for public reporting on the progress of the development of TTC facilities, while also informing expectations regarding likely movements in key trends over time, such as students participating in vocational and technical education.

## Shared outcomes

**5.11** The TTC project delivery involves devolved delivery arrangements, and in establishing the program's performance information framework DEEWR needed to take account of the contribution to the outcome of education authorities and schools. The PBS acknowledges that this program, and others that fall under DEEWR's Outcome 2,<sup>104</sup> involve collaborative arrangements with the states and territories, although not specifying DEEWR's specific area of influence and the contributions of the other participants.<sup>105</sup> The PBS could use explanatory text to better specify DEEWR's expected contribution to the shared outcome.<sup>106</sup>

## Changes in annual reporting over time

**5.12** Good performance reporting involves the use of accurate, consistent and complementary information which provides a balanced and coherent snapshot of an agency's achievements within a strategic context.<sup>107</sup>

**5.13** Outcome reporting so early in the life of the program is a challenge, particularly given the capital program's long planning and construction lead-times, and that the first TTC students completed Year 12 at the end of 2010. The key performance indicators now in the PBS will only begin to have relevance from 2011, and it will take several years for trends to become apparent.

**5.14** In the first three annual reports that dealt with the program, DEEWR reported on the establishment of the program's partnership arrangements, the completion of successive funding rounds and the number of schools and projects funded. As discussed at paragraph 5.10, DEEWR has not included in its annual reporting commentary on the adequacy of progress in developing TTC infrastructure, which is the basis of program delivery. Including annual

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<sup>104</sup> As mentioned above, DEEWR's Outcome 2 is focused on 'Improved learning and literacy, numeracy and educational attainment for school students, through funding for quality teaching and learning environments, workplace learning and career advice.' DEEWR, 2010, Portfolio Budget Statements 2010-11, Canberra, p. 47.

<sup>105</sup> ANAO *Better Practice Guide-Better Practice in Annual Performance Reporting*, Canberra, 2004, p. 10.

<sup>106</sup> ANAO, *ibid.*, p. 10.

<sup>107</sup> *ibid.*, p. 33.

reporting on this aspect in the short to medium term is of particular importance given the program remains predominantly in a construction phase, and existing key performance indicators will provide limited insight into program achievements over the same time horizon.

**5.15** DEEWR's annual reporting on the program would also be improved if it addressed the extent to which the program achieved its objectives for the year under review rather than reporting on activities. This would align the annual report more fully with the better practice principle that agencies explain how well they performed during the relevant period in meeting objectives, not just stating activities.<sup>108</sup>

## Other performance reporting

**5.16** In addition to preparing its annual report, DEEWR has undertaken other internal and external reporting for the program, and recently developed a program *Reporting and Evaluation Strategy*. The ANAO reviewed this reporting and the strategy.

## Other reporting

**5.17** DEEWR defined measures that could be used for the program in its CIU implementation plan (see paragraph 2.5). These included indicators in relation to the program's implementation, ongoing monitoring and outcomes. Figure 5.1 provides an example, listing some of the performance indicators for program management. The CIU implementation plan also details the type of information needed for this reporting, its collection cost and method and the frequency of reporting.

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<sup>108</sup> *ibid.*

**Figure 5.1**

**Program implementation performance indicators**

- Is the funding envelope being effectively managed?
- Are the level and quality of applications being efficiently managed?
- Is the assessment process being equitably managed?
- Is the programme effectively promoting partnerships?
- Is the programme effectively targeting priority areas?<sup>109</sup>

Source: DEEWR's CIU implementation plan.

**5.18** Early in the life of the program, DEEWR was required to report to the CIU on its progress with implementation. DEEWR provided the CIU with reporting, using the required template, on program activity levels (such as the numbers of applications received) for the required period.

