

The Auditor-General

Corporate Governance Framework

Australian Electoral Commission

Australian National Audit Office

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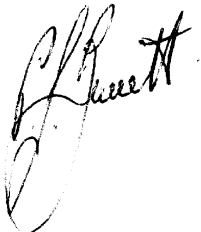
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Canberra ACT
3 July 1998

Dear Madam President
Dear Mr Speaker

The Australian National Audit Office has undertaken a performance audit of the Australian Electoral Commission in accordance with the authority contained in the *Auditor-General Act 1997*. I present this report of this audit, and the accompanying brochure, to the Parliament. The report is titled *Corporate Governance Framework*.

Yours sincerely



P. J. Barrett
Auditor-General

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

AUDITING FOR AUSTRALIA

The Auditor-General is head of the Australian National Audit Office. The ANAO assists the Auditor-General to carry out his duties under the *Auditor-General Act 1997* to undertake performance audits and financial statement audits of Commonwealth public sector bodies and to provide independent reports and advice for the Parliament, the Government and the community. The aim is to improve Commonwealth public sector administration and accountability.

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Abbreviations

ACEPS	Achieving Cost Effective Personnel Services
Activity□Based Costing	Attributing a set amount of resources across a number of activities by apportioning effort spent on each activity.
AEC	Australian Electoral Commission
AECPAY	Australian Electoral Commission Payment of Casual Staff System. This system is an automated pay processing system for AEC casual employees and in particular election casuals, polling officials and electoral review officers.
AEC 2000	A detailed planning exercise for an organisational restructure undertaken by the AEC in late 1996.
AEO	Australian Electoral Officer
AJRC	Australian Joint Roll Council
ANAO	Australian National Audit Office
ATSIC	Aboriginal and Torres Strait Islander Commission
BOMA	Building Owners' and Managers' Association (now known as the Australian Property Council)
CE Act	<i>Commonwealth Electoral Act 1918</i>
Central Office	The AEC's national office, based in Canberra
Collocation	Bringing together two or more Divisional Offices at a single geographic location.
CRU	Continuous Roll Update
DoFA	Department of Finance and Administration
DOPE	Procedures Manual for the Conduct of Elections in Divisional Offices
DRO	Divisional Returning Officer
EEO	Equal Employment Opportunity
Electoral Roll	The list of voters eligible to vote at an election
ELMS	Computerised Federal Elections Management System
EPES	Enrolment Parliamentary Elections Section
FAD	Funding and Disclosure. This is public funding of election campaigns and disclosure of certain financial details by candidates, political parties and other persons and groups who submit returns to the AEC.
FTES	Full-time equivalent staff
GEM	General Enrolment Manual
Head Office	State based office of the AEC (one located in each State and Territory, except the ACT)
HRAS	Human Resource Advisory Section
IA	Internal Audit
INTECH	Information Technology Strategic Planning Committee

IT	Information Technology
JSCEM	Joint Standing Committee on Electoral Matters
KRA	Key Result Area
MAB-MIAC	Management Advisory Board and Management Improvement Advisory Committee
PBS	Portfolio Budget Statement
PDP	Personal Development Plan
PIR	Performance Information Review
Polling Place Management System	The system maintains a national Polling Place register. It provides a management system for the appointment, abolition, change of name and changes of location of Polling Places.
RMANS	Computerised federal electoral roll management system
SOR	Statement of Requirements
TOOS	Training of Operational Staff
TOPS	Training of Polling Staff

Summary and Recommendations

Audit Summary

Australian Electoral Commission

1. The Australian Electoral Commission (AEC) was established as an independent statutory authority on 21 February 1984 under the *Commonwealth Electoral Act 1918* (CE Act). The Commission consists of three Commissioners, including the Electoral Commissioner (Chief Executive Officer). The AEC has a Central Office in Canberra, Head Offices in the States and the Northern Territory and 148 Divisional Offices. Staff of the AEC are appointed either under Division 4 of the CE Act, or Division 4 or 10 of the *Public Service Act 1922*

2. The Australian Electoral Officers (AEOs), the principal AEC electoral officers in the States and the Northern Territory, are independent statutory appointments. A temporary AEO is appointed for the Australian Capital Territory for the duration of each federal election. The AEOs manage the activities of the AEC in their State/Territory within the framework established by the CE Act.

3. The AEC has defined its purpose as being

'to conduct elections and referendums, to maintain the electoral roll and provide electoral information and education and education programs and related services'.¹

The functions of the AEC include the administration of election funding and financial disclosure provisions of the CE Act and the conduct of elections for the Aboriginal and Torres Strait Islander Commission (ATSIC) and industrial organisations and their members under the provisions of the *ASTIC Act 1989* and the *Workplace Relations Act 1996* respectively.

4. The AEC had an actual appropriation for 1996-97 of \$72.1 million and a staffing level of 764 staff at 30 June 1997.

Audit objective and criteria

5. The objective of the audit was to review whether the AEC's corporate governance framework was sound. In broad terms, the audit focused on:

- identifying and documenting the AEC's current planning and risk management processes, accountability structure and control procedures;

¹ AEC's Strategic Directions 1997-99.

- comparing these with acknowledged better practice to identify potential improvements;
- assessing the appropriateness of the current planning processes, accountability structure and control procedures;
- appraising, at a high level, the performance of the various functional processes with particular emphasis on the flow of information as it affects business operations;
- identifying opportunities for savings through techniques such as activity based costing and benchmarking methodologies, where appropriate; and
- the necessary actions required to address weaknesses and establish better management practices.

6. The Australian National Audit Office (ANAO) established key criteria against which to review the effectiveness of this framework. The key criteria are discussed at the beginning of each chapter of the report. In summary, the audit focussed on the following areas of the AEC's operations:

- strategic and operational planning;
- performance monitoring and reporting;
- the financial planning and control framework;
- identifying improvements and possible savings;
- procedures, guidelines and training; and
- review and evaluation.

Audit conclusion

7. The ANAO found that the AEC generally had a sound corporate governance framework in place. In particular, there were a number of elements of its arrangements which were operating satisfactorily, as follows:

- the AEC's system of internal review, including its audit committee, internal audit and evaluation functions, was considered to be sound and complied with the ANAO's Better Practice Guide;
- operational procedures and guidelines developed by the AEC were comprehensive and covered relevant operational issues and were developed in a consultative manner; and
- both operational and non-operational training were generally satisfactory.

8. As well, the AEC had established a sound basis for planning, risk management and performance monitoring in that the Commission had:

- a Strategic Directions 1997-99 document outlining a planning hierarchy which provides an appropriate basis for the development of plans;

- a National Operational Plan 1997-98 that clearly outlines corporate goals, strategies, principal activities and performance indicators/measures;
- State and Branch plans in the process of development that are directly linked to the National Operational Plan 1997-98;
- a number of functional plans for areas such as Equal Employment Opportunity² (EEO) and Information Technology;
- formal business resumption plans that are currently being developed; and
- a 1997 risk management package which is based on a 'whole of agency' approach, is logically structured and written in a clear and concise manner and has been supported appropriately by documentation.

9. The ANAO also identified the need for the AEC to use an overall business oriented approach to determine the extent to which the AEC should be involved in new work under the expanded section 7A of the CE Act.

10. The ANAO considers that the AEC's performance assessment framework could be improved by:

- ensuring that direct links between goals and performance indicators are developed as the hierarchy of plans is completed;
- ensuring that an appropriate balance of indicators is in place to measure (assess) inputs and outputs, including client service, as well as outcomes;
- setting targets (standards) for performance indicators that can be measured cost effectively;
- reviewing its current performance indicators and targets to determine whether they enable suitable assessment against longer-term performance forecasts as well as against shorter-term goals and strategies; and
- ensuring that its planning documents establish priorities for the various AEC activities.

11. The ANAO also found that the AEC's control structures, which underpin financial planning, monitoring and reporting, could be improved as follows:

- financial planning could be enhanced by explicitly linking the financial planning process to the National Operational Plan 1997-98 to ensure

² The ANAO notes that Equal Employment Opportunity requirements are now incorporated in the Workplace Diversity Programs established pursuant to the Public Service Commissioner's Managing Diversity Guidelines (February 1998).

that resource allocations are made in line with identified business priorities;

- in rationalising its committee structure and the links between various committees, the AEC needs to ensure that resource allocations are developed in line with overall business needs; the potential for duplication or gaps in the consideration of appropriate resource allocations is reduced; and the approval process is simplified in line with the requirements of sound corporate governance; and
- better management of the outsourced property management contract could be achieved by ensuring that information is collected against identified performance standards and used to determine whether the AEC is achieving value for money as well as anticipated savings.

12. In addition, the ANAO saw an opportunity to identify possible administrative savings in the AEC and used the Corporate Management area as an example. This involved the use of an activity-based costing methodology to compare the AEC's accounts payable and pay and conditions functions with established benchmarks. Using conservative estimates, the combined total savings would translate to an annual staff saving of approximately six full-time equivalent staff (FTES) or around \$266,000 in salary and allowances expenditure, excluding on-costs.

Recommendations

13. The ANAO has made fifteen recommendations aimed at improving the AEC's Corporate Governance Framework.

AEC response

14. The AEC agreed with all recommendations and indicated that the outcome of the audit will assist in facilitating a more cost effective corporate governance framework within the AEC.

Key Findings

Planning

15. The ANAO found that the AEC has developed a Strategic Directions document covering the years 1997-99 which sets out the hierarchy of AEC planning and reporting documents. The ANAO considers that this document provides a sound high level planning framework to guide the development of most of the necessary operational plans.

16. The AEC's National Operational Plan 1997-98, issued in November 1997, builds on the corporate goals as set out in Strategic Directions document. The plan sets out milestones and target dates, defines responsibilities, provides direction to staff to meet goals and serves as an appropriate foundation for the lower level planning documents.

17. The AEC has established a sound framework which underpins their National Operational Plan. However, the ANAO considers that there are a number of areas where the plan could be improved when it is next reviewed by:

- ensuring that the AEC strategies are linked directly to the corporate goals and that each strategy provides the means to achieve the specified goal, or that it is a lower level goal; and
- setting priorities for activities and indicating resource allocations to assist the AEC focus its resources on critical business activities.

18. At the time of the audit fieldwork, most of the Branch and State/Territory Operational Plans for the 1997-98 financial year were still being developed. The ANAO notes that while this was relatively late in the planning year, the AEC had been directing its efforts to completing the planning for AEC 2000 in a tight time frame. In line with general Australian Public Service practice, and in accordance with the planning hierarchy, the AEC has developed a number of functional plans to cover the contributions of specific activities which cross organisational and structural boundaries. The 1997-2000 Equal Employment Opportunity Plan³ was examined in detail, as an example of a recently developed functional plan, and found to be satisfactory.

³ The ANAO notes that Equal Employment Opportunity requirements are now incorporated in the Workplace Diversity Programs established pursuant to the Public Service Commissioner's Managing Diversity Guidelines (February 1998).

19. The AEC advised that that it has a Business Recovery Working Group currently completing business recovery assessments. These are designed to lead to the development of formally documented Business Resumption Plans.

20. The AEC has recently adopted a risk assessment methodology to assist in the management of its operations at the work unit level and put in place arrangements for the assessment of revenue generating activities. The AEC's methodology does not as yet extend to the level where risk assessment underpins organisational planning.

21. As with many other APS agencies, the nature of AEC operations and the opportunities available to it are changing. In light of these developments, the AEC needs to use a more business oriented approach to its planning and operations. This should enable the AEC to clarify its business goals to ensure that the outcomes to be achieved are known and measurable. This clarification of business goals will improve the AEC's overall corporate governance, for example by identifying priorities and allowing resource allocations to be made in line with these priorities.

22. Once such an approach is achieved, the AEC should identify the capacity needed to undertake any new business,⁴ or extensions of its existing business and re-assess its priorities as necessary. Finally, the AEC must determine whether it has the appropriate skills available for this work and ensure that consequential workloads are evenly distributed across the AEC's office network for better outcomes.

Performance information, monitoring and reporting

23. The ANAO found that the AEC has directed considerable effort towards developing performance information and measures and that the framework provides a sound basis for further development. The ANAO considers that the AEC could improve its performance assessment framework by ensuring that all performance indicators are effectively linked to corporate strategies, which in turn need to be linked to goals, so that they provide the necessary information to assess the effectiveness of the strategies in achieving specified goals.

24. The AEC does have process, output, outcome and client service measures but no input indicators. Without a balance of indicators which includes inputs, the AEC cannot fully assess achievement against goals, particularly cost effectiveness and the efficiency of processes.

⁴ Broadly, the AEC's core business is to conduct federal elections and referenda, industrial elections and ATSIC elections, and maintain the electoral roll.

25. While the ANAO also noted that the AEC had set target dates and milestones for its principal activities, it has not set targets for the majority of indicators or measures to enable achievement to be assessed to a defined standard. The ANAO found that the majority of the AEC's performance indicators would be capable of measurement once suitable targets are established.

26. The AEC's Annual Report for 1996-97 generally meets public accountability requirements but needs to be improved by linking outcomes to the agency's associated performance indicators so as to provide more useful information on the agency's efficiency and effectiveness.

27. The ANAO considers that recommendations relating to performance information will, when implemented, enhance both internal and external reporting in terms of assessing achievement against stated goals. They will both enhance management's effectiveness and improve accountability to stakeholders.

Financial planning and control framework

28. The ANAO found that the AEC has financial planning arrangements in place. However:

- these are not directly linked to the National Operation Plan;
- the various committees responsible for financial planning were not linked in a way which encourages an examination of overall business needs and reduces the potential for duplication or gaps in the consideration of efficient resource allocations; and
- the approval process was complex and had the potential to be less than effective.

29. The AEC advised that it had recently made changes to its committee structure. In rationalising its committee structure and the links between committees the AEC needs to ensure that resource allocations are developed in line with overall business needs, the potential for duplication or gaps in the consideration of appropriate resource allocations is reduced and the approval process is simplified in line with the requirements of sound corporate governance

30. The ANAO found that the AEC has monitoring and internal reporting mechanisms in place, particularly through the Assistant Commissioners for Elections and Enrolment and Corporate Services, Central Office Executive Committee and INTECH Committee. However, the ANAO suggested that the financial reports provided to members of the Management Board should be included in the agenda papers and the discussion of the report made formal by including it as a standing item on

the agenda for Management Board meetings. The AEC advised that financial reports are now a standing item for Management Board meetings.

31. Therefore, the ANAO considers that the AEC's control structures, which underpin financial planning, monitoring and reporting, could be improved.

Process improvement

Savings

32. The ANAO found that there was significant scope for efficiencies, and therefore savings, in the AEC's Corporate Management area. The ANAO considers that, even if a conservative approach was adopted by the AEC in relation to improvements within the accounts payable and pay and conditions areas (that is, improvements to achieve common or average practice, as opposed to best practice), there is scope for annual savings of approximately six full time equivalent staff (FTES) or around \$266,000 in salary and allowances expenditure, excluding on-costs. The ANAO considers an in-depth review of AEC operations would identify the full opportunities for such savings.

Property management contract

33. The property management function was contracted out in 1995. This arrangement is now in its third year. The AEC could not provide evidence of any action to monitor effectively against the performance standards contained in the contract.

34. It would be good practice for the AEC to monitor performance against the contract to determine whether it is achieving anticipated savings and value for money from the contractor. A review of the contract by AEC Internal Audit had been approved by management but had not commenced during the audit fieldwork. The contract is due for renewal in June 1998 and the conclusions of the review, which the AEC advised was completed in April 1998, should be considered during negotiations for the new contract.

Procedures, guidelines and training

Procedures and guidelines

35. The Electoral Commissioner's Directions address a comprehensive range of policies and related procedures. In addition, the AEC has guidelines and procedures that deal with the conduct of specific areas of the AEC's operations, outline clearly the policy and processes for the effective operation of the AEC and are easy to understand. The AEC has issued various documents relating to personal conduct but has not as yet

consolidated and reviewed these individual statements to form its own specific code of conduct.

36. The evidence indicates that there is appropriate staff consultation on the development and review of operational procedures and guidelines. The AEC reviews its guidelines and procedures in a manner that enables it to ensure their accuracy, relevance and currency. This review was first scheduled in 1994. The AEC advised that the evaluation has been finalised and is currently under consideration by the steering committee. Any changes to the operational procedures and guidelines that result from the review should be implemented before the next federal election.

Training

37. The ANAO found that the AEC does not have a current overall training strategy that is linked to the National Operational Plan 1997-98 but the agency has prepared a draft National Learning Strategy. In addition, the AEC prepares a National Learning Calendar. This provides a sound basis for coordination of training across States.

38. The ANAO notes that the AEC restructured its Central Office on 19 January 1998. As part of this new structure, the AEC has more clearly defined roles and responsibilities in relation to operational and non-operational training. The ANAO considers that this should result in a more consistent approach to the provision of training across States and enhanced delivery of training in the AEC.

39. The ANAO also found that the AEC does not currently report to the Management Board against the consolidated skill set outlined in the Personal Development Plans (completed by all AEC staff) to ensure that appropriate training was being provided in all relevant skill areas.

Review and evaluation

40. The ANAO found that the AEC's Audit Committee and Internal Audit functions are in line with the ANAO's *Better Practice Guide on Audit Committees*.⁵ The conduct of evaluations was also considered to be generally sound. However, the AEC has not yet developed an evaluation planning regime that is directly linked to the overall planning framework.

⁵ July 1997.

Recommendations

Set out below are the ANAO's recommendations with Report paragraph reference and the AEC's abbreviated responses. More detailed responses and any ANAO comments are shown in the body of the report. The ANAO considers that priority should be given to Recommendation Nos. 3, 6, 8 and 9.

Planning

Recommendation No. 1
Para. 2.18 The ANAO *recommends* that, to focus its resources on critical business activities, the AEC should regularly review its National Operational Plan to:

- ensure that the AEC strategies are linked directly to the corporate goals and that each strategy provides the appropriate means to achieve the objective; and
- set priorities for activities and determine appropriate resource allocations in line with an assessment of critical business activities.

AEC Response: Agreed.

Recommendation No. 2
Para. 2.30 The ANAO *recommends* that the AEC, as a priority matter, finalises the development of operational plans for each Central Office branch and State/Territory which are linked to the National Operational Plan to assist in ensuring that activities being undertaken at all levels of AEC operations are contributing to the cost effective achievement of overall goals and meeting assessed priorities.

AEC Response: Agreed.

Recommendation No. 3
Para. 2.61 The ANAO *recommends* that the AEC further develops, and uses, its risk management plan (and assessments) to underpin its operational planning so as to ensure that key risks are properly addressed, priorities are established and resources allocated in line with identified risks and management strategies.

AEC Response: Agreed.

Recommendation No. 4
Para. 2.91 The ANAO *recommends* that the AEC uses an overall business oriented approach to assist in identifying priorities, clarifying business goals and determining the extent to which it should be involved in new work under the expanded section 7A of the CE Act.
AEC Response: Agreed.