**5.19** DEEWR has also provided regular reporting on the program's progress to the Minister's Office and DEEWR's Departmental Implementation Steering Committee, which oversees the department's new initiatives and reports to DEEWR's Executive monthly. In 2010, DEEWR also instituted a monthly report specifically on the program to the Minister's Office and senior DEEWR management. These two reports are operationally focused with, for example, reporting on payments and progress with funding rounds.

**5.20** This is important information for DEEWR managers but the reporting would be more useful if it also specifically addressed the performance indicators in Figure 5.1 from time to time. Reporting against such measures would provide additional insight on the success of the program, while prompting consideration of any suitable actions in circumstances when the program was not on track.

**5.21** DEEWR established during 2010 a *Reporting and Evaluation Strategy* for the program that is discussed below.

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<sup>109</sup> DEEWR, *DEEWR Implementation Plan, Measure: Trade Training Centres in Schools Programme*, DEEWR, February 2008, p. 11.



## Program reporting and evaluation strategy

**5.22** DEEWR is responsible for evaluating the program's achievement of outcomes over the life of the program, in conjunction with stakeholders. In April 2010, DEEWR established a *Reporting and Evaluation Strategy* for the program. The three-stage strategy (see Table 5.3) is designed to provide a framework for the reporting on, and evaluation of, the program for the next five years, by assessing the extent to which the program achieves its objectives and the success of its implementation. The strategy, which was approved by the then Minister, will also examine the role of the program in contributing to broader COAG education reforms.

**Table 5.3**

### DEEWR Reporting and Evaluation Strategy for the program

DEEWR reporting and evaluation strategy for the program	
Stage 1	Periodic reports that document program implementation prior to the 2010 post-implementation review, focusing on inputs and outputs in the absence for the time being of program outcomes.
Stage 2	A post-implementation operational review to be conducted in late 2010 focusing on the first two rounds.
Stage 3	A comprehensive evaluation planned for 2012–13.

Source: DEEWR.

**5.23** For Stage 1 of the strategy, DEEWR's current internal reporting on the program provides data on a range of matters, including the number of schools expected to benefit over the life of the program (projected at 2653 at August 2010), details of funding breakdowns and approved qualifications by industry.

**5.24** Stage 2 of the strategy involves the conduct of a post-implementation operational review that will examine program implementation following the first two funding rounds. The review was expected to be completed by the end of January 2011. DEEWR advises that its findings will underpin recommendations on TTC operational processes as the focus of the program shifts to operating TTCs, further funding rounds and the development of NP arrangements.

**5.25** Stage 3 of the strategy provides DEEWR with an opportunity to move beyond the focus on operational and implementation matters. To this end, some of the issues the strategy envisages exploring include the views of key stakeholders on, inter alia, the promotion of the program, and its impact on retention rates and the numbers of Certificate II and III qualifications in skill shortage or emerging industry areas. The evaluation is also an opportunity for

DEEWR to consider whether the program has fulfilled the intent of its value for money criterion.

**5.26** Consideration of evaluation arrangements of this kind should not be left until after implementation. Consideration of evaluation arrangements at the earliest opportunity supports optimisation of available evaluation approaches, including through timely gathering of baseline information. Nevertheless, the program evaluation strategy has the potential to provide DEEWR with strong insight into the effectiveness of the program, particularly as the program's long lead-times assist in the timely identification of baseline data.

## **Distribution of funding and projects**

**5.27** To provide some initial insight on the potential impacts of the program, the ANAO examined the distribution of program funding and projects for Rounds 1 and 2, and considered whether there was alignment with the program's objectives and priorities.

### **Location of trade training centres**

**5.28** As previously discussed (see paragraph 1.10), the program has a number of priorities including to:

support secondary school communities with Indigenous students, and students from rural, regional or other disadvantaged communities.<sup>110</sup>

**5.29** The locations of the 230 TTCs funded in Rounds 1 and 2 are illustrated in Figure 5.2. The figure shows that a large number of the TTCs funded are located in regional or remote areas.