Performance information, monitoring and reporting

Recommendation No. 5
Para. 3.22 The ANAO *recommends* that the AEC reviews its performance assessment framework to ensure that its performance can be assessed cost effectively by:

- ensuring that direct links between goals and performance indicators are developed as the hierarchy of operational plans is completed and/or reviewed;
- setting appropriate indicators (measures) for each objective/strategy;
- ensuring that an appropriate balance of indicators is in place to measure inputs as well as outputs (including client service) and outcomes; and
- setting appropriate targets for each performance indicator.

AEC Response: Agreed.

Recommendation No. 6
Para. 3.31 The ANAO *recommends* that the AEC reviews its current performance indicators and targets to determine whether they enable suitable assessment against longer-term performance forecasts as well as against shorter-term goals and strategies.
AEC Response: Agreed.

Financial planning and control framework

Recommendation No. 7
Para. 4.37 The ANAO *recommends* that explicit links between the National Operational Plan and the financial planning process are developed to ensure that resource allocations are made in line with identified business priorities.
AEC Response: Agreed.

- Recommendation No. 8**
Para. 4.39 The ANAO *recommends* that the AEC, in rationalising its committee structure and the links between the various committees, ensure that:
- resource allocations are developed in line with overall business needs;
 - the potential for duplication or gaps in the consideration of appropriate resource allocations is reduced; and
 - the approval process is simplified in line with the requirements of sound corporate governance.
- AEC Response:* Agreed.

Process improvement

- Recommendation No. 9**
Para. 5.28 The ANAO *recommends* that the AEC reviews its operations to determine priority areas for detailed assessment in order to identify improvements and efficiencies as well as taking action to implement best practice standards where cost effective.
- AEC Response:* Agreed.

- Recommendation No. 10**
Para. 5.42 The ANAO *recommends* that the AEC improves the management of its outsourced property contract by ensuring that information is collected, in a timely fashion, against the performance standards and used to determine whether the AEC is achieving value for money, including anticipated savings.
- AEC Response:* Agreed.

Procedures, guidelines and training

- Recommendation No. 11**
Para. 6.20 The ANAO *recommends* that the AEC produces a consolidated agency specific code of conduct as soon as possible to provide guidance to staff on the standards of ethical behaviour expected at all levels of the AEC consistent with the newly completed public service values.
- AEC Response:* Agreed.

- Recommendation No. 12**
Para. 6.26 The ANAO *recommends* that on-line computer access to the operational procedures and guidelines should be considered by the AEC, in the context of its new information technology strategy, to improve the ease of access by staff and the AEC's ability to readily update the material.
- AEC Response:* Agreed.

Recommendation No. 13
Para. 6.49 The ANAO *recommends* that the AEC finalises its overall training strategy and links this to the priorities, once established, in the AEC's National Operational Plan to assist in ensuring that training is provided in line with the AEC's business requirements.

AEC Response: Agreed.

Recommendation No. 14
Para. 6.55 The ANAO *recommends* that the AEC reviews the contents of the National Learning Calendar to ensure they provide sufficient information for staff to identify courses relevant to their needs as part of their personal development.

AEC Response: Agreed.

Recommendation No. 15
Para. 6.70 The ANAO *recommends* that, as part of its monitoring of training, the AEC examines the feasibility of establishing a mechanism to report to management on the achievement of the skill sets used in the Personal Development Plans to ensure that training is being provided in all relevant skill areas, where required.

AEC Response: Agreed.

Audit Findings and Conclusions

1. Background

This chapter describes the background to the audit and sets out its objective, scope, focus, methodology and criteria.

Overview of the AEC

1.1 The Australian Electoral Commission (AEC) was established as an independent statutory authority on 21 February 1984 under the *Commonwealth Electoral Act 1918* (CE Act). The Commission consists of three Commissioners appointed by the Governor-General (the current appointee's name is provided in brackets):

- the Chairperson - a former or serving Federal Court Judge (the Hon T R Morling QC);
- the Electoral Commissioner - who is also the Chief Executive Officer of the AEC (Mr W J Gray AM); and
- a non-judicial member - usually the Australian Statistician (Mr W McLennan AM).

1.2 Both the Chairperson and the non-judicial appointee are part-time positions. Staff of the AEC are appointed either under Division 4 of the CE Act, or Division 4 or 10 of the *Public Service Act 1922*. The organisational structure for the AEC is shown later in this chapter. In this structure, the Deputy Electoral Commissioner and the Commonwealth Australian Electoral Officers (AEOs) for each State (as distinct from the State Electoral Commissioners, who operate under State jurisdiction), including the Northern Territory,⁶ are also appointed under statute.

Staffing and financial resources

1.3 At 30 June 1997, the AEC's total staff was 764⁷ people. The average full-time equivalent staffing level for 1996-97 was 734.7. The AEC's resources are provided by parliamentary appropriations. The actual appropriation for 1996-97 was \$72.1 million, including additional estimates. In 1996-97, the AEC returned \$4.38 million to the Commonwealth Public Account.⁸

1.4 A detailed description of the AEC is provided later in this chapter.

⁶ A temporary AEO is appointed for the Australian Capital Territory for the duration of each federal election.

⁷ This figure does not include unpaid, inoperative staff.

⁸ The majority of the \$4.38 million comprises payments from the States and Territories to the AEC for the maintenance of the joint electoral roll.

The audit

Audit objective, scope and focus

1.5 The objective of the audit was to review whether the AEC's corporate governance framework was sound. The audit examined planning processes, performance information and the efficiency and administrative effectiveness of management procedures and practices. The audit also incorporated the use of activity based costing and benchmarking methodologies to examine certain areas of the AEC to identify opportunities for achieving cost savings or efficiencies.

1.6 In broad terms, the audit focused on:

- identifying and documenting the AEC's current planning and risk management processes, accountability structure and control procedures;
- comparing these with acknowledged better practice to identify potential improvements;
- assessing the appropriateness of the current planning processes, accountability structure and control procedures;
- appraising, at a high level, the performance of the various functional processes with particular emphasis on flow of information as it affects business operations;
- identifying opportunities for savings through techniques such as activity based costing and benchmarking methodologies, where appropriate; and
- the necessary action required to address weaknesses and establish better management practices.

Audit criteria

1.7 The ANAO established key criteria against which to review the AEC's corporate governance framework. These are outlined at the beginning of each of the following chapters in this report.

Audit methodology

1.8 The audit fieldwork was carried out between July and October 1997. It was undertaken primarily at the AEC's Central Office in Canberra. Due to the geographical spread of the AEC's office, some interstate coverage was necessary. The ANAO undertook fieldwork at the New South Wales and Victorian Head Offices (as these two States combined with Central Office account for 66 per cent of the AEC's resource expenditure) and a small number of Divisional Offices.⁹ This was sufficient to test the audit

⁹ Eden-Monaro was used as a pilot Divisional Office. The audit team then visited the Canberra, Fraser, Melbourne, Namadgi and Sydney Divisional Offices. These were selected for their proximity to the audit fieldwork already taking place.

criteria and provide indications of cost savings but did not provide a full review of every area. In this way, the methodology provided an indication of the potential for savings and improvements which could be pursued further by the AEC.

1.9 The audit was carried out in accordance with the ANAO Auditing Standards. The cost of the audit was \$356□000.

The AEC's legislative basis, powers and functions

1.10 The AEC's legislative responsibilities and powers under the CE□Act are as follows:

- report to the Minister (Special Minister of State) on electoral matters;
- promote public awareness of electoral and parliamentary matters by means of the conduct of education and information programs;
- to provide information and advice on electoral matters to the Parliament, Government, departments and authorities of the Commonwealth;
- conduct and promote research into electoral matters;
- publish material on matters relating to its functions;
- provide assistance to matters relating to elections and referendums to foreign countries (with the approval of the Minister for Foreign Affairs);
- perform other functions as conferred by Commonwealth law; and
- provide goods or services to other organisations or to individuals by using information or material in its possession, or expertise it has acquired.

1.11 The AEC has additional legislative powers under the:

- *Aboriginal and Torres Strait Islander Commission Act 1989*, relating to the conduct of Aboriginal and Torres Strait Islander Regional Council and Torres Strait Regional Authority elections, that the AEC conducts on behalf of the Aboriginal and Torres Strait Islander Commission (ATSIC);
- *Referendum (Machinery Provisions) Act 1984* in relation to the conduct of constitutional referendums; and
- *Workplace Relations Act 1996* for the conduct of industrial elections;¹⁰ and
- *Constitutional Convention Election Act 1997* for the conduct of the postal ballot to elect delegates to attend the Constitutional Convention which was set up to discuss issues relating to whether Australia should become a republic.

¹⁰ AEC Annual Report 1996-97.

1.12 The AEC therefore has a number of major functions:

- the conduct of federal elections and referendums;
- maintenance of the Commonwealth Electoral Roll (electoral roll);
- industrial elections;
- ATSI elections; and
- other legislative functions as set out above.

Conduct of elections

1.13 The AEC conducts all federal elections and referendums and was recently involved in the first national ballot to elect representatives for a Constitutional Convention. In addition, the AEC is undertaking some local government elections and elections for Australian Workplace Agreements and Certified Agreements. Furthermore, section 7A of the CE Act is currently being redrafted to confirm the AEC's power to undertake electoral work other than federal elections, referendums, industrial and ATSI elections. This will be on a fee-for-service basis and is discussed further in Chapter 2.

Electoral enrolment

1.14 Australian Citizens (and British subjects who were enrolled on a Commonwealth Electoral Roll prior to 1984) over 18 years are eligible to enrol and vote at Commonwealth, State, Territory and local government elections.¹¹ The CE Act sets out in detail all matters relating to the form, content and production of the Commonwealth electoral roll. States and Territories have similar legislation which details matters relating to electoral rolls for their jurisdictions.

1.15 The AEC maintains the electoral roll and provides roll products to the State and Territory electoral authorities under Joint Roll Agreements with each authority. Some State and Territory electoral authorities maintain their own electoral roll from the roll products provided by the AEC.

1.16 The electoral roll is updated by various Continuous Roll Update (CRU) and Electoral Roll Review (ERR) methods.

1.17 The Australian Joint Roll Council (AJRC) is a consultative council of Electoral Commissioners and Chief Electoral Officers from the electoral authorities of the Commonwealth, States and Territories of Australia. The AJRC considers issues about development and maintenance of the electoral roll for the Commonwealth, State, Territory and local government elections.

¹¹ Several categories of people are disqualified from being on the electoral roll. Reasons for exclusion from the electoral roll include being of unsound mind, serving a prison sentence of five years or longer and treason or treachery.

1.18 Under the auspices of the AJRC, the AEC currently is undertaking a pilot exercise on continuous roll updating. This is also discussed in Appendix 4.

Stakeholders

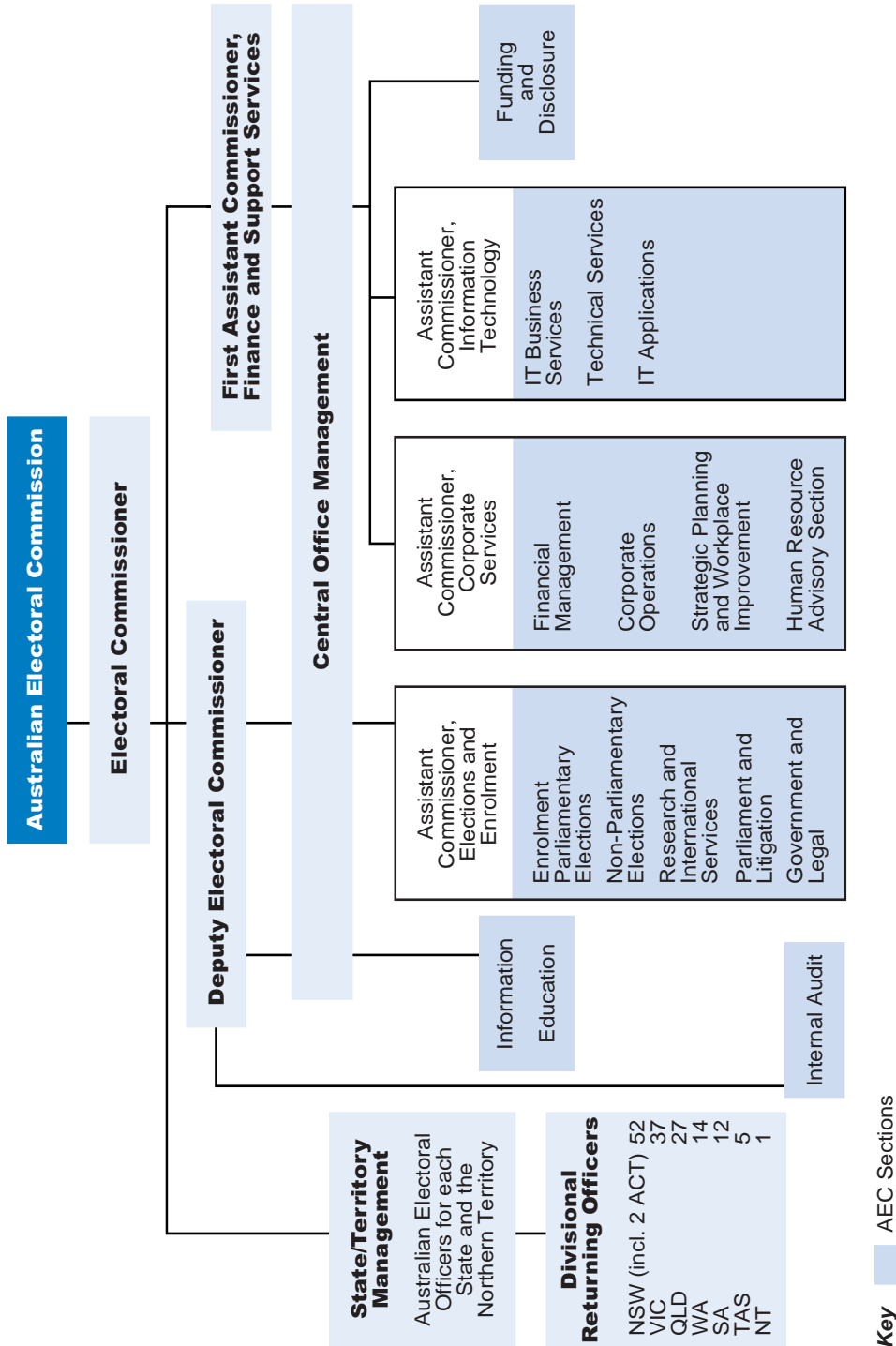
1.19 The AEC's major stakeholders include the voting population of Australia; the Federal Parliament, particularly the Joint Standing Committee on Electoral Matters (JSCEM); the Federal Government, particularly the Special Minister of State and the Minister for Finance and Administration; and special interest groups.

1.20 External consultation with the Parliament occurs when the JSCEM is provided by the Government with a formal reference to inquire into and report on the conduct of each federal election, and other specific aspects of AEC operations and statutory responsibilities. The AEC advised that, through public advertisements in the national press, the Australian public is invited to make submissions on legislative and procedural matters to the JSCEM. The Australian public is also able to comment at any time on current electoral policies and procedures through general correspondence and complaints.

Organisational structure

1.21 The AEC's Central Office is located in Canberra with a Head Office in each Australian capital city. There are also 148 Divisional Offices. Figure 1 shows the AEC's structure. As explained above, the AEOs are independent statutory appointments but are subject to the direction of the Electoral Commissioner.

Figure 1
AEC organisational structure (as at March 1998)



AEC 2000

1.22 In late 1996, at the request of the Government, the AEC undertook planning for an organisational restructuring process. The aim was to produce cost savings to meet the targets set by the National Commission of Audit for agencies generally. This was to be achieved through regionalising AEC operations (that is, by reducing the overall number of Divisional Offices by grouping them into larger regional offices with a consequent reduction in the size of State Head Offices). The process was known as 'AEC 2000' and the outcome detailed in the final proposal was to result in additional first year costs of \$20 million, savings in the second year of \$8 million and subsequent ongoing annual savings of \$9 million.

1.23 The resulting submission was not approved for inclusion in the 1997-98 federal budget. However, the work involved in this exercise provided valuable information to the AEC regarding its current business and its capacity to rationalise functions.

1.24 Since the Government's decision of 7 May 1997 not to proceed with AEC 2000 'at this stage', the AEC has been investigating other means to find efficiencies in the organisation. Further details relating to AEC 2000 are outlined in Appendix 1.

Parliamentary and other reviews

1.25 There have been a number of parliamentary reviews (refer Appendix 2), conducted between 1974 and 1994, which addressed similar issues to AEC 2000 in that they included consideration of the issue of regionalisation. The AEC advised that no changes to its structure had occurred as a result of these reviews. In each case there was either no Government response, or the response did not support the regionalisation proposal.

1.26 A number of other parliamentary reviews have been conducted into various aspects of the AEC's operations, such as the conduct of industrial elections and various legislative matters. However, this audit has examined the AEC's corporate governance framework with a particular focus on planning and performance assessment. These issues were not addressed by the above reviews.

1.27 In relation to the ANAO's coverage of the AEC there has been no specific ANAO performance audit of the AEC since 1986.¹²

¹² Previous performance audits focused on habitation reviews (September 1985), election funding and financial disclosure (March 1986) and financial management (September 1986).

The report

1.28 Chapter 2 of this report addresses planning issues, including the AEC's planning hierarchy and risk management approach. Chapter 3 examines the AEC's performance information, monitoring and reporting, while Chapter 4 details the AEC's financial planning and control framework.

1.29 Opportunities for process improvement and possible savings are discussed in Chapter 5. Chapter 6 discusses the AEC's operational procedures and guidelines and also looks at the issue of training. Finally, Chapter 7 examines the AEC's framework for review and evaluation.

1.30 Key criteria are outlined at the beginning of each relevant section of this report and audit findings are then discussed against each criterion.

2. Planning

This chapter addresses planning issues, including the AEC's planning hierarchy and risk management approach. The ANAO found that the AEC has developed a sound high level planning framework. There were areas where the planning framework could be improved particularly by ensuring that risk assessment underpins planning. It also discusses the need for the AEC to use a more business oriented approach to identify current and new business priorities and clarify its goals. The ANAO has made four recommendations in these areas.

Introduction

2.1 One of the main elements of sound corporate governance is an effective planning regime. It provides a framework within which an organisation operates to achieve government objectives.

2.2 Such a planning framework guides the operations of the organisation, provides the basis for assessing performance and ensures all organisational members are working to achieve the organisation's goals. Planning should address the management of the risks which the organisation faces.

2.3 Performance information, ongoing monitoring against plans and reporting in relation to achievements against the plans are examined in Chapter 3.

National planning framework

2.4 The ANAO reviewed the AEC's planning framework to establish whether:

- there was an overall plan that included a vision or mission statement, a description of the role of the organisation, a statement concerning corporate values and performance forecasts. Such a plan should also indicate how performance will be assessed; and
- there was an operational plan that provided guidance on achieving the organisation's goals. This should be linked directly to the overall plan and include goals, strategies, performance indicators, allocate responsibilities and timeframes. There should be clear links within the plan between goals, strategies and indicators so that activities in the plan are directed towards achieving the same goal.