**5.30** At 4 January 2011, 210 projects had executed agreements in place, involving 48 completed projects and another 162 were in the planning, procurement and construction stage. DEEWR also advised that up to 68 TTCs were expected to be operational from the start of the 2011 school year.

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<sup>110</sup> DEEWR, *Program Guidelines*, 2009, op. cit., p. 2.

**Figure 5.2****Location of Trade Training Centres funded in Rounds 1 and 2**

Source: ANAO based on DEEWR documentation.

### *Regional and remote funding*

**5.31** ANAO analysis indicated that, for Rounds 1 and 2, regional and remote areas received relatively high proportions of TTC funding compared to their population shares (see Table 5.4):

- TTCs located in regional areas received \$423.4 million in funding. This represents over half (52 per cent) of total TTC funding provided, which is significantly higher than the proportion of the Australian population (29 per cent) living in regional areas; and
- TTCs located in remote areas received \$53.5 million in funding. This represents seven per cent of total TTC funding provided, which is over three times higher than the proportion of the Australian population (two per cent) living in remote areas.

5.32 The program includes priorities of supporting Indigenous students, students from regional and other disadvantaged communities, and establishing regional skills hubs. The TTC spread provides evidence that the design of the application process, including the assessment criteria and scoring process, is supportive of applications from regional and remote areas.

Table 5.4

**Total Trade Training Centre funding (Rounds 1 and 2) by Accessibility Remoteness Index of Australia (ARIA)<sup>111</sup> Remoteness Indicator**

ARIA category	Total TTC funding	TTC funding share	Population share
Major Cities	\$332.9m	41%	69%
Regional	\$423.4m	52%	29%
Remote	\$53.5m	7%	2%

Source: ANAO based on 2006 Census data.

**Distribution of funding by education sector**

5.33 The program guidelines state that:

In the initial stages of the Program, funding will be prioritised to secondary schools with the greatest need for, and capacity to benefit from, a new or upgraded Trade Training Centre. Over the life of the Program, the Australian Government aims to achieve an equitable distribution of funding among states, territories and across education sectors. The final distribution of funds will, however, depend on the quality of applications received from each sector in each state and territory.<sup>112</sup>

5.34 The distribution of funding among the educational sectors for Rounds 1 and 2 is illustrated in Figure 5.3.

5.35 Government schools have received the largest share of TTC funding and have also had the highest success rate in terms of application approval.

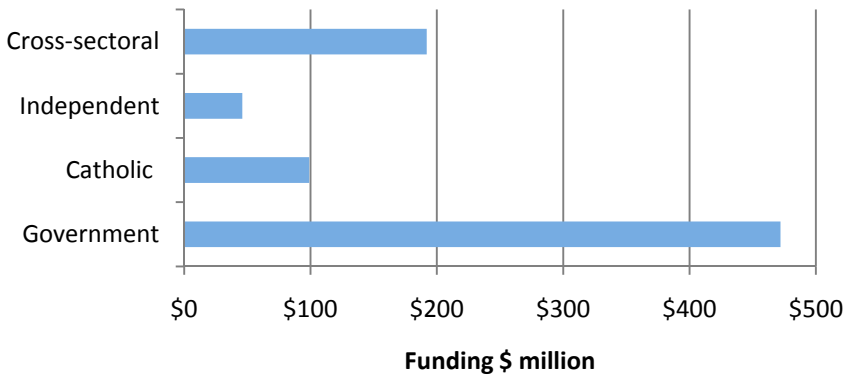
<sup>111</sup> ARIA was defined by the University of Adelaide as a joint project with the Department of Health and Ageing in 1999 as a geographic approach to defining remoteness. ARIA is a continuous varying index with values ranging from 0 (high accessibility) to 15 (high remoteness), and is based on road distance measurements from 11,879 populated localities to the nearest service centres in five size categories based on population size. [Internet] available from <[http://gisca.adelaide.edu.au/projects/aria\\_project.html](http://gisca.adelaide.edu.au/projects/aria_project.html)> [accessed 8 November 2010].