ANAO findings

Overall plan

2.5 An overall plan is the key document in any planning framework. It sets the strategic direction for the organisation as a whole and provides a central link for all other planning activities.

2.6 The AEC has developed a Strategic Directions document covering the years 1997-99. The AEC indicated that this document succeeds the 1993-96 Corporate Plan and '... provides a statement of strategic focus and strategic directions' for the next two years. The AEC states that the purpose of the document is to act as

... a reference point for the development of lower level plans, for setting priorities and allocating resources, and for forecasting higher level performance.

2.7 The document covers the AEC's vision, program objectives, purpose and corporate values. As well, it sets out the AEC's vision statement, its intended principal focus for 1997-99 and describes the operating environment. The document also includes performance forecasts which the AEC has indicated are 'higher level performance outcomes anticipated to be achieved' in the period which the plan covers. These performance forecasts are examined in Chapter 3.

2.8 The document describes the hierarchy of AEC planning and reporting documents. This hierarchy is set out in Figure 2.

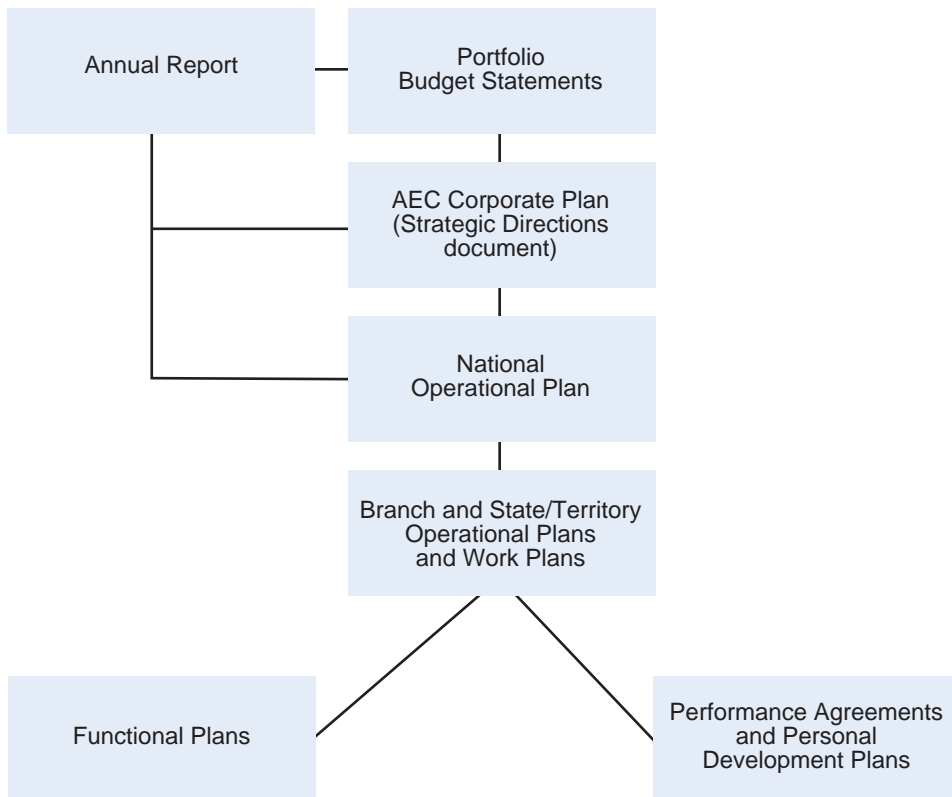
2.9 The Strategic Directions document was developed and distributed in June 1997 but the AEC has not yet completed all elements of the hierarchy for 1997-98. However, the document provides a sound high level planning framework and the ANAO has assessed elements which had been developed at the time of the audit fieldwork.

Conclusion

2.10 The Strategic Directions document provides a sound high level planning framework. This document contains a hierarchy of AEC planning and reporting documents that provides a logical framework to guide the development of the necessary operational planning documents. As well, the document contains statements on the AEC's vision, program objective, purpose, corporate values and performance forecasts. The forecasts and the AEC's ability to assess their achievement is discussed in Chapter 3.

2.11 An effective National Operational Plan sets the broad level operational goals for the organisation. It outlines key action and enables priorities to be set for activities, with appropriate resource allocations, and sets down timeframes, targets (standards) and performance indicators. This is important as it provides the basis for each area of the organisation's financial and operational planning.

Figure 2
Hierarchy of AEC planning and reporting documents



Operational plan

2.12 The AEC has developed a National Operational Plan for 1997-98. The plan draws the corporate goals directly from the Strategic Directions document. It sets out strategies, principal activities, key milestones and target dates and indicates for each activity where responsibility for the particular activity lies. The plan also lists desired outcomes for 1997-98, performance indicators and performance assessments/measures.

2.13 The ANAO considers that the plan provides a sound basis on which to build. In particular, it provides milestones, target dates, defines responsibilities and should provide direction for staff to meet goals. However, there are a number of areas where the National Operational Plan could be improved.

2.14 In particular, not all of the listed activities were directly linked to the corporate goals in a way that was designed to ensure that the goal was achieved. For example, in relation to Corporate Goal□7,

to ensure effective communication with staff and a safe and harmonious work environment which enables staff to enhance their skills and achieve their full potential,

the operational plan lists strategies and activities aimed at addressing the achievement of a safe and harmonious environment but does not identify any strategies or activities which directly address that part of the goal relating to enabling the staff to enhance their skills.

2.15 Therefore, there is scope for the plan to be enhanced so that links exist in all cases to ensure that the means exist to achieve its goals. As well, while the National Operational Plan provides guidance for the operations of the AEC, neither it nor the Strategic Directions document set priorities for activities or indicate resource allocations to ensure that resources are focused on the critical business activities.

Conclusion

2.16 The AEC's National Operational Plan 1997-98 has been developed in line with the planning hierarchy and is linked to the Strategic Directions document. The ANAO considers that it provides a sound basis on which to build. The ANAO found that the plan provides goals, strategies, milestones and target dates, defines responsibilities and encourages staff to meet goals.

2.17 However, the ANAO found that there are a number of areas where the plan could be improved when it is next reviewed by:

- ensuring that the AEC strategies are linked directly to the corporate goals and that each strategy provides the means to achieve the specified goal; and
- setting priorities for activities and indicating resource allocations to assist the AEC focus its resources on critical business activities.

Recommendation No. 1

2.18 The ANAO *recommends* that, to focus its resources on critical business activities, the AEC should regularly review its National Operational Plan to:

- ensure that the AEC strategies are linked directly to the corporate goals and that each strategy provides the appropriate means to achieve the objective; and
- set priorities for activities and determine appropriate resource allocations in line with an assessment of critical business activities.

AEC Response

2.19 Agreed. To be facilitated during the AEC's next national planning cycle. The AEC has traditionally planned its operations with a planning regime of program objectives, goals, strategies, tasks or activities, milestones or targets, and performance information.

Branch and State/Territory operational plans

2.20 The ANAO reviewed the AEC's planning framework to determine whether there were lower level operational plans that set out for each branch and State/Territory:

- key responsibilities and activities;
- resource allocations;
- timeframes for the completion of specific tasks; and
- performance measures.

2.21 The ANAO also examined whether these were linked to higher level plans in the planning hierarchy.

2.22 Lower level plans are important because they enable an organisation which has a number of levels, or is geographically dispersed, to allocate priorities, activities and resources in greater detail. These plans should follow the broad directions set down in the higher level planning documents.

ANAO findings

2.23 The AEC's planning hierarchy indicates that Branch and State/Territory Operational Plans should be developed. The National Operational Plan 1997-98 was issued in October 1997 and the Branch and State/Territory Operational Plans for the same period should be based on, and flow from, this document. At the time of the audit fieldwork, most of the Branch and State/Territory Operational Plans for the 1997-98 financial year were still being developed. The ANAO notes that while this was relatively late in the planning year, the AEC had been directing its efforts to completing the planning for AEC□2000 in a tight time frame.

2.24 The ANAO found in the two State Head Offices visited that:

- NSW had commenced drafting an operational plan for 1997-98. They also stated their intention to link their plan to higher level plans and to ensure it has relevance in terms of their staff's day-to-day activities; and
- Victoria had developed a number of plans to guide the operations of individual branches. They have not yet developed a plan for the State but had recognised the need for such a plan to address issues which are relevant to the whole office (such as training).

2.25 The Central Office Corporate Services Branch Operational Plan was the first AEC branch operational plan developed for the period 1997-98. It was issued in October 1997 and adopted the same format as the National Operational Plan 1997-98. The plan restates the corporate□goal as specified

in Strategic Directions 1997-99 and the National Operational Plan 1997-98. 'Strategies' to implement each corporate goal within the branch are then provided. The strategies relate to the strategies from the National Operational Plan. They show how the Corporate Services Branch intends to contribute to the AEC's overall goals.

2.26 The plan provides guidance for the operations of the branch with the inclusion of key milestones and target dates as well as the allocation of responsibilities to specific work units. However, the document does not set priorities for activities or indicate resource allocations to ensure that resources are focused on critical activities.

2.27 At the level below the Branch and State/Territory Operational Plans the AEC, both centrally and in the States, has developed detailed 'event plans'. These clearly set out 'step by step' the specific procedures and timeframes to be observed for particular tasks, such as the conduct of elections in Divisional Offices and the Constitutional Convention. Given the importance of these activities the ANAO considers that having plans to this level of detail is sound practice. However, the ANAO noted that, in some instances, State/Territory offices had developed their own planning documents. There is a need to ensure that separately developing these documents is cost effective and that they are in line with the requirements of overall procedures.

Conclusion

2.28 At the time of the audit fieldwork, most of the Branch and State/Territory Operational Plans for the 1997-98 financial year were still being developed. The ANAO notes that while this was relatively late in the planning year, the AEC had been directing its efforts to completing the planning for AEC 2000 in a tight time frame.

2.29 A review of the Central Office Corporate Services Branch Operational Plan 1997-98, issued in November 1997, found that the plan is linked to the National Operational Plan and provides guidance for the operations of the branch with the inclusion of key milestones and target dates as well as the allocation of responsibilities to specific work units. However, the ANAO found that the plan did not set priorities for activities or indicate resource allocations to ensure that resources are focused on critical business activities.

Recommendation No. 2

2.30 The ANAO *recommends* that the AEC, as a priority matter, finalises the development of operational plans for each Central Office branch and State/Territory which are linked to the National Operational Plan to assist in ensuring that activities being undertaken at all levels of AEC operations

are contributing to the cost effective achievement of overall goals and meeting assessed priorities.

AEC Response

2.31 Agreed.

Functional plans

2.32 The ANAO reviewed the AEC's planning framework to establish whether there were major functional plans (for example, information technology and equal employment opportunity¹³ plans) that dealt with issues which cross organisational boundaries.

2.33 Functional plans are important because they cover the contributions of specific activities which cross organisational and structural boundaries. The planning hierarchy contained in the Strategic Directions document specifies that functional plans be developed.

ANAO findings

2.34 In line with general Australian Public Service practice, and the AEC's planning hierarchy, a number of functional plans have been developed. These plans include:

- Corporate Information Technology Plan 1996-99;
- AEC Computer Code of Conduct (1997);
- Occupational Health and Safety (OH&S) Plan; and
- 1997-2000 Equal Employment Opportunity (EEO) Plan.

2.35 The ANAO reviewed one such functional plan, the 1997-2000 EEO Plan, as a case study and considers that this plan represents a sound basis for EEO functional planning. However, there are some minor improvements which the AEC could make, such as:

- the EEO target groups¹⁴ are referred to in the objectives section of the EEO Plan but not defined within the document. A definition of the target groups should be included in the document as it is important for the reader to know who the target groups are so as to be able to understand and apply the policy; and

¹³ The ANAO notes that Equal Employment Opportunity requirements are now incorporated in the Workplace Diversity Programs established pursuant to the Public Service Commissioner's Managing Diversity Guidelines (February 1998). The ANAO therefore considers that the AEC should include the new terminology when the plan is next reviewed.

¹⁴ The EEO target groups are: women, Aboriginal and Torres Strait Islander people, people with disabilities and people from non-English-speaking backgrounds.

- the roles of various AEC staff are detailed in the 'Accountability and Responsibility' section of the EEO Plan. However, these responsibilities are not directly linked to the strategies set out in the objectives section of the plan.

2.36 As a minor point, the EEO Plan's apparent overall objective is not specified as such and therefore its relation to the rest of the document is not clearly identified. The provision of a title would clarify the purpose of this statement.

Conclusion

2.37 The AEC has issued a number of functional plans, in accordance with the planning hierarchy, to cover the contributions of specific activities which cross organisational and structural boundaries. The ANAO considers the AEC had developed functional plans in line with general Australian Public Service practice.

2.38 The 1997-2000 EEO Plan was examined in detail and, although the plan is sound, the ANAO considers that the minor improvements, referred to above, should be made.

Business resumption planning

2.39 The AEC advised that it has a Business Recovery Working Group currently completing business recovery assessments. These are designed to lead to the development of formally documented Business Resumption Plans. However, the AEC advised that its current contingency planning is restricted to the loss of key or critical services covering buildings and accommodation (through a contractual arrangement with a service provider, which is outlined in more detail in Chapter 5) and information technology systems (requests for tender under the outsourcing of IT facilities management included the provision of Disaster and Business Resumption Plans).

Staff and review issues

2.40 The ANAO reviewed the AEC's planning framework to establish whether:

- the AEC had implemented staff performance agreements and associated Personal Development Plans which were linked to operational plans to assist in encouraging staff to work towards achieving the organisation's goals;
- staff had sufficient input, were aware of, and had access to, the planning documents. Such involvement by staff increases the usefulness of the documents as a result of their knowledge and understanding of

day-to-day operations being taken into account. Because staff have been involved in developing the documents it provides a sense of ownership. In addition, it is important for staff at all levels to have access to all relevant plans once they are developed so that the plans can guide the AEC's operations effectively; and

- all plans were reviewed and updated regularly. The ongoing review of plans is important to monitor whether objectives and key milestones are being met. It also keeps the documents current by taking account of feedback from previous periods as well as changes within the organisation and external influences.

ANAO findings

2.41 The AEC has performance agreements for senior officers and the senior executive service in place. The guidelines used to develop the agreements encourage links between operational plans and performance agreements. In addition, performance agreements form part of the AEC's planning hierarchy (see Figure 2). However, most lower level plans in this hierarchy have only recently been developed. Therefore the links between the current agreements and the plans have not yet been established fully. The planning hierarchy also requires Personal Development Plans to be linked. These are examined in Chapter 6.

2.42 The AEC uses working parties to develop each of its planning documents. These working parties are drawn from a cross section of AEC staff from Central Office, State Head Offices and Divisional Offices. Either volunteers or nominations of staff are called for to participate on particular working parties, depending on the subject matter and people's areas of expertise or interest. Draft documents from working parties are circulated to all staff for comment. The final version must then be approved by the Management Board.¹⁵

2.43 The ANAO found, through discussions with a cross section of AEC officers, from senior management to junior staff (at Central Office, two State Head Offices and six Divisional Offices), that the majority of staff had access to the range of planning documents available. In addition, all staff were aware of the existence of such documents and knew where to obtain a copy if they did not currently possess one.

2.44 The planning hierarchy for 1997-98 has only recently been formalised and all the associated documents have not yet been completed.

¹⁵ The Management Board is a higher level advisory forum established for the broad management of AEC activities. It is primarily a consultative forum which advises the Electoral Commissioner.

During the audit, the ANAO was advised that once the planning documents have been developed it is envisaged that the AEC will review and update the hierarchy of planning and reporting documents annually.

Conclusion

2.45 The ANAO found that the AEC staff performance agreements are not yet directly linked to the Branch and State/Territory Operational Plans, as specified in the hierarchy of planning and reporting documents. The ANAO considers that the AEC's consultation processes relating to the development of key planning documents is satisfactory and that the distribution and awareness of AEC planning documents is sound.

2.46 Once all planning documents have been developed, in line with the hierarchy, the AEC needs to ensure that arrangements for the development and review of planning documents are continued from previous years so that activities are being undertaken in line with plans and that planning documents remain relevant over time.

Risk management

2.47 The ANAO sought to determine whether a risk assessment had been developed in line with the model presented by the Management Advisory Board and its Management Improvement Advisory Committee (MAB-MIAC) in their Guidelines for Managing Risk in the Australian Public Service.¹⁶

2.48 A sound risk assessment is important because it allows the identification, analysis and treatment of risks which may prevent agencies from achieving business objectives. Agency planning should be underpinned by a comprehensive risk assessment.

ANAO findings

2.49 In 1996 the Internal Audit Section asked major areas within the AEC to provide a business risk rating for its functions in terms of: reputation of the AEC; opportunity for fraud; audit considerations; materiality; failure to meet statutory obligations; complexity; and political sensitivity.

2.50 The results of the survey were interpreted by the Internal Audit Section as suggesting that the areas

'do not rate the majority of their activities high risk. This may be due to a confidence in their systems based on past experience'.

The overall rating for the AEC was assessed at low-medium.

¹⁶ MAB-MIAC Report No. 22, AGPS, Canberra, 1996.

2.51 The risk survey and the internal controls questionnaires were designed to allow Internal Audit to assess the degree of protection from these risk/exposures afforded by controls in place and ways in which they may be strengthened.

2.52 The result of the process appears to have been directed at fraud and internal control rather than at the management of risk in relation to the overall business operations of the AEC. The AEC have advised that this activity was the first step in a process of cultural change within the organisation. Apart from providing important information it had an educative element that was directed at leading the AEC to a new risk assessment approach to its operations.

2.53 In 1997 the Internal Audit Section developed a risk management package to assist in the management of its operations at the AEC work section level.

2.54 This package was based on the risk management model produced by the MAB-MIAC. The principal issues that are considered in the MAB-MIAC model in relation to risks are their identification, analysis, assessment and ranking, treatment, and monitoring and review.

2.55 The risk management package is made up of a manual and a series of spreadsheets. The package is required to be completed by each section head with the assistance of the next senior section member. The issues covered by the risk management package include:

- the risks faced by the section;
- the materiality;
- their likelihood and consequences of the risk eventuating; and
- the current controls in place and their effectiveness.

2.56 Each of the variables are allocated a rating and a 'residual risk' figure is derived. If this amount is negative the controls in place have been assessed as covering the risk. Conversely, if the figure is positive the risks have not been covered by the current controls. A large negative figure may mean that the risk is the subject of too much control and may indicate that there are significant inefficiencies in the current control framework. This may, however, have resulted from legislative requirements that must be complied with by the AEC.

2.57 The AEC's 1997 risk management package is based on a 'whole of agency' approach to risk management. The package is logically structured and written in a clear and concise manner and has been appropriately supported by documentation. The ANAO was informed that the Internal Audit Section will be conducting regular reviews on how the package is being used.

2.58 The ANAO was informed that it is the AEC's intention to use the results of this risk management approach to contribute to the next year's planning cycle. The ANAO supports this approach as risk management should underpin organisational planning.

2.59 As well as assessing risk in relation to the agency as a whole the AEC has recognised the need to examine risks associated with revenue generating activities. This is discussed in more detail in 'business development' below.