<sup>112</sup> DEEWR, *Trade Training Centres in Schools Program Guidelines*, 2009, op. cit., p. 1.

Independent schools have received the lowest share of TTC funding and have also had the lowest success rate in terms of application approvals (see Table 1.2).

**Figure 5.3**

**Disbursement of Rounds 1 and 2 Trade Training Centre project funding by educational sector**



Source: ANAO based on Round 1 and 2 funding amounts announced on DEEWR's program website.

**5.36** These results are partly attributable to differing need and capacity to benefit across education sectors. The results also highlight areas of focus for DEEWR to achieve a broad distribution of funding across all types of schools over the life of the program. In this respect, DEEWR has advised that it is developing mechanisms to increase the level of support available to schools from the independent sector with a view to improving the quality of their applications and, potentially, their access to program funds.

## Qualifications to be delivered

**5.37** Another of the program priorities was to:

allow a student to enrol in a Certificate II or above qualification in traditional trades experiencing skills shortages or emerging industries, and provide guaranteed and accessible pathways [to achieving qualifications] for the students.<sup>113</sup>

<sup>113</sup> DEEWR, 2009, *Program Guidelines*, op. cit., p. 2.

**5.38** The ANAO examined a sample of 46 Round 1 TTC projects (see Table 5.5) and found they are expected to provide training in a broad range of trades including the automotive and engineering, construction and food trades. Almost half of the sample (43 per cent) will provide training in emerging industry areas including: production horticulture; laboratory skills; electro-technology; manufacturing technology; and process manufacturing. Over one-third (39 per cent) will provide training in other trades, such as furniture making, picture framing, printing and graphic arts and hairdressing.

**Table 5.5**

**Types of trade qualifications to be delivered resulting from Round 1 Trade Training Centre projects**

Trades approved for delivery by TTCs	Number of TTCs	Percentage
Automotive and engineering trades	30	65%
Construction trades	29	63%
Food trades	27	59%
Emerging Industries	20	43%
Skilled animal and horticultural workers	20	43%
Electro-technology and telecommunications trades	5	9%
Other technicians and trades	18	39%

Source: ANAO analysis of DEEWR data.

Note: The percentages in this Table are not required to add up to 100% as a single TTC may deliver multiple courses.

**5.39** For the sample of school projects examined, a broad range of trades on the National Skills Needs List and in emerging industries were to be taught, involving 84 Certificate II and 293 Certificate III courses.

**5.40** There were indications, in terms of the kinds of skills to be taught, the focus on need and awarding of funds, that the implementation strategy was contributing to program objectives and priorities.

## Conclusion

**5.41** Over the life of the program, DEEWR has strengthened the program's Portfolio Budget Statements performance information framework by including additional key performance indicators to measure program effectiveness. While there are inherent complexities in obtaining comparable data across jurisdictions, there would be merit in DEEWR reporting in the program performance information framework the gap that existed in 2008 between the

percentage of students already achieving Year 12 (or an equivalent) and the 2015 goal of 90 per cent. Similarly, there would be benefit in developing understanding of adequate progress over time in relation to the trend indicators, such that DEEWR could assess progress and take any remedial action necessary.

**5.42** To undertake a more complete assessment of program outcomes, the department will also need to consider other factors which contribute to the program objectives, such as the number of TTC graduates proceeding through the program and onto paid employment in their areas of expertise. To this end, DEEWR is now implementing a *Reporting and Evaluation Strategy* for the program, which further explores the impact of the program on retention rates and qualifications.

**5.43** None of the overall program performance measures, and consequential public reporting, address the timeliness of construction or upgrades of TTC facilities. As a result, it is difficult for program stakeholders to assess the extent to which the program is on track in developing the infrastructure that underpins the achievement of planned outcomes. DEEWR's experience to date with grant application round outcomes, and project approval and construction timelines could assist in the development of project demand and completion estimates. This would provide a basis for public reporting on the progress of development of TTC facilities, while also informing expectations regarding movements in key performance trends over time, such as students participating in vocational and technical education.