Conclusion

2.60 The AEC has recently adopted a risk assessment methodology, in line with the MAB-MIAC model, to assist in the management of its operations at the work unit level and put in place arrangements for the assessment of revenue generating activities. However, the AEC's current risk assessment process is not yet at the point where the results feed into, and underpin, organisational planning.

Recommendation No. 3

2.61 The ANAO *recommends* that the AEC further develops, and uses, its risk management plan (and assessments) to underpin its operational planning so as to ensure that key risks are properly addressed, priorities are established and resources allocated in line with identified risks and management strategies.

AEC Response

2.62 Agreed.

Business development

2.63 As with many other APS agencies, the nature of AEC operations and the opportunities available to it are changing. In light of these changes, the AEC needs to use a more business oriented approach to its planning and operations. Such an approach would further assist the AEC to clarify its business goals, better identify risks and establish overall priorities and associated resource allocations. As well, this approach would encourage the AEC to assess its current business and identify capacity to undertake new activities, where it has the relevant skills.

2.64 Elements of these matters have been, or are being addressed by the AEC's current planning approach. However, a mechanism to examine, in total, new opportunities and risks, including those associated with current and new business opportunities does not exist. As outlined in Chapter 1, the AEC's 2000 project has laid the groundwork for this approach. During

this process, the AEC examined the potential for future business, current business and areas where improvements could be made in processes and quality of services delivered.

2.65 In order to determine the AEC's ability to undertake new business the ANAO considers that the AEC first needs to clarify its business goals to ensure that the outcomes to be achieved are known and measurable. This will enable it to determine whether current service delivery correctly reflects legislative responsibilities. Once this is achieved, the AEC then needs to identify the capacity to undertake new business, using existing resources. Finally, the AEC must determine whether it has the skills available for this work and ensure that consequential workloads are evenly distributed across the AEC's office network.

Clarifying current business goals

2.66 The AEC is responsible for providing the Australian people with an independent electoral service by conducting federal elections and referendums, assisting with State/Territory elections, conducting industrial and ATSI elections and maintaining the electoral roll. Electoral assistance is provided internationally in line with government policy. The AEC also has a number of other functions, specified by the CE Act, including registration of political parties and candidates, the administration of election funding and disclosure (FAD), promotion of public awareness and advice to the Parliament on electoral matters and the conduct of research.

2.67 The AEC should firstly ensure that all of its current business functions have clearly defined goals and mechanisms for performance measurement. To illustrate this requirement, the ANAO selected one function, the information and education function, for in-depth examination in terms of clarity of goals and measurement of achievement. It should be noted that the ANAO did not subject all of the AEC's functions to such an examination and acknowledges that many of the AEC's functions and outcomes to be achieved are clearly specified and measurable. However, the discussion below demonstrates that there is a need for the AEC to ensure that this is the case for all of its functions.

2.68 The CE Act indicates that the AEC is to 'promote public awareness of electoral and parliamentary matters by means of the conduct of an education and information program and by other means'. The AEC has translated this into Corporate Goal 3, that is: *To achieve increased public understanding of, and participation in, electoral processes*. Based on an indicative study of activity based costs, the proportion of salary costs attributed to this activity is six per cent of total AEC salary costs.

2.69 The ANAO noted a number of issues in relation to assessing the effectiveness of the information and education function, as follows:

- the AEC has not defined what it is to achieve by increasing public understanding of, and participation in, the electoral process;
- Chapter 3 discusses the performance information for the information and education function that was included in the AEC's Annual Report 1996-97 and concludes that it is largely output rather than outcome based with a heavy emphasis on numbers of activities and on characteristics of material produced; and
- the participation rates of divisions in school and community visits varied markedly, as shown in Figure 3. In particular, there was a large amount of variation in the targeting of the visits between primary and secondary schools across States.

Figure 3

State school and community education visits 1996-97

State	Primary school visits	Secondary school visits	Other	Total number of participants	Ratio of primary to secondary
NSW/ACT	321	91	32	19 829	3.53:1
NT	22	8	2	3 472	2.75:1
QLD	308	140	10	20 285	2.2:1
SA	59	86	9	7 691	0.69:1
TAS	8	20	6	2 025	0.4:1
VIC	68	136	23	18 395	0.5:1
WA	28	83	4	14 730	0.34:1

2.70 The data contained in Figure 3 would indicate that the AEC does not have a national focus to this function given that the variations in level of activity undertaken across locations is not based on identified, and differing, levels of need.

2.71 This example indicates that there would be benefit in the AEC reviewing the goals it has established with a view to better defining what it is trying to achieve. A business development approach would assist by focusing attention on identified business priorities, the outcomes to be achieved and the AEC's sphere of influence.

Opportunities for new business

2.72 The opportunity for the AEC to undertake new business has arisen recently. As a result of requests from a variety of organisations seeking assistance with the conduct of elections on a fee for-service basis, the AEC sought a legal interpretation of section 7A¹⁷ of the CE Act to ascertain whether this section allowed such work to be undertaken.

2.73 Advice provided by the Attorney-General's Department indicated that the AEC may provide goods and services to other organisations or to individuals but 'only to the extent that it can do so by using information or materiel in its possession for, or the expertise that it has acquired in, the performance of its functions *under section 7.*'

2.74 Based on this advice, the AEC concluded that

... given that the AEC's expertise in conducting ATSIC elections is very broad, its powers to conduct elections for a variety of organisations is similarly broad.

The ANAO notes that a Bill to amend section 7A of the CE Act, to reflect this broader interpretation, is currently before Parliament.

2.75 The AEC's Management Board noted that, even though the way was open for the AEC to take on new business,

...discretion needed to be exercised to ensure the AEC does not divert itself from core business.

Further, the Joint Standing Committee on Electoral Matters (JSCEM) noted that non-core services should be provided within the structure and resources needed to fulfil the AEC's existing statutory obligations.¹⁸

2.76 The ANAO notes that the interpretation of section 7A opens the way for the AEC to take on new business. A more business oriented approach to planning will assist the AEC to assess the potential impact on current business so that a decision can be made as to whether to pursue new opportunities.

¹⁷ 7A. (1) *Subject to this section, the Commission may provide goods or services to other organisations or to individuals.*
 (2) *The Commission may provide goods and services only to the extent that it can do so by using:*
 (a) *information or materiel in its possession for; or*
 (b) *the expertise that it has acquired in;*
the performance of its functions under section 7.

¹⁸ Joint Standing Committee on Electoral Matters, *Industrial elections - report of the inquiry into the role of the Australian Electoral Commission (AEC) in conducting industrial elections*, October 1997.

2.77 As well as local government elections work there is a range of other possible work that the AEC could undertake, for example, insurance fund de-mutualisations, elections for large associations, credit unions and elections in relation to certified agreements.

Capacity for new business

2.78 AEC 2000 had proposed a regionalised approach through the amalgamation of offices to form larger regional offices. Given the Government has decided not to proceed with regionalisation in the 1997-98 Budget context, the AEC continues to explore the practice of collocations wherever possible. Collocation refers to the practice of bringing together two or more Divisional Offices¹⁹ at a single geographic location. It should be noted that collocations occur when the opportunity arises and they require the agreement of the Commission following consultation with staff and having regard to the needs of Members of Parliament and electors.

2.79 While there have been perceptions by clients and stakeholders that collocations could cause a reduction in client service, no significant management or operational problems have resulted from collocations that have been operating for several years.²⁰

2.80 The AEC has identified a number of benefits which arise from collocations. These benefits, listed below, assist in overcoming staffing and operational problems that have resulted from the existence of very small Divisional Offices. For example:

- the inclusion of other functions into the work of the collocated office. For example, industrial or local government elections work which allow the development of a wider range of skills and therefore provide greater career opportunities for Divisional staff;
- more staff would be available to be trained in the DROs' duties so that these positions could be more readily filled. This is important given that many DROs are likely to retire over the next few years and the provision of training will allow for appropriate succession planning; and
- occupational health and safety will be better addressed. For example, when members of Divisional Offices staff take leave, this may result in one person being left to staff the office. This is of particular concern in some locations and can impact on client service.

¹⁹ At 31 December 1997 there were 148 Divisional Offices across Australia, each being managed by a permanent DRO and with one to three staff responsible for electoral administration within the division, including the maintenance of the electoral roll and the conduct of electoral events (but not industrial elections).

²⁰ For example, the electorates of Boothby, Hindmarsh and Kingston in South Australia are tri-located, and the electorates of Franklin and Denison in Tasmania are collocated.

2.81 As well, consolidating operations into larger offices offers the potential for savings: for example, through reduced property expenditure (although the ANAO acknowledges that property costs are driven by such things as the market and availability) and as a result of economies of scale and/or in the capacity to absorb new work at zero or marginal costs. In this way, collocations could make resources available to undertake new business activities such as those which result from the broader interpretation of section 7A described above (paragraphs 2.76 to 2.78). Therefore, the AEC has already begun to identify opportunities which would give it the capacity to undertake new business in line with the proposed business oriented approach.

Skills and workload

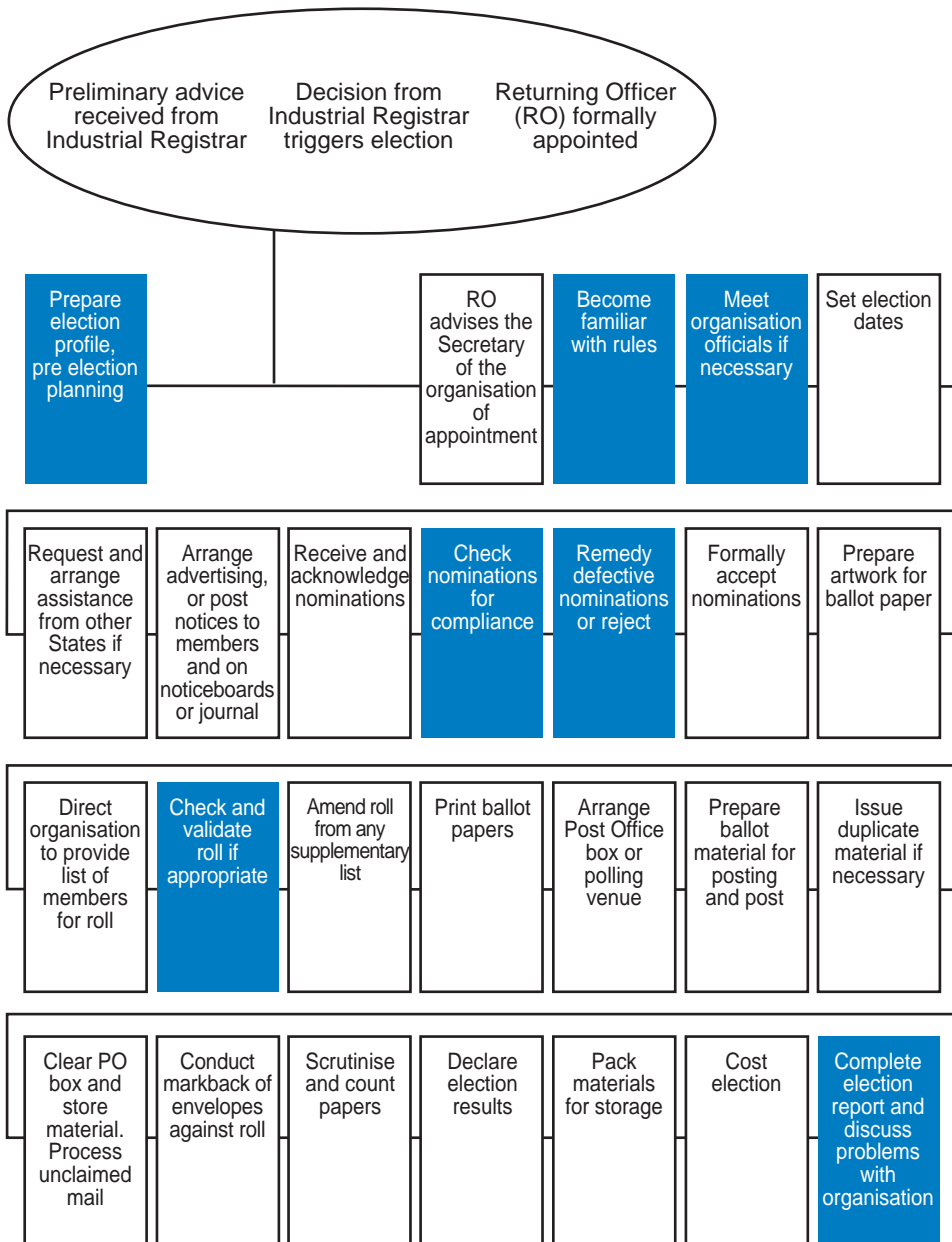
2.82 The collocation of Divisional Offices could also make staff available to undertake other than traditional divisional tasks. This would provide a broader skill base for divisional staff to undertake different types of election work and in this way also create capacity to take on new business.

2.83 For example, under the current arrangement, the administration of industrial elections²¹ is undertaken at State Head Offices with a policy cell existing in Central Office. This involves approximately 40 staff across Australia. Discussions during fieldwork indicated that the AEC has considered devolving industrial elections work to the divisional level. The ANAO examined the feasibility of moving industrial elections work to another organisational level.

2.84 The ANAO mapped the major steps in the industrial elections process (Figure 4). This indicates that there are particular areas of the process (indicated by the shaded boxes) that require specialist expertise. The remaining parts of the process are less complex and would be able to be undertaken by staff with a lower level of industrial elections expertise (confirmed with industrial elections staff during the audit fieldwork). This enhances the possibility of some of the less complex industrial elections work being undertaken in locations other than State Head Offices.

²¹ The AEC conducts elections for registered industrial organisations (that is, employer organisations and trades unions) with all costs being met fully by the Commonwealth. The relevant legislation is the *Workplace Relations Act 1996*. The AEC currently conducts, on average, 700 such elections per year. These can be national, State or branch elections.

Figure 4
Major steps in the industrial elections process



The shaded boxes require particular industrial elections expertise

2.85 Industrial elections work is one avenue of broadening the expertise of divisional staff. Such an initiative may also help distribute the AEC's workload more evenly during the three year federal electoral cycle.

2.86 The ANAO notes that some AEC divisional staff already conduct Regional Council elections for ATSIC (under the *Aboriginal and Torres Strait Islander Act 1989*) and the Torres Strait Regional Authority every three years.

2.87 In addition, the AEC undertakes other electoral work, where they have the expertise, in line with the interpretation of section 7A. In particular local government elections currently are being tendered for and undertaken by the Victorian Head and Divisional Offices.²² The Victorian Head Office has developed an overall Business Plan for work associated with the conduct of these elections (for 1997). This plan addressed the benefits and risks to the AEC including financial, personnel, industrial relations and legal matters for each individual activity. It also made provision for an evaluation of all aspects of the conduct of the 1997 local government elections. The office then develops an individual plan for each specific local government election. The specific plan contains information on the number of elections, the timeline, the power to conduct the event, benefits and risks to the AEC and costing/pricing issues. The work is conducted on a fee-for-service basis. Thus the AEC has already obtained expertise in the areas of planning and pricing their activities.

2.88 However, the AEC does not currently take an overall approach to its risk assessment for revenue generating activities. Consequently, the risk assessment process has not examined the issue of the effect on current business of new opportunities to undertake fee-for-service business based on the interpretation of section 7A of the CE Act.

2.89 Given that the AEC is already undertaking fee-for-service work in relation to industrial and local government elections, this provides them with the expertise necessary to take up new opportunities. However, in adopting a more business oriented approach, the AEC would need to consolidate its planning for new work, rather than undertaking it on a task-by-task basis.

Conclusion

2.90 The AEC should build on the work undertaken as part of AEC 2000. As well, the delivery of its functions would benefit from a clarification of the outcomes that the AEC is intending to achieve. This clarification of

²² The ANAO was advised that the Tasmanian Head Office also does some local government elections work on a fee-for-service basis, but this is achieved through agreement between the Tasmanian Electoral Office and the AEC and not by a tendering process.

business goals will assist the AEC to identify priorities and allow resource allocations to be made in line with those priorities. As well, as part of a business oriented approach, the AEC could examine the capacity to take on new business, the impact of such business on current activities and the associated risks, if any. This includes taking an overall approach to its risk assessment for revenue generating activities. At the same time, there is the potential to improve the services delivered, to identify savings and broaden staff skills.

Recommendation No. 4

2.91 The ANAO *recommends* that the AEC uses an overall business oriented approach to assist in identifying priorities, clarifying business goals and determining the extent to which it should be involved in new work under the expanded section 7A of the CE Act.

AEC Response

2.92 Agreed.

3. Performance Information, Monitoring and Reporting

This chapter analyses the AEC's performance information and examines the performance monitoring and reporting framework at both the national and State levels. The ANAO found that performance assessment framework provides a sound basis on which to build but that improvements could be made to ensure that the AEC can measure all aspects of its performance cost effectively. The ANAO has made two recommendations aimed at improving the AEC's performance information, monitoring and reporting.

Introduction

3.1 A system of performance information, monitoring and reporting is an important tool in the management of programs and performance improvement. It is also a valuable part of an agency's accountability to key stakeholders such as the Minister, clients and the public. The ANAO examined the AEC's performance indicators, monitoring and reporting, at the national and State (through visits to the NSW and Victorian Head Offices) level, against the key criteria listed below.

3.2 The AEC has set up a performance assessment framework consisting of seven corporate goals supported by a number of strategies and principal activities. The AEC has listed a number of performance indicators and measures for each set of principal activities. The ANAO has therefore examined this framework to determine if these lists of activities have appropriate performance indicators in place.²³

Performance assessment framework

3.3 The ANAO reviewed the AEC's performance assessment framework to establish whether:

- there were appropriate performance indicators that provided a link between AEC's goal(s) and strategies;

²³ For more information, see *Better Practice Guide on Performance Information Principles* ANAO and Department of Finance and Administration, November 1996.

- a balance of measures existed that allowed an assessment of efficiency and effectiveness (that is, a balanced range of input and output, including client service, and outcome measures);
- appropriate targets and standards had been developed where they could assist in improving performance (for example, levels and quality of service); and
- suitable benchmarking was being undertaken to review performance, where appropriate, having regard for costs and benefits (that is, the identification of best practice in other programs, agencies or countries and matching or improving those practices).

ANAO findings

Links between indicators/strategies/goals

3.4 The ANAO found that links (either direct or indirect) between the performance indicators and measures and the principal activities for each corporate goal do exist in most cases. For example, in Figure 5, all the indicators and measures for strategy 6.2 are linked to its principal activities, indirect links only exist for the principal activities under strategy 1.1, and few links can be identified for the principal activities under strategy 4.1.

3.5 The ANAO also examined the performance indicators to determine whether they enabled an assessment to be made of achievement against the corporate goal. For example, the performance indicators/measures listed for strategy 1.2, 'to pursue appropriate, efficient and effective roll data reviews and arrangements', are linked to Corporate Goal 1: 'to ensure the electoral roll is accurate, complete and meets client's needs'. The first indicator links to 'meets client's needs' and the second relates to 'accuracy and completeness' of the roll.

3.6 The ANAO notes that for each performance indicator, the AEC has set one or more 'performance measures'. The ANAO examined whether the two were linked so that the performance measures enabled the AEC to determine whether the level of performance had been achieved. The ANAO found that the performance assessments/measures do fulfil this function in the majority of cases. This is discussed further under 'setting measurable targets'.

Figure 5
Links between principal activities and performance indicators and measures (National Operational Plan 1997-98)

Principal activity	Performance indicator linked?	Performance assessment/measures linked?
CORPORATE GOAL 1: To ensure the electoral roll is accurate, complete and meets client's needs Strategy 1.1: To review and implement enhanced roll management procedures and technology	Indirectly - Level of satisfaction by joint roll partners with joint roll arrangements, products and services	Indirectly - Equity demonstrated in joint roll arrangements Indirectly - Obligations under arrangements met Indirectly - Feedback from joint roll partners
Continue to enhance the RMANS database	Indirectly - Efficiencies and effectiveness demonstrated in procedures and systems	Indirectly - Reduction in time and resources required for roll maintenance
Keep abreast of emerging new technology, investigate and implement as appropriate	Indirectly - Efficiencies and effectiveness demonstrated in procedures and systems	Indirectly - Reduction in time and resources required for roll maintenance
CORPORATE GOAL 4: To ensure high quality international electoral assistance is provided to client foreign countries and organisations which are important to Australia's foreign policy objectives Strategy 4.1: To provide advice and assistance as required to international electoral authorities	Indirectly - international electoral assistance provided is appropriate and of a high quality	Indirectly - Continuing support and favourable comments from the Australian Parliament
Provide high level electoral advice to AEC senior management, and external agencies and organisations	No	Indirectly - Feedback from host countries, international organisations, Department of Foreign Affairs and Trade, AusAID and non-government organisations
Plan and provide for specific international electoral projects	No	No
Develop and implement visitors programs	No	No
Organise a conference of South Pacific electoral officials	No	No
CORPORATE GOAL 6: To ensure change processes are implemented in a way that results in the continued provision of a high quality service to clients Strategy 6.2: To foster encouragement and acceptance of innovation and change	Yes - Incentive schemes adopted Indirectly - Effectiveness of staff training	Yes - Staff participation rates
Promote innovation and professionalism from individuals and teams	Yes - Effectiveness of staff training	Yes - Staff acceptance of change, and change skills demonstrated
Development of skills to enable staff and teams to deal with change	Yes - Consultation process for Agency Agreement in place Yes - Development of Agency Agreements	Yes - Participation by all staff in consultative programme Yes - Agency Agreements signed

Balance of measures

3.7 A balanced set of performance information is one that measures all aspects of performance, that is, the relationships between inputs, process, outputs and outcomes. Balanced sets of performance information are important as they facilitate management and accountability, and enable the investigation of the interactions and interrelationships between the factors which influence outcomes.²⁴ If only one aspect of program performance is assessed, such as quantity without consideration of quality, it is likely that managers will concentrate on this one aspect. This could result in an overall deterioration in performance.

3.8 The ANAO reviewed the performance indicators contained in the National Operational Plan 1997-98 to determine whether there was a balance of input, process, output, including client service, and outcome measures.²⁵ The examples in Figure 6 show that the AEC generally does have a mix of indicators but there are no input indicators. The ANAO is not suggesting that the emphasis should be on input measures, and stresses the importance of an outcomes focus. However, without a balance of measures that includes input, the AEC cannot fully assess achievement against objectives, particularly cost effectiveness and the efficiency of processes.

Setting measurable targets

3.9 Performance assessment, whether it is for the purposes of ongoing monitoring or evaluation, is based on comparisons. Standards, targets, benchmarks and milestones all provide a basis for comparison, although the ANAO recognises that qualitative measures are as important as quantitative measures. The ANAO notes that the AEC has set target dates and milestones for most of its principal activities. However, an area where improvements are required is in the setting of measurable targets for performance indicators. Targets enable performance indicators to be assessed by setting a defined standard for achievement. For example, '80 per cent of enrolment forms to be processed within one day of receipt in the correct Divisional Office' would be a target against which to measure the timeliness of processing enrolment forms.

3.10 Figure 7 demonstrates that whilst the AEC has indicators and measures in its National Operational Plan 1997-98, it has not set targets for the majority of indicators or measures.

²⁴ *Better Practice Guide on Performance Information Principles*, ANAO and Department of Finance and Administration, November 1996.

²⁵ Inputs are the staff and resources allocated to achieve the strategies which are the means to achieve the goal. Processes are the way in which the objective is performed (that is, they convert inputs to outputs). Outputs are the products or services that are produced (this also relates to measures of quality). Outcomes are all the consequences or impacts of the programs beyond direct outputs and should show whether stated objectives are being achieved.

Figure 6

Balance of measures (examples from National Operational Plan 1997-98)

Performance indicator	Type of indicator
CORPORATE GOAL 1: To ensure the electoral roll is accurate, complete and meets client's needs	
<i>Strategy 1.1: To review and implement enhanced roll management procedures and technology</i>	
Level of satisfaction by joint roll partners with joint roll arrangements, products and services	Client Service
Efficiencies and effectiveness demonstrated in procedures and systems	Process/Outcome
<i>Strategy 1.2: To pursue appropriate, efficient and effective roll data reviews and arrangements</i>	
Level of parliamentary and client satisfaction with electoral roll data	Client Service
Extent to which electoral roll is continuously maintained	Outcome
<i>Strategy 1.3: To provide responsive electoral roll based products and services to clients</i>	
Level of satisfaction by 'core business' clients with roll products delivered and services provided by the AEC	Client Service
CORPORATE GOAL 5: To achieve improved performance in service delivery and increased efficiency and productivity	
<i>Strategy 5.1: To apply upgraded Information Technology to increase efficiency and productivity</i>	
PC Roll out completed	Output
Outsourcing tender issued	Output
Effectiveness of IT training	Outcome
Extent of integration of IT systems and procedures	Output
<i>Strategy 5.2: To further the capacity of the Australian Electoral Commission to manage and measure resources and performance</i>	
Reforms implemented by management	Outcome
Performance indicators and measures developed	Output
Audits, reviews and evaluations conducted	Process/Output
Extent to which AECPAY supports casual employee management	Outcome
Reduction in average claim costs and claim frequency	Outcome

Figure 7

Performance indicators, measures and targets (examples from AEC National Operational Plan 1997-98)

Performance indicator	Performance assessment / measure	Measurable?	Target set? ²⁶
CORPORATE GOAL 1: To ensure the electoral roll is accurate, complete and meets client's needs			
Strategy 1.1: <i>To review and implement enhanced roll management procedures and technology</i>			
Level of satisfaction by joint roll partners with joint roll arrangements, products and services	Equity demonstrated in joint roll arrangements	Unclear what is meant by 'equity'	No (does this relate to equity in cost contribution?)
	Obligations under arrangements met	Yes	No (obligations under CE Act or under contract?)
	Feedback from joint roll partners	Yes	No (positive or negative?; what level is satisfactory?)
Efficiencies and effectiveness demonstrated in procedures and systems	Reduction in time and resources required for roll maintenance	Yes	No (by what amount?; over what time period?)

3.11 In addition, the indicator must be capable of measurement (either quantitative or qualitative) to enable the setting of performance targets. The ANAO found that the majority of the AEC's performance indicators are capable of measurement. For example, Figure 7 shows that the indicator 'level of satisfaction by joint roll partners with joint roll arrangements, products and services' can be assessed.

3.12 However, a number of the indicators are not measurable. For example, strategy 1.2 mentions the 'timeliness of implementing recommendations'. A number of strategies would be difficult to implement because of the use of terms such as 'timeliness' without providing a particular timeframe. Equally, the use of this terminology in performance indicators also make them difficult to measure. The example in Figure 7 also shows that the meaning of the term 'equity' in this context is unclear.

3.13 Another example relates to assessing the effectiveness of the information and education function (Corporate Goal 3: 'To achieve increased public understanding of, and participation in, electoral

²⁶ Although there could be inherent targets in these performance measures (for example, all obligations under arrangements are met, so the target would be 100 per cent), these do not relate back to measuring the overall performance indicator (for example, level of satisfaction).

processes'). A performance indicator relating to this goal is the 'Level of community knowledge about electoral events and support for electoral events'.

3.14 The AEC has listed a number of sources of information for this indicator, such as election exit polls, advertising concept testing and election statistics. However, it would be difficult to measure achievement against the indicator because the AEC does not know the 'current level of knowledge' so will be unable to measure improvements. The AEC needs to determine what the corporate goal for this area is to achieve and then establish appropriate related indicators.

Benchmarking

3.15 Benchmarking can be:

- internal (that is, comparisons of the same activity between different parts of the same organisation);
- external (that is, comparisons of the same activity within other organisations); or
- generic (that is, comparisons of similar processes with other organisations that may have different products or processes).

3.16 Irrespective of whether benchmarking is internal, external or generic, it can be used to improve performance and to identify appropriate performance information for agencies.

3.17 Benchmarking is not currently being undertaken by the AEC to review or improve performance. However, some activities in which the AEC is involved provide the basis from which benchmarking could be developed. These are as follows:

- the AEC does have international ties with bodies such as the United Nations, the International Foundation for Electoral Systems (IFES) (an independent, Washington based non-government organisation), the International Institute for Democracy and Electoral Assistance (International IDEA) in Sweden, the Commonwealth Secretariat in London and the Council on Government Ethics Law (COGEL) in the United States. These relationships may provide the AEC with opportunities to make comparisons across common areas of electoral administration; and
- the AJRC, of which the AEC is a member, is currently embarking on the first formal exercise that involves the costing of common electoral activities across and between States and the Commonwealth. This is the Continuous Roll Update pilot project (discussed in Appendix 4). Although the focus of this exercise is to provide a more accurate electoral

roll on a more regular basis, the information obtained could be used to benchmark areas of the AEC against its State counterparts.

Conclusion

3.18 The ANAO acknowledges that, in the Strategic Directions 1997-99 and National Operational Plan 1997-98 documents, the AEC has directed considerable effort towards developing performance information and measures. As well, it is not easy to develop an effective performance assessment framework but it is important to have measures in place and then improve on them. The ANAO considers that the AEC could improve its performance assessment framework by ensuring that all performance indicators are linked directly to its strategies and principal activities so that, in turn, they provide the necessary information to assess the effectiveness of the strategies and activities in achieving goals.

3.19 Although the AEC generally has a mix of performance measures there are no input indicators. A balance of measures, that includes inputs, would assist the AEC fully assess achievement against goals, particularly cost effectiveness and the efficiency of processes.

3.20 The AEC could improve its performance assessment framework by ensuring that the performance indicators are capable of cost effective measurement (this may involve clarifying some terminology) and that targets are determined for each measure to provide a mechanism for demonstrating achievement against the lower level objectives and therefore the AEC's corporate goals.

3.21 The ANAO also considers that the AEC would benefit from using benchmarking as a tool for comparing its internal and external performance. The ANAO recognises that State and international electoral commissions will not be legislatively or structurally identical to the AEC. However, there will still be areas where benchmarking is possible. Chapter 5 outlines two benchmarking activities²⁷ where the AEC's performance is compared to other organisations.

Recommendation No. 5

3.22 The ANAO *recommends* that the AEC reviews its performance assessment framework to ensure that its performance can be assessed cost effectively by:

- ensuring that direct links between goals and performance indicators are developed as the hierarchy of operational plans is completed and/or reviewed;

²⁷ *Paying Accounts*, ANAO, November 1996 and *Achieving Cost Effective Personnel Services*, Management Advisory Board and Management Improvement Advisory Committee, 1995.

- setting appropriate indicators (measures) for each objective/strategy;
- ensuring that an appropriate balance of indicators is in place to measure inputs as well as outputs (including client service) and outcomes; and
- setting appropriate targets for each performance indicator.

AEC Response

3.23 Agreed. To be facilitated during the AEC's next national planning cycle and within the context of the AEC's Customer Service Charter. An emphasis will be placed on the identification and use of appropriate quantitative as well as qualitative information during this process.

Achievement against high level performance forecasts

3.24 The ANAO examined whether the performance indicators and measures included in the National Operational Plan 1997-98 would assist the AEC to assess the achievements against the performance forecasts included in the Strategic Directions document for 1997-99.

3.25 An effective organisation sets both short- and long-term goals. It is important that the organisation's performance assessment framework is capable of measuring achievement against both these types of goals. This then provides adequate performance information to assist in long-term organisational direction and to inform key stakeholders.

ANAO findings

3.26 As discussed above (paragraph 2.7), the Strategic Directions 1997-99 document contains some high level performance forecasts. For example:

- the provision of more flexible and effective Commonwealth Electoral Roll systems and products for joint roll partners and clients;
- the provision of professional, impartial and effective electoral services which reflect client needs;
- improved performance in service delivery through the implementation of agreed program evaluation and review recommendations, and the efficient use of resources;
- client groups who perceive that their views are considered and that their needs are met; and
- well informed and appropriately trained staff who are committed to the AEC's corporate values.

3.27 The performance assessment framework contained in the National Operational Plan 1997-98 (and in the lower level plans) should contribute to the assessment of achievement against these forecasts. The ANAO found

that in some cases, achievement against some of these forecasts could be assessed. For example, the perception that client groups' views are considered, and their needs met, could be established by the performance 'measures' set up by the AEC that have been detailed in Appendix 3.

3.28 The ANAO notes that nineteen of the AEC's performance measures rely upon client feedback and is aware that the AEC is currently drafting a Client Service Charter. However, the ANAO notes that the AEC has not articulated the means for obtaining such feedback and the targets involved (for example, positive response from 80 per cent of clients using the service).

3.29 The National Operational Plan 1997-98 does not contain performance measures related to some of the higher level forecasts. For example, the existing performance indicators do not measure achievement against 'the availability to the Australian Electoral Commission and its stakeholders of relevant information on, and insights into, electoral policy obtained through research and analysis'.

Conclusion

3.30 The ANAO found that some of the measures which exist in the National Operational Plan will assist the AEC to assess the achievement of performance forecasts. However, there were some forecasts for which measures were not in place and many forecasts relied on client feedback without specifying the means by which their feedback is to be obtained.

Recommendation No. 6

3.31 The ANAO *recommends* that the AEC reviews its current performance indicators and targets to determine whether they enable suitable assessment against longer-term performance forecasts as well as against shorter-term goals and strategies.

AEC Response

3.32 Agreed. To be facilitated during the AEC's next planning cycle and through the Customer Service Charter.

Monitoring and reporting

3.33 In relation to monitoring and reporting, the ANAO undertook an assessment to determine if:

- the AEC is monitoring against performance indicators/measures on an ongoing basis to ensure key milestones are met and activities being undertaken are in line with plans;
- internal reports included results in terms of inputs, outputs and outcomes;

- external reports (for example, the Annual Report) included information on program efficiency and effectiveness (that is, output as well as outcome focused) and fulfilled public accountability requirements; and
- the AEC is complying with the current requirements for performance indicators in Portfolio Budget Statements.

3.34 A system of internal monitoring and reporting enables all areas within the agency (branch, section, State or division) to receive feedback on how they are performing against the national goals. State and section planning was discussed in Chapter 2. Performance indicators at the lower level such as the ones at State/area/DRO level should be developed in such a way that they contribute to the overall assessment of performance at the national level (although they may need to be more detailed at the lower levels). In this way, the AEC will have developed a hierarchy of information to allow assessment of performance at each level. In other words, each level needs to be able to demonstrate its contribution towards achieving the organisation's corporate goals.

ANAO findings

Internal monitoring and reporting

3.35 The AEC's system of internal monitoring was less formal during 1996-97 due to the carrying forward of the previous financial year's National Operational Plan and an organisational focus on the AEC 2000 project. Before this, all sections of the AEC reported against the plan to the Management Board on a quarterly basis. The Strategic Planning and Workplace Improvement Section in Central Office consolidated the section responses into one document which was then provided to the Board. This was an exception report divided into the former five Key Result Areas (KRAs) (see Annual Reports below), with the following headings:

- what has been the impact or effect of activities undertaken in your State or branch to achieve the desired outcomes listed in the AEC National Operational Plan 1995-96;
- problems encountered to date or foreseen in the future that have affected or which may affect the achievement of the desired outcomes;
- action proposed to address these problems;
- comments on resource or policy implications, etc; and
- recommendations to Management Board.

3.36 These reports did not deal directly with achievement against performance indicators or measures. The ANAO was advised that the first quarterly report relating to achievement against the National Operational Plan 1997-98 was to be available in December 1997. The AEC released the

template for States and Central Office to report against the National Operational Plan 1997-98 on 12 December 1997. All quarterly reports are to be provided, using this template, to the Strategic Planning and Workplace Improvement Section in Central Office two weeks before each quarterly Management Board meeting (the AEC advised that a report for the period June to December 1997 was completed and presented to the Management Board in March 1998).

3.37 The ANAO notes that the template for the new reporting framework uses the performance indicators and measures as stated in the National Operational Plan 1997-98. Therefore comments relating to reporting against the national performance indicators will apply directly to State and branch reporting under this framework.

3.38 Some States have not yet finalised their 1997-98 Operational Plans and only some sections and branches have prepared plans. The ANAO found that these plans had generally summarised key activities for the financial year and described the responsibilities of each section within branches with a target date for each activity. Few plans contained any reference to monitoring mechanisms or performance information. Most of the State Offices' performance measures that did exist related to:

- the numbers of activities undertaken; and
- whether tasks were completed on time.

3.39 While at the operational level such information provides an indication of progress it is also important that the focus extends to assess outputs and outcomes. For example, information on the number of education activities conducted does not provide any indication on the effectiveness of those activities.

3.40 Areas within the AEC need to maintain some records of their interim performance to determine if they are on track to meet their goals. The NSW Head Office had a comprehensive reporting process in place, consisting of weekly and monthly reports from each branch. Quarterly management reports were provided to Central Office. These reports were activity/task focused because performance indicators to measure outcomes had generally not yet been developed.

3.41 The Victorian Head Office had adequate reporting arrangements in place. Some meetings were informal (no agenda was set or minutes taken) and others were formal. A monthly status report against the five KRAs, (see external reporting below) was prepared, sent to the Electoral Commissioner and copied to all AEOs. These reports tended to be activity and task focused but this was as a result of having previously set indicators of this kind at the national and State level.

External reporting and public accountability

Annual Reports

3.42 Current guidelines for the preparation of Departmental Annual Reports²⁸ require that Annual Reports provide sufficient information on the achievement of program objectives and results including ‘both successes and shortcomings’.

3.43 The 1996-97 AEC Annual Report is divided into the five KRAs used under the previous (prior to the National Operational Plan 1997-98) planning and reporting framework.²⁹ The report provides a comprehensive description of activities undertaken during the financial year. The report also has an outcomes focus. Strategies (lower level objectives) are listed for each KRA and a number of outcomes reported against each of these. As the example in Figure 8 demonstrates, all the outcomes listed in the Annual Report can be linked either directly or indirectly to their associated strategies.