**5.44** At this stage, project lead times are such that it is not possible to assess fully the extent to which the program is achieving its planned outcomes. Early indications are that, in terms of the focus on need, awarding of funds, and the kinds of skills to be taught, program priorities are being addressed.

### Recommendation No.3

**5.45** The ANAO recommends that DEEWR strengthen the program performance information framework, in the Portfolio Budget Statements, and public reporting on performance, by defining and reporting against:

- overall expectations for the timing of development of Trade Training Centre infrastructure;
- the baseline level of Year 12 retention at the commencement of the program; and

- additional performance measures that relate to the program objective of addressing national skills shortages in traditional trades and emerging industries.

## Agency response

**5.46** Agree. The Department agrees that strengthening the performance information framework should remain a priority for the program. The Department notes the activities proposed by the ANAO in this recommendation and will consider their implementation in the context of:

- The overall expectations of timing of the delivery of Trade Training Centre infrastructure is detailed in the Department's Portfolio Budget Statement, including that the Program is to achieve its aims over a ten year period. The program is delivered in partnership with government and non-government education authorities to ensure that all secondary school students have access to the program.
  - The Trade Training Centres in Schools Program is one of a suite of programs intended to contribute to the improvement of Year 12 retention rates. While the Year 12 apparent retention rate is publicly reported in the Report on Government Services each year, the COAG Reform Council has been given the responsibility for monitoring Year 12 attainment data.
  - The Trade Training Centres in Schools Program operates along with other Government initiatives aimed at addressing skills shortages in traditional trades and emerging industries. While trend data in national skill shortage areas in traditional trades and emerging industries provide an important and appropriate performance measure, changes in these trends cannot be solely attributed to this specific initiative.
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Ian McPhee  
Auditor-General

Canberra ACT  
2 February 2011



# Appendices



## Appendix 1: DEEWR response

The Trade Training Centres in Schools Program (the Program) represents one of the most significant investments in education, skills and training undertaken with a commitment to invest \$2.5 billion to provide facilities which will enhance vocational education opportunities for all students from Years 9 to 12 across Australia. The Program has a dual focus. It is one element of a suite of strategies designed to improve Year 12 or equivalent qualifications while at the same time offering training opportunities in industry standard facilities to prepare students for work in skilled occupations upon finishing school.

The Government has committed for the Program to operate over ten years. The audit examined Rounds One and Two, with Round One having a 100-day deadline to launch the Program. As noted by the ANAO, Round One of the Program was developed and the first Round announced within this challenging timeframe. The Program's design, implementation and delivery has been undertaken in a collaborative manner with education authorities in the government and non-government sectors as well as with industry representatives. While preceding formal National Partnerships developed by the Council for Australian Governments (COAG), the Program operates in the same spirit.

A continuous improvement regime lies at the centre of the Program, which is noted by the ANAO in the report. In particular, as indicated by the report:

- DEEWR moved quickly to establish governance arrangements for the Program including the establishment of a taskforce responsible for planning and implementation which was overseen by an Inter-Departmental Committee,
- the Program guidelines are clear and informative and there are effective collaborative arrangements with education authorities,
- the automation of application assessments from Round Two further strengthens data collection and improves scoring and ranking methodologies,
- a comprehensive strategy for monitoring the establishment and progress of individual projects has been developed,
- there has been increased focus and sustained effort on monitoring and risk management,

- the robustness of the Program's reporting and evaluation strategy provides a strong insight into the effectiveness of the Program, and
- the records management system has been strengthened.

With up to 68 Trade Training Centres expected to be operational from the commencement of the 2011 school year, the Program is building the momentum to enhance the vocational educational opportunities for Australian secondary students.

The construction of Trade Training Centres throughout Australia ensures that Australia has the infrastructure in place to support all students seeking a vocational pathway in their secondary schooling.

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