3.44 Performance indicators are also listed for each KRA. The outcomes are reported against each of the AEC strategies but not against the performance indicators. In the majority of cases, the outcomes are also not directly linked to the performance indicators. Therefore, the reported outcomes cannot be linked to the performance information included in other planning documents.

3.45 For example, under KRA 2, Conduct of Elections, the goal is ‘to ensure a consistently high-quality service is provided with integrity and professionalism to all participants in the electoral process’ and one strategy is ‘participation in State and local government elections’. None of the performance indicators listed for KRA 2 would provide the means to measure this. Yet the outcome is recorded as ‘a competitive cost recovery service to clients’. This does not explain who the AEC is competitive with and therefore what the outcome means.

3.46 In addition, some of the reported outcomes contain descriptions such as ‘increased efficiencies’ without any quantitative statement of how this was assessed or the size of the increase. Earlier in this chapter, the ANAO noted that the AEC had not set targets for its performance indicators and therefore had no basis for measuring outcomes. While recognising that qualitative information is equally as important as quantitative information the AEC needs to set measurable targets against which outcomes can be reported externally.

²⁸ *Requirements for Departmental Annual Reports*, Department of the Prime Minister and Cabinet (March 1997).

²⁹ As mentioned in Chapter 2, the National Operational Plan 1995-96 was extended to cover the financial year 1996-97.

Figure 8

Example of strategies and outcomes (1996-97 Annual Report)

KRA 2: Conduct of elections	Outcomes reported	Outcome linked to strategy?
<i>Goal: To ensure a consistently high quality service is provided with integrity and professionalism to all participants in the electoral process</i>		
Strategy 2.1: Conduct parliamentary elections and referendums	By-elections and post-election operations were managed effectively and complied with legislation	Yes
Strategy 2.2: Enhance and develop systems and procedures, and ensure consistent application by all AEC staff	Operational systems and procedures were reviewed to improve performance in the conduct of future federal elections and referendums	Yes
Strategy 2.3: Develop processes and procedures for the conduct of other elections	New operational systems and procedures were developed to enable the conduct of a national postal ballot provided for in the <i>Constitutional Convention (Election) Bill 1997</i>	Yes
Strategy 2.4: Ensure required resources are available in sufficient time for the conduct of an electoral event	Staffing resources, election materials and services were in place to conduct federal by-elections and other elections	Yes
Strategy 2.5: Provide assistance as required for the conduct of overseas elections	Good governance in other countries supported, and staff developed, through overseas deployments	Yes
	Information exchanged with international counterparts through visitor programs	Indirectly
Strategy 2.6: Conduct elections for the Aboriginal and Torres Strait Islander Commission and the Torres Strait Regional Authority	New information packages and heightened awareness of Aboriginal and Torres Strait Islander Commission and Torres Strait Regional Authority elections, especially for the major round of 1996 Regional Council elections, resulted in an 8% increase in voter turnout for those elections compared with 1993	Yes
Strategy 2.7: Participation in State and local government elections	A competitive cost recovery service to clients	Indirectly
Strategy 2.8: Provide party registration and funding-and-disclosure services to parties and candidates	Timely party registration and funding-and-disclosure services provided	Yes

3.47 In the information and education area (KRA 3), the performance information (indicators) included in the Annual Report for 1996-97 is largely output rather than outcome-based with a heavy emphasis on numbers of activities and on characteristics of material produced. The ANAO notes there was only one (limited) measure of outcomes listed: that is, ‘levels of voter turnout and informality at by-elections and the ATSIC election’. This

measure refers to only a minor portion of the AEC's work. As well, levels of turnout and informal voting could be influenced by many other factors apart from AEC information and education activities.

3.48 Whilst the majority of indicators were measures of output, there was also one client service indicator, that is

the level of satisfaction indicated by surveys of voters and recipients of electoral information.

However, this measure does not demonstrate the outcome to be influenced by the level of satisfaction, for example, increased enrolments.

Portfolio Budget Statements

3.49 In accordance with the guidelines,³⁰ Portfolio Budget Statements (PBSs) should include performance information. The AEC prepared its PBS entry as required to meet the structure in these guidelines. Examples of AEC's Performance Outcomes for 1996-97 are as follows:

- high level of information and education services provided to client following the 1996 federal election; and
- provision of higher quality industrial elections service through the implementation of recommendations of independent review.

3.50 In this example, although the form of the AEC's information follows the guidelines, the content could be improved in the following areas (again, this would involve a clarification of terminology):

- it is not apparent how the AEC would measure a 'high level' of information and education services or the provision of 'higher quality' industrial elections; and
- it is unclear how the AEC would measure, an 'enhanced democracy'.

3.51 The introduction of the Accrual Budgeting Framework will require direct links between anticipated outputs and outcomes in the PBS and performance reported in the Annual Report. The focus is on identifying and measuring the outputs, that is, goods and services for each agency, in terms of quantity, quality, timeliness and costs and their associated outcomes.³¹ Although the new accrual PBS Guidelines have not yet been finalised by DoFA (revised guidelines are expected to be issued in July 1998), the AEC will need to have regard to these issues in the preparation of future PBSs.

³⁰ *Guidelines to the preparation of the 1997-98 Portfolio Budget Statements*, Department of Finance and Administration.

³¹ *Specification of Outcomes and Outputs - Exposure Draft*, Department of Finance and Administration, October 1997.

Conclusion

3.52 All sections of the AEC reported against the KRAs to the Management Board on a quarterly basis before the establishment of the National Operational Plan 1997-98. The AEC has recently developed a template for quarterly reports against the most recent plans. As well, the ANAO notes that the template for the new reporting framework uses the performance indicators and measures as stated in the National Operational Plan 1997-98. Therefore comments relating to reporting against the national performance indicators will apply directly to State/Territory and branch reporting under this framework. In the States, Territories and branches many plans are not yet finalised and therefore no reports have been produced.

3.53 In relation to external reporting the AEC's Annual Report for 1996-97 generally meets public accountability requirements. The outcomes are reported against each of the AEC strategies but not against the performance indicators and in the majority of cases, the outcomes are also not directly linked to the performance indicators. Therefore, the reported outcomes cannot be linked to performance information included in other planning documents.

3.54 The ANAO found that, currently, the AEC is complying with the requirements for PBSs, but considers that by improving the performance indicators and measures through clarifying the terminology used, the AEC will have a sound basis upon which to report outcomes in external forums, such as the Annual Report and PBSs. However, the AEC will also need to have regard to the introduction of the accrual budgeting framework when preparing future PBSs.

4. Financial Planning and Control Framework

This chapter addresses financial planning and control issues, including links to the operational plan, committee structures and monitoring and reporting arrangements. The ANAO found that the AEC has financial planning arrangements in place but that they were not linked to the National Operational Plan. As well, the planning and monitoring arrangements in place needed to be reviewed to simplify the arrangements. The ANAO has made two recommendations aimed at improving the AEC's financial planning and control framework.

Introduction

4.1 An effective financial planning and control framework provides the Chief Executive Officer (CEO) with assurance that resources are being managed effectively and efficiently. Such a framework should include a financial plan which provides a link between an agency's objectives and priorities and the resources needed to perform the functions designed to achieve the objectives.

4.2 The financial plan should allocate responsibility for monitoring expenditure against the plan at both the strategic and operational levels. A system of reporting to the CEO and the agency executive on progress in respect of achievement of objectives and related expenditure should also be established.

4.3 The ANAO examined the financial planning and control framework for the AEC to determine if it fulfilled the requirements of sound corporate governance.

4.4 Other aspects of the AEC's broader control framework are addressed elsewhere in this report. The AEC's risk management was discussed in Chapter 2. Audit findings in relation to identifying process efficiencies and performance improvement and the contracting out of the property management function are discussed in Chapter 5. Further Chapter 7 discusses the AEC's review and evaluation functions.

Background

4.5 The high level administrative structure of the AEC is set out in Chapter 1. The Electoral Commissioner as the CEO, is ultimately responsible to the Commission (that is, the three person appointed Commission) for the operations of the AEC. However, an Australian Electoral Officer (AEO) is appointed as the principal electoral officer in each State and the Northern Territory. A temporary AEO is appointed for the Australian Capital Territory

for the duration of each federal election. These positions are independent statutory appointments and they have statutory functions in relation to the conduct of elections. The AEOs manage the activities of the AEC in their region within the framework established by the CE Act.

4.6 The ANAO notes that the CE Act was amended in 1987 to allow the Electoral Commissioner to give directions to the AEOs. The Act now states that an AEO 'may, subject to any directions given by the Electoral Commissioner, give written directions to officers with respect to the performance of their functions and the exercise of their powers under the CE Act in, or in relation to, the State'.³²

4.7 The AEC advised that it has adopted a consultative style of management that involves a system of advisory forums and working parties. Until March 1998 the AEC's higher level advisory forums were the Management Board, the Central Office Executive Committee, the Information Technology Strategic Planning Committee (INTECH) and the Audit Committee. Other important financial planning committees were the two Expenditure Review Committees (ERC) and the Election Management System (ELMS) Steering Committee. The composition and roles of these committees are discussed below with the exception of the Audit Committee which is discussed in Chapter 7.

Financial plan

4.8 A financial plan or financial planning framework provides an agency with a mechanism to make resource allocations in line with business priorities. It also provides a basis for assessments as to whether resources are being administered effectively and efficiently. The plan or framework should identify who is responsible, and for what areas, with the purpose of providing assurance to the CEO that responsibility has been delegated in a systematic manner with clear accountability for results.

4.9 The ANAO sought to establish whether the AEC had a financial plan or financial planning framework that is linked to the operational plan, made allocations in line with overall priorities and has a clear approval process.

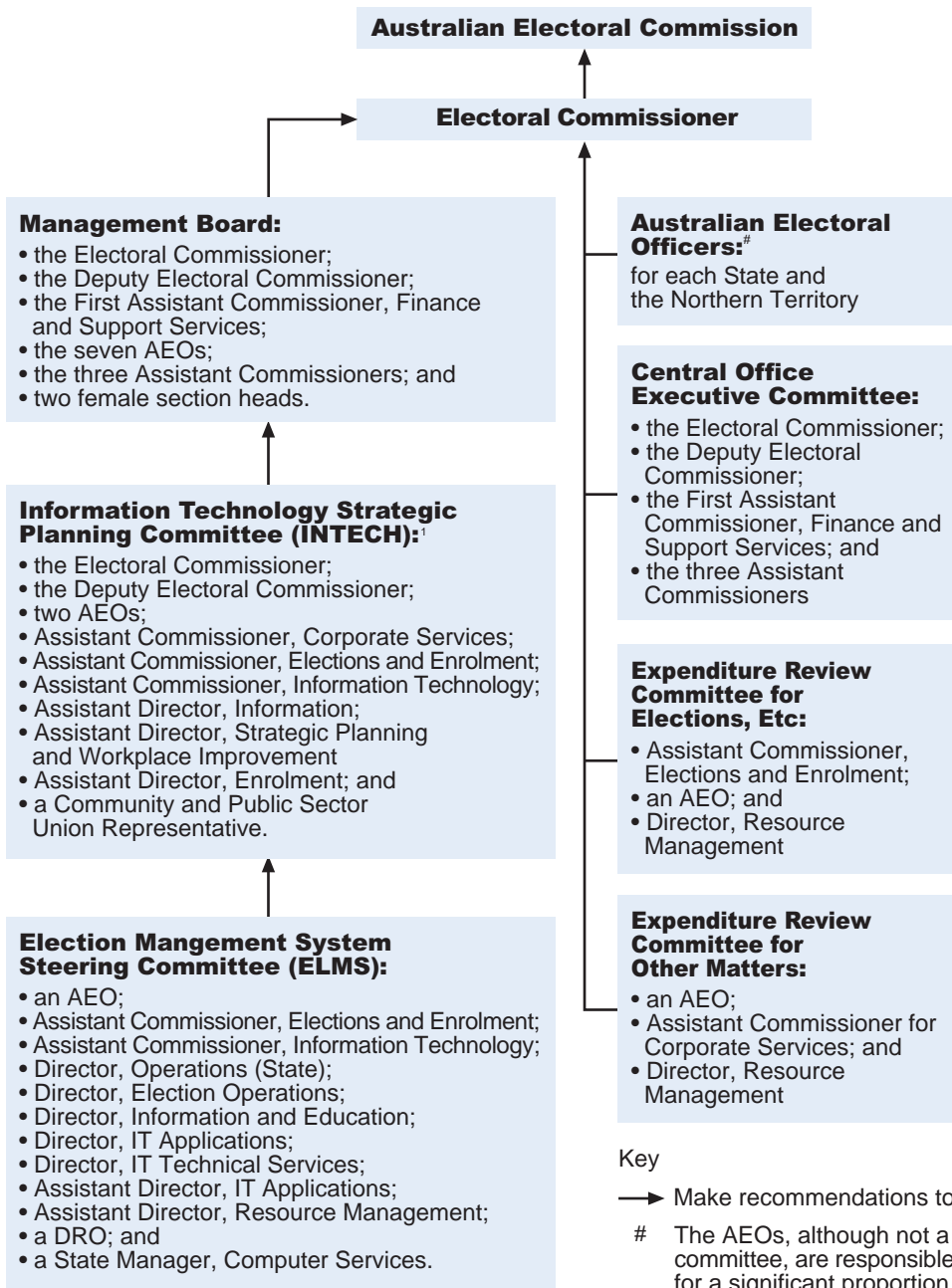
ANAO findings

4.10 The AEC does not have a separate financial plan but does have a financial planning framework. Figure 9 sets out the AEC financial planning framework which consists of the Management Board and a number of committees. The roles and responsibilities of each of these committees is discussed below along with an assessment of whether the framework is adequate.

³² Section 20 (3) of the CE Act.

Figure 9

AEC financial planning committees, interrelationships and membership as from January 1998



Key

→ Make recommendations to

The AEOs, although not a committee, are responsible for a significant proportion of AEC resources

1 INTECH was disestablished from March 1998

Management Board

4.11 The Management Board was established for the broad management of AEC activities and is primarily a consultative forum which advises the Electoral Commissioner. The Electoral Commissioner (Chairman) has full power to decide procedures, agenda and all other relevant matters and is the ultimate decision-maker; although often consensus occurs following discussion. The Board, which meets quarterly, considers the AEC's planning and future directions, makes policy decisions, and considers progress with major projects and events. Representatives from the Management Board are members of all other financial planning committees.

4.12 The Management Board's responsibilities in relation to financial planning involve major projects and events and usually concern information technology projects. The Management Board considers new proposals, in most cases sent from the INTECH Committee, and passes recommendations on resource allocations to the Electoral Commissioner.

Central Office Executive Committee

4.13 The AEC has established a Central Office Executive Committee. The committee meets weekly and discusses a range of issues including the monthly status reports that detail resource allocations, expenditure and the balance of funds for Central Office and each State/Territory.

4.14 The Central Office Executive Committee has indirect input into the current financial planning arrangements through its representatives on all other financial planning committees. The committee also discusses future activities on an on-going basis.

Information Technology Strategic Planning Committee

4.15 The INTECH Committee played a significant role in the Commission's activities due to the nature of the AEC's business activities. That is, many of the AEC's activities, such as roll maintenance, the conduct of elections, industrial elections, as well as the corporate management function, are highly dependent on information technology. The INTECH Committee met quarterly to cost information technology projects, set priorities in relation to information technology proposals and monitor approved projects.

4.16 All information technology projects were considered by the committee and recommendations sent to the Management Board.

Election Management System Steering Committee

4.17 The INTECH Committee was supported by the ELMS³³ Steering Committee. The ELMS Steering Committee met quarterly and makes recommendations to the INTECH Committee on project funding for information technology activities.

Expenditure Review Committees

4.18 For 1997-98 the AEC has established two committees³⁴ to make resource allocation recommendations to the Electoral Commissioner. The ERC for Elections, Etc is a special purpose committee concerned with electoral matters, such as federal elections, industrial elections and the electoral roll review. The other AEC ERC deals with all other matters including information and education and the expenditure relating to the AEC executive.

4.19 The ERC for Elections, Etc operates on a submission-based system to determine resource allocations. The approach adopted by the other ERC is to determine, for each relevant area, base-level resource allocations in relation to salary and administrative expenses. These are derived through the application of a formula-based methodology. In addition, bids are submitted to this ERC for any projects which have not been included in the base-level resource allocations.

Links to other plans

4.20 The committees,³⁵ discussed above, separately cover all aspects of the AEC's financial planning. However, the financial planning arrangements are not directly linked to the National Operational Plan. The ANAO recognises that members of the working party which developed the National Operational Plan are members of the various committees and that the National Operational Plan inherently would be used by these staff to guide the operations of the AEC. However, the financial planning arrangements are not referred to in the planning hierarchy (Figure 2) and resource allocations are not included in the National Operational Plan. The ANAO's discussions with the AEC and review of documentation during

³³ ELMS is a consortium of software projects that assist in the management and conduct of elections. Such projects include the AEC financial management information system and AECPAY, the AEC's application for managing the employment and payment of election casuals.

³⁴ An ERC was established in 1996 to make resource allocation recommendations to the Electoral Commissioner for the 1996-97 financial year. This committee examined submissions from all areas of the AEC and considered budgets having regard to the appropriations likely to be available. It consisted of two AEOs, the Assistant Commissioner, Corporate Services and the Director, Resource Management.

³⁵ For the purposes of this discussion the word committee is taken to encompass all committees and the Management Board.

the audit fieldwork did not show that the National Operational Plan was explicitly considered in developing resource allocations. As well, the National Operational Plan does not specify priorities for the various activities being undertaken in 1997-98. There is a risk that without financial and operational planning being linked, that resources could be allocated to activities without consideration of business priorities.

4.21 The separation of overall planning from the financial planning arrangements and the absence of priorities in the National Operational Plan would make it difficult for the various committees to consider resource allocations in line with the AEC's overall business needs. In particular, priorities have not been established in relation to these business needs.

4.22 The ANAO has noted the need to include priorities in the National Operational Plan in Chapter 2 and has recommended that they be developed.

Links between committees

4.23 As well as the financial planning arrangements not being linked to other plans to enable the consideration of resource allocations in line with overall priorities, the committees separately consider aspects of the AEC's resource allocation. The ANAO acknowledges that informal links exist between committees through common membership. However, there is the potential for confusion in that a number of committees could consider the same project, or aspects thereof, and/or consider different projects without developing an overall AEC view.

4.24 The ANAO considered that in the absence of a peak body to present this consolidated view, these informal linking arrangements would have made it difficult to develop resource allocations in line with overall business needs. This also impacted on the approvals process which is discussed below.

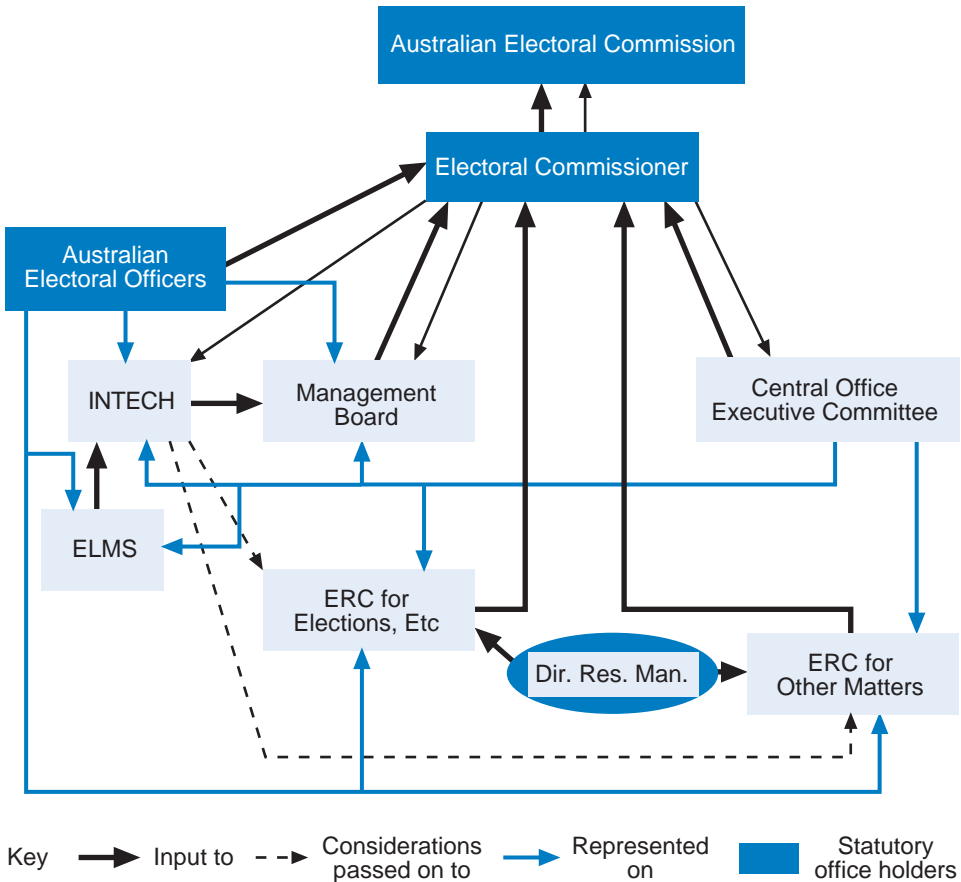
4.25 The ANAO indicated that the AEC needed to review this financial planning framework, particularly the links between the various committees, with the aim of reducing the potential for duplication or gaps in the consideration of resource allocations.

4.26 As a result of these suggested changes the AEC has disestablished the INTECH Committee (as at March 1998) and created the Allocations Committee to fulfil the role of a peak body and to link, more formally, arrangements for resource allocations.

Approvals process

4.27 As stated above the Electoral Commissioner is responsible for approval of all resource allocations. However, the diagram below shows that the process by which proposals are considered by the various committees is complex.

Figure 10
AEC financial planning arrangements



4.28 An example of the complexity of the approvals process in place at the time of the audit fieldwork relates to the INTECH Committee (chaired by the Electoral Commissioner) which did not approve information technology project expenditure but made recommendations to the Management Board (also chaired by the Electoral Commissioner). The Management Board sent its considerations to the ERCs for information. The Management Board also made recommendations to the Electoral Commissioner for his approval.

4.29 At the same time the ERCs were considering, separately, proposals for funding across the AEC including those which would use information technology. It is these information technology-related projects which the INTECH Committee also considered. The ERCs separately provided recommendations directly to the Electoral Commissioner.

4.30 As well as being a complex process the lack of integration of proposals and recommendations which related to the same projects had the potential to be less than effective.

Conclusion

4.31 The AEC has financial planning arrangements in place, however:

- these are not linked to the National Operation Plan;
- the various committees responsible for financial planning were not linked in a way which encourages an examination of overall business needs and reduces the potential for duplication or gaps in the consideration of resource allocations; and
- the approval process was complex and had the potential to be less than effective.

4.32 The ANAO notes the changes made to committee structures (refer paragraph 4.26) as likely to assist in improving the effectiveness of the approval process.

4.33 The ANAO acknowledges that the AEC is not alone in having difficulties in defining the roles and responsibilities of high level Boards/ Committees, and therefore establishing clear links, but it is important, to ensure sound corporate governance, that this be done. The identification of who is responsible, and for what areas, provides assurance to the Electoral Commissioner that responsibilities have been delegated in a systematic manner with clear accountability for results.

4.34 As part of sound public sector governance,³⁶ the Electoral Commissioner may choose to delegate responsibility for oversight of performance and conformance of the management environment to a board of executives. Such a board could provide leadership and strategic direction, define control mechanisms, supervise the overall management of the agency's activities and report on stewardship and performance. For example, it could combine many of the functions of the current Management Board and Central Office Executive Committee.

³⁶ Refer to ANAO guide, *Principles for Core Public Sector Corporate Governance*, Commonwealth of Australia, 1997.

4.35 A committee structure could be developed below the Executive Board to maximise effective governance by dealing with significant issues at a greater level of detail; with the roles of the committees and relationships between them clearly delineated.

4.36 As a result of the audit the AEC has established a peak body, the Allocations Committee, and disestablished the INTECH Committee. This should improve links between committees and the approvals process. The AEC needs to ensure that terms of reference and clear statements of roles and responsibilities for each committee address the problems identified in the audit.

Recommendation No. 7

4.37 The ANAO *recommends* that explicit links between the National Operational Plan and the financial planning process are developed to ensure that resource allocations are made in line with identified business priorities.

AEC Response

4.38 Agreed. The development of the AEC's 1998-99 National Operational Plan will draw on and include information resulting from consideration of the 1998-99 estimates and budget allocations.

Recommendation No. 8

4.39 The ANAO *recommends* that the AEC, in rationalising its committee structure and the links between the various committees, ensure that:

- resource allocations are developed in line with overall business needs;
- the potential for duplication or gaps in the consideration of appropriate resource allocations is reduced; and
- the approval process is simplified in line with the requirements of sound corporate governance.

AEC Response

4.40 Agreed. Recent changes to the AEC's committee structure include the establishment of a senior committee to be convened to consider bids and to regularly monitor expenditure progress. Two members of this committee have discrete responsibility for the AEC's operations and support services respectively on a national basis.

4.41 In preparation for the 1999-2000 financial year, the AEC will implement accrual based budgeting on an internal trial basis for 1998-99. A senior committee will be convened to consider bids against agreed priorities and plans and will regularly monitor progress. In addition, the Deputy Electoral Commissioner and the First Assistant Commissioner,

Finance and Support Services will assume responsibility for allocating funds to business priorities for the AEC's operations and support services respectively on a national basis.

Monitoring and internal reporting

4.42 A formal and regular process for the monitoring of expenditure against a financial plan is necessary to ensure that areas are not exceeding their resource allocations or that appropriate executive level approval has been obtained before allocations are varied. Such a system should also ensure that resources are being expended in line with agency priorities and for the purpose for which they were provided.

4.43 A reporting mechanism should exist to ensure that executive and management level management have appropriate information to allow assessment of ongoing financial performance. Reporting on financial performance should be linked to operational plans.

4.44 The ANAO examined the AEC's financial planning control mechanisms to determine whether they had:

- monitoring and internal reporting mechanisms in place; and
- formally allocated responsibility for AEC monitoring on a national basis against business priorities.

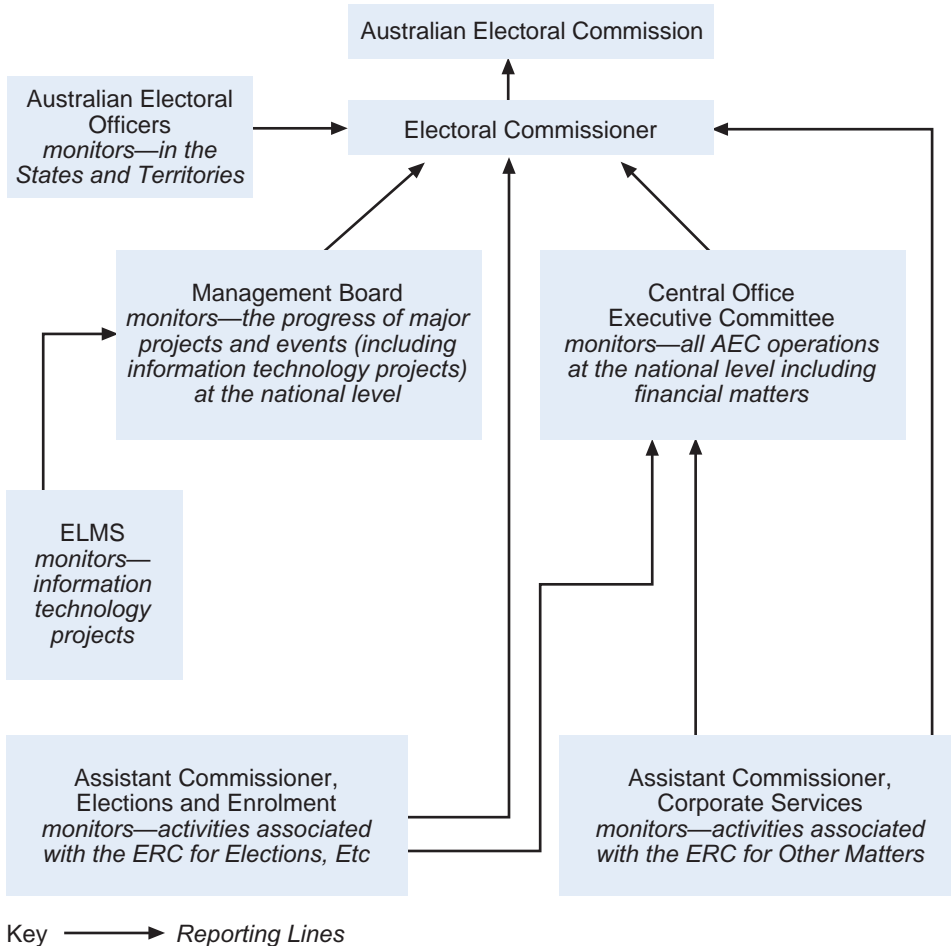
4.45 The ANAO also examined the arrangements in place to instigate remedial action if necessary.

ANAO findings

4.46 The ANAO found that the committees involved in financial planning were, for the most part, also involved in monitoring. As well, AEOs play a key monitoring role in that they monitor expenditure for their own State/Territory.

4.47 The role of each committee in relation to monitoring and reporting is discussed below, followed by comments on the adequacy of the arrangements.

Figure 11
AEC monitoring arrangements



Management Board

4.48 As one of its functions the Management Board has the consideration of major projects and events at the national level.

4.49 At the time of the audit fieldwork the AEC advised that the Management Board considered financial progress informally. They were separately provided with a copy of the financial report prepared for the Central Office Executive Committee. However, this report was not formally part of the Management Board papers. As well, consideration of financial matters was not a standing item at Management Board meetings. The AEC advised that the Electoral Commissioner sought comments, especially indications of problems, on the contents of this report. The ANAO considered that these arrangements should be formalised by including the financial report in the Management Board papers and the discussion of

the report a standing item on the agenda of Management Board meetings. The AEC advised that financial reports are now a standing item for Management Board meetings.

Central Office Executive Committee

4.50 The Central Office Executive Committee does not have a role in financial planning. However, the committee is provided with a report which allows them to monitor allocations and expenditure for each Central Office Branch and each State/Territory specified by a number of areas of AEC's operations, for example, industrial elections and electoral roll review.

4.51 These reports are also provided to the AEOs, who are not members of this committee, to assist with monitoring at the State/Territory level.

INTECH Committee

4.52 As well as the above committees the INTECH Committee had monitoring functions in relation to information technology projects. The ANAO noted that Management Board monitored major projects, which were likely to include information technology projects, although the INTECH Committee may have monitored progress at a lower level and in more detail. As noted above the INTECH Committee was disestablished in March 1998. The AEC advised that the ELMS Steering Committee now monitors information technology projects and reports to the Management Board.

Expenditure Review Committees

4.53 The ERC for Elections, Etc and the ERC for Other Matters, which were involved in financial planning, are not involved in monitoring financial progress. However, the ANAO noted that the chair of one ERC, that is ERC for Elections, Etc, and the senior Central Office member of the ERC for Other Matters, have responsibilities in relation to monitoring expenditure overall, that is for Central Office and the States/Territories. They report to the Central Office Executive Committee on a monthly basis which, in turn, reports to the Electoral Commissioner.

Australian Electoral Officers

4.54 The AEOs, who have State/Territory responsibilities, monitor expenditure relevant to their operations. The AEOs are members of the Management Board but, as stated previously, the Management Board does not formally monitor expenditure. The Central Office Executive Committee, which does monitor expenditure, does not have AEO representatives.

Other monitoring arrangements

4.55 The arrangements in place during the audit were that the Assistant Commissioners for Elections and Enrolment and Corporate Services monitored national activities in relation to expenditure, including Central Office and State/Territories. While these Assistant Commissioners had monitoring responsibilities they were not in a position to take remedial action in relation to State/Territory expenditure except through the Electoral Commissioner. This was because the AEOs are only subject to the Electoral Commissioner's directions.

4.56 These arrangements have changed as a result of the AEC organisational changes of 19 January 1998. The Electoral Commissioner has established a new position of First Assistant Commissioner (FAC), Finance and Support Services³⁷ with national responsibility for the Finance and Support Services program (the FAC, Finance and Support Services, commenced on 14 April 1998). He has also assigned national program responsibility for the other areas of the AEC to the Deputy Electoral Commissioner. As well, the AEC has created a peak body, the Allocations Committee. These new arrangements may assist in overcoming the complexities associated with undertaking remedial action discussed above.

Overall monitoring arrangements

4.57 While the ANAO acknowledges the need to monitor at different levels within the organisation and to different levels of detail, from the above description of the roles and responsibilities it is evident that the accountability for expenditure was complex, unclear and there was duplication of monitoring activity. The latter point was demonstrated by the relationship, discussed above, that existed between the INTECH Committee and the Management Board in relation to information technology projects.

4.58 As well, in relation to duplication, both Management Board and the Central Office Executive Committee are monitoring at the national level. At the time of the audit fieldwork the Management Board's financial monitoring was undertaken informally. This has now been formalised. The issue of duplication could be considered as part of defining the roles and responsibilities of the AEC's national strategic level committees to aid the AEC's accountability arrangements and to assist in providing an overall view of the business operations (this is referred to in Recommendation No. 8).

4.59 The ANAO acknowledges that the Electoral Commissioner can delegate responsibilities for monitoring and control in the way considered

³⁷ The ANAO understands that this position has been filled.

most appropriate. However, current monitoring arrangements are complex and do not provide clear lines of accountability for resources including reporting against approved resource allocations.

4.60 It should also be noted that monitoring can not at present take place in line with the AEC priorities because these have not been established. However, the INTECH Committee did set priorities in relation to information technology proposals.

Conclusion

4.61 The AEC has monitoring and internal reporting mechanisms in place, particularly through the Assistant Commissioners for Elections and Enrolment and Corporate Services, Central Office Executive Committee and the INTECH Committee. The AEC's financial control framework would be improved significantly by explicitly allocating responsibility for financial monitoring for overall activities, in line with the AEC business priorities (once these have been established), to a specific committee or manager. Monitoring responsibilities at lower levels within the AEC could be delegated to other committees or staff. The ANAO notes that the financial reports provided to members of the Management Board are now included in the agenda papers and the discussion of the report has been included as a standing item on the agenda for Management Board meetings.

4.62 The Assistant Commissioners for Elections and Enrolment and Corporate Services who monitored AEC operations on a national basis could not take remedial action, if necessary, in relation to State/Territory expenditure except through the Electoral Commissioner. The organisational changes of 19 January 1998 with the assignment of national program responsibility to two senior officers and the creation of the peak body, the Allocations Committee, and the disestablishment of the INTECH Committee, have the potential to overcome the complexities associated with undertaking remedial action.

4.63 The ANAO notes that, while these arrangements have the potential to improve monitoring arrangements, a number of committees still exist and the AEC needs to have regard to the comments made in paragraph 4.36.

5. Process Improvement

This chapter discusses two specific opportunities for savings within the Corporate Management area. In addition, the ANAO reviewed a savings initiative that the AEC had adopted in the area of property management to determine whether the anticipated outcomes had been realised. The ANAO found the AEC has considerable scope for finding efficiencies and savings in the Corporate Management area and that the monitoring of the property contract could be improved. The ANAO has made two recommendations aimed at improving these areas.

Introduction

5.1 As well as having sound financial monitoring and reporting mechanisms to ensure accountability, good management practice indicates that mechanisms for continuous improvement are important. Such mechanisms assist in identifying process efficiencies, savings and improvements in client service.

5.2 As outlined in Chapter 1, the AEC recently undertook planning for a comprehensive restructuring process (AEC 2000) with proposed ongoing savings of \$9 million after the first two years of implementation. Given that the Government has decided that AEC 2000 is not to proceed 'at this stage', the ANAO sought to identify whether there was potential for other areas of savings or enhancements to efficiency in a number of selected functions within AEC.

5.3 As well as the opportunities for improvement discussed in this chapter, the AEC had identified in the course of their normal operations a number of further opportunities, such as the broader interpretation of section 7A of the CE Act to allow the AEC to conduct fee-for-service work. Other AEC initiatives include the collocation of Divisional Offices and integrating industrial and other elections work with the Divisional Offices. These initiatives were discussed in detail in Chapter 2. Another initiative was the CRU pilot project and this is discussed in Appendix 4.

5.4 In the previous chapter, the ANAO listed a number of key criteria relating to various aspects of the financial planning and control framework. While most of the criteria were discussed in Chapter 4, the following two criteria are discussed below. The criteria aim to establish whether:

- a mechanism exists which identifies process efficiencies and performance improvement (including client service) with savings being identified wherever possible; and

- the contracting out of the property management function had been effective, including whether the management and monitoring of the contract was sound and that appropriate performance measures existed.

ANAO findings

5.5 In order to target particular areas of AEC expenditure, the ANAO sought to establish overall running cost expenditure patterns for 1996-97, by determining separately the administration and salary costs. The expenditure for 1996-97 was \$26.1 million (42 per cent) on administration and \$35.6 million (58 per cent) on salaries.

5.6 The ANAO then analysed salaries and administration costs separately. While salaries expenditure is discussed below, an area of significant expenditure within the administrative area was that of property management and this is discussed later in this chapter.

5.7 Salaries expenditure (\$35.6 million) is the largest component of total running costs and therefore even a small improvement could result in significant savings.³⁸ The AEC's financial management information system (FMIS) allowed for 1996-97 salary expenditure to be reported either by State or by Key Result Area (KRA). The ANAO analysed expenditure on the basis of the KRAs as this provided an outcomes focus. The five KRAs³⁹ were as follows:

- conducting elections;
- roll maintenance;
- community awareness;
- industrial elections; and
- corporate management.

5.8 Although the AEC's FMIS linked salary expenditure to the KRAs, the salaries of Divisional Office staff were not available by KRA. It was therefore necessary for the ANAO to make an estimate of divisional salary expenditure against the KRAs. This enabled the ANAO to gain a more complete view of total AEC salary expenditure by KRA.

5.9 The estimate was made on the basis of information provided by six Divisional Offices⁴⁰ on the percentage of staff time spent on each KRA (taken across a 36 month period to smooth out differences between federal election, and non-federal election years and other factors that tend to concentrate

³⁸ Calculated on a cash, not accrual, basis.

³⁹ See AEC Annual Report 1996-97 for detailed descriptions of the five KRAs.

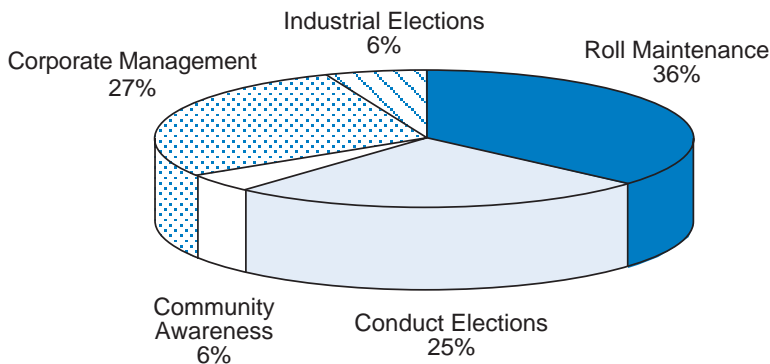
⁴⁰ Canberra, Eden-Monaro, Fraser, Melbourne, Namadgi and Sydney.

activity in particular areas for a period of time, such as an electoral roll review). The Divisional Offices selected do not provide a statistically valid sample from which definitive results can be obtained. Instead, the sample was selected on the basis that it would provide a cost effective means of developing an indicative attribution of salaries.

5.10 The divisional salary costs of \$21.6 million were then incorporated with existing AEC data on salary costs by KRA. The resulting proportions of salary expenditure for the five KRAs are shown in Figure 12.

Figure 12

AEC salary expenditure by KRA



5.11 The largest component of salaries expenditure, roll maintenance, is currently the subject of a major review and pilot study (the CRU pilot which is discussed in Appendix 4). The conduct of elections is an area that is reviewed regularly by both the AEC and the JSCEM. Therefore, the ANAO did not specifically examine either area in terms of the potential for savings.

5.12 Corporate Management salary costs account for approximately 27 per cent of AEC salary expenditure (that is, approximately \$9.7 million). As well, the AEC 2000 process had highlighted, among other issues, the duplication of effort that occurs at all levels within the AEC. One of the largest components of this duplication was found to be in the Corporate Management area.

5.13 The decision that AEC 2000 will not proceed 'at this stage' does not mean that the AEC cannot identify savings in its Corporate Services. Rather, the decision increases the importance of identifying savings by other means. The ANAO therefore undertook a feasibility study, the purpose of which was to identify the potential for process improvement in AEC Corporate Services. Particular emphasis was placed on opportunities for

savings and the enhancement of process efficiency. The methodology used for this element of the audit was an analytical approach that included activity based costing⁴¹ and benchmarking. The ANAO approach did not seek to duplicate the work already undertaken by the AEC. Instead, particular areas were targeted to show the potential for savings using available benchmarking information and therefore provide the AEC with an indication of the types of improvements which could be made and the value of reviewing the Corporate Management area in more detail.

Corporate management

5.14 Central Office incurs 61 per cent of the Corporate Management salary expenditure. The ANAO analysed the components of Central Office Corporate Management salary expenditure to determine where the major costs lay. Figure 13 shows the components of Central Office Corporate Management salary expenditure.

5.15 As can be seen from Figure 13, Information Technology, IT, (made up of Executive IT, IT Business Services, Technical Services and IT applications) is collectively the largest expenditure item. However, the ANAO did not formally review the IT function in terms of assessing potential savings and efficiencies because the AEC is part of Cluster 3 of the Commonwealth IT Initiative, for which outsourcing arrangements currently are in progress.

⁴¹ Activity based costing methodology

Identification of improvement opportunities will be informed by knowing where the costs lie in the organisation.

Define cost pool

This identifies the costs of the organisation that will be broken down (for example, total appropriations or total actual expenditure).

Develop activity dictionary

This step defines the activities of the organisation to which costs will be attributed. One site will usually be used as a pilot and the activities are then refined as other sites are examined.

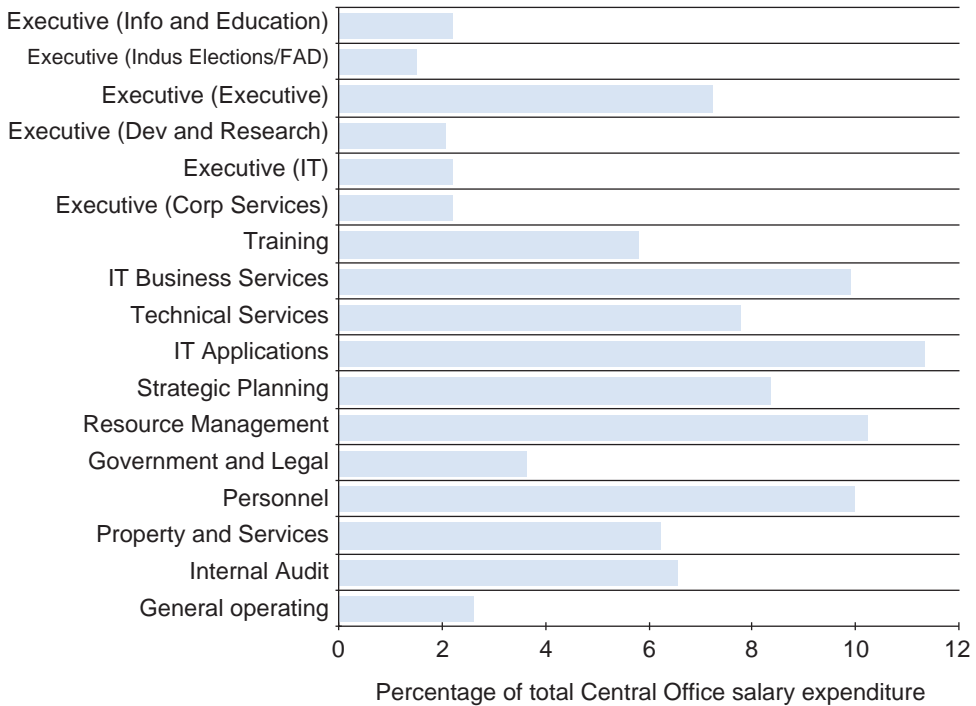
Attribute costs to activities

Costs are attributed to activities in this step either by:

- direct attribution (for example, the costs of habitation reviews can be directly attributed to the KRA of maintaining the electoral roll); or
- percentage of effort calculations whereby assumptions are drawn from management as to the proportion of staff time attributable to the particular activities, thus enabling a cost to be estimated.

This enables all costs to be broken down into organisational activities where such information is not normally available through the organisation's financial management information system.

Figure 13
Breakdown of Central Office salary expenditure



5.16 Of the remaining areas, Personnel and Resource Management are two of the larger proportions of expenditure. However, the functions are not only carried out in Central Office, but also in the AEC’s State Head Offices. Therefore, the ANAO undertook a feasibility study on personnel and resource management, across both Central Office and the NSW and Victorian Head Offices (to provide a more complete analysis of the processes), to determine the scope for efficiency gains to generate savings.

5.17 This required undertaking a second⁴² activity based costing exercise consisting of breaking down the salary data for each of the two functions by the proportion of time spent by staff on the activities associated with those functions. This was undertaken in consultation with AEC staff.⁴³ The resulting resource use patterns for each function are shown in Figures 14 and 16.

⁴² The first being the attribution of divisional salary costs.

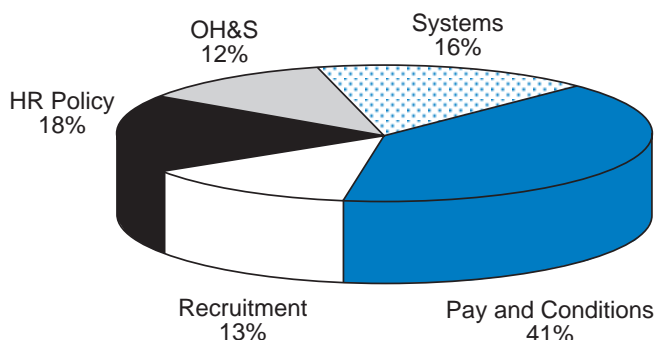
⁴³ In undertaking these discussions, the processes which were to be included for the purposes of this study were based on definitions used in the MAB-MIAC Achieving Cost Effective Personnel Services (ACEPS) study and in the ANAO’s *Paying Accounts Better Practice Guide*.

5.18 The ANAO then selected an activity from each function (pay and conditions from personnel and accounts payable from resource management) based on the fact that they represented significant items of expenditure and comparable data to allow benchmarking of both these activities was available. This allowed a comparison against current best practice. The methodology and findings are outlined below.

Personnel

5.19 Figure 14 shows the activities undertaken within the personnel function as a result of the activity based costing exercise.

Figure 14
Personnel (using combined full time equivalent staff (FTES) of 18.4⁴⁴ from Central Office, NSW and Victoria⁴⁵) for the 1996-97 financial year



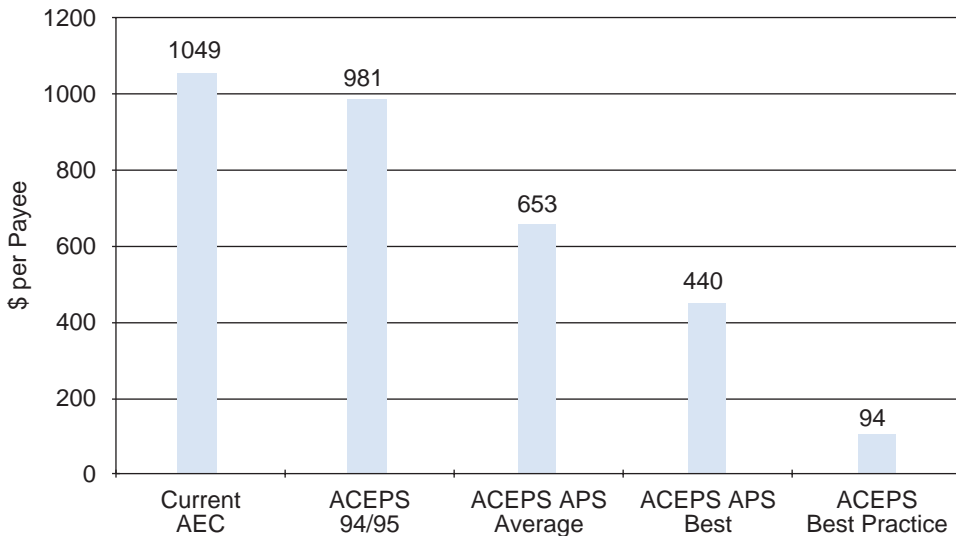
5.20 Figure 15 shows the cost of the AEC's pay and conditions activity compared with the benchmarks established in the MAB-MIAC Achieving Cost Effective Personnel Services (ACEPS) study.⁴⁶ It should be noted that the AEC participated in the original ACEPS study and this result is shown in Figure 15 as 'ACEPS 94/95'.

⁴⁴ Excludes AECPAY - payment of casual staff.

⁴⁵ The figures for the State Head Offices were provided by the States.

⁴⁶ November 1995.

Figure 15

Benchmark data (pay and conditions full cost per payee⁴⁷)

5.21 The analysis shows significant scope for improvement and therefore savings as the AEC's expenditure is more than twice the APS best practice figure and 61 per cent higher than the APS average. If a conservative approach is adopted, aimed at achieving the APS average practice rather than best practice (as the AEC is a small agency without the economies of scale found in larger agencies that can increase the scope for making savings), then the ANAO considers that the resulting savings are approximately 2.9 FTEs, or \$136 000. This does not include on-costs⁴⁸.

Resource management

5.22 Figure 16 shows the activities undertaken within the resource management function as a result of the activity based costing exercise.

5.23 Figure 17 shows the cost of the AEC's accounts payable activity compared with the benchmarks established in the ANAO's *Paying Accounts Better Practice Guide*.⁴⁹ This Guide identifies two benchmarks that can be used by agencies to measure themselves against both common practice and world best practice (or 'stretch' target) at a point in time; and to measure whether they have improved over time.

⁴⁷ Full cost calculated on the same basis as the ACEPS calculations.

⁴⁸ On-costs include items of additional expenditure, such as superannuation, associated with employing each staff member.

⁴⁹ November 1996.

Figure 16

Resource management (using combined full time equivalent staff (FTES) of 18.7 from Central Office, NSW and Victoria) for the 1996-97 financial year

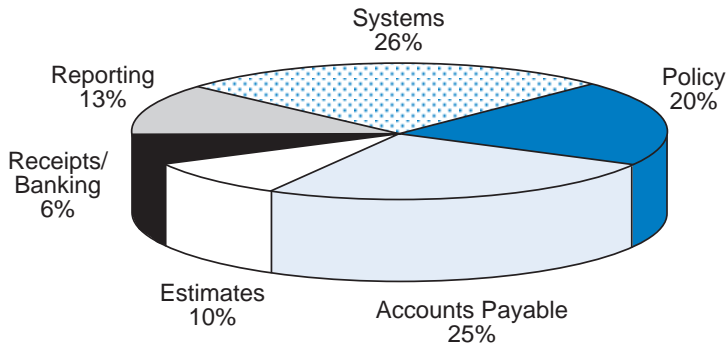
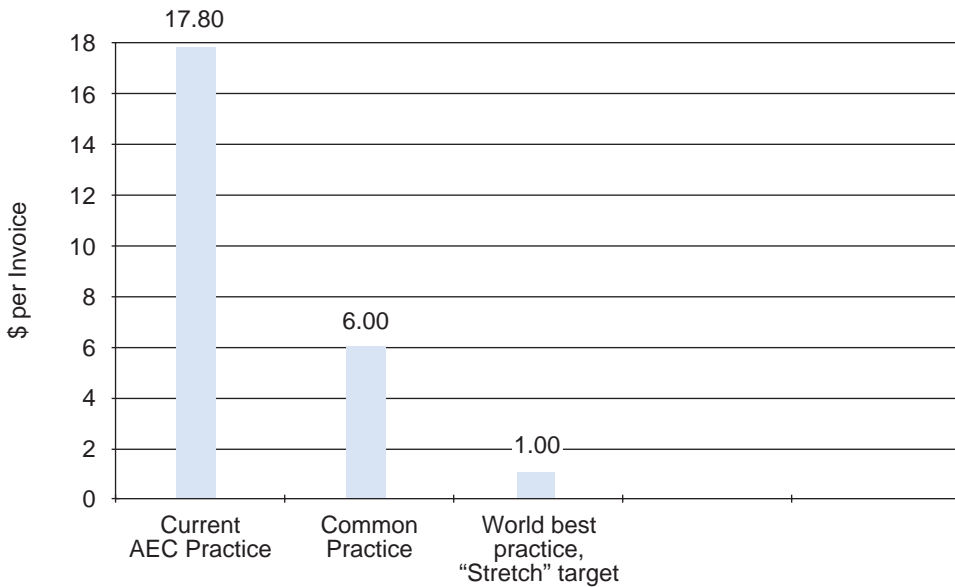


Figure 17

Benchmark data (accounts payable salary and allowance cost per invoice)



5.24 This analysis also shows significant scope for improvement and therefore savings as the AEC's expenditure is 197% per cent higher than the ANAO's 'common' benchmark identified in the Better Practice Guide. If a conservative approach is adopted, aimed at achieving common rather than best practice, then the ANAO considers that the resulting savings are approximately 3.1 FTEs, or \$130,000. This does not include on-costs.

Conclusion

5.25 The ANAO considers that even if a conservative approach is adopted by the AEC regarding improvements within both these functions (that is, improvements to achieve common or average practice, as opposed to best practice), this could result in significant savings. The combined total savings would translate to a staff saving of approximately six FTEs or around \$266,000 in salary and allowances expenditure, excluding on-costs.

5.26 While the ANAO recognises in this analysis that the AEC is a comparatively small APS agency (and therefore the scope for identifying efficiencies is somewhat reduced), the gap between the AEC and common practice is significant and warrants further investigation by the AEC. It should also be noted that both the ACEPS and ANAO benchmarking studies examined a wide range of organisations including both small and large agencies. Furthermore, the current analysis involved only two activities within Corporate Services.

5.27 The ANAO therefore considers that the AEC should conduct an in-depth review of its operations, that builds on the work undertaken during AEC 2000. This should identify opportunities for savings, including a review of its Corporate Services area, as improvements could be achieved through the pursuit of best practice corporate services delivery approaches including:

- consolidation⁵⁰ of activities that are transaction intensive and prone to standardisation (such as the pay and conditions processing and accounts payable activities); and
- re-engineering⁵¹ the processes where appropriate (for example, through the use of the remote entry facility of the payroll system).

⁵⁰ This could be achieved, for example, through centralisation of the activity either in Central Office or one of the larger State Head Offices as a 'centre of excellence'.

⁵¹ That is, a comprehensive analysis of all areas of the AEC to determine better methods of delivering services and achieve cost savings. The study undertaken by the ANAO was an indicative study only.

Recommendation No. 9

5.28 The ANAO *recommends* that the AEC reviews its operations to determine priority areas for detailed assessment in order to identify improvements and efficiencies as well as taking action to implement best practice standards where cost effective.

AEC Response

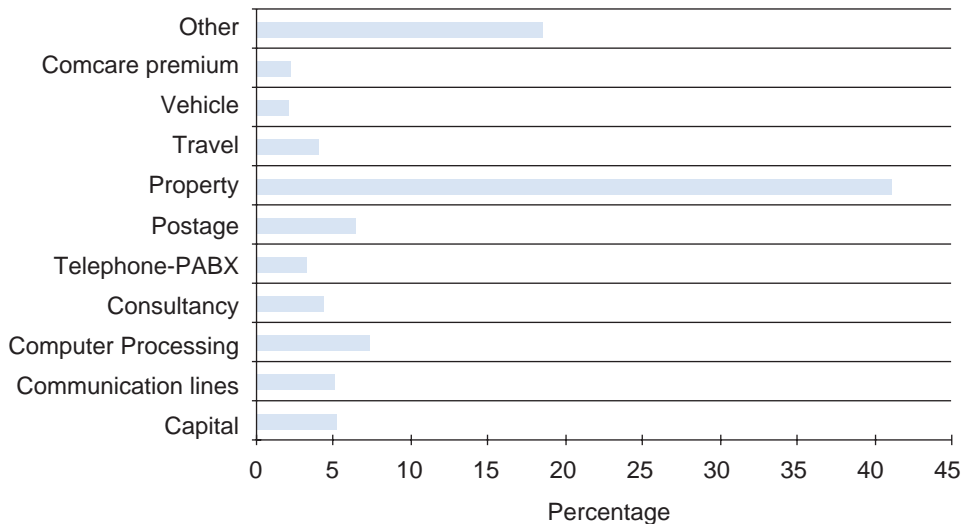
5.29 Agreed. Two mechanisms which the AEC will initially pursue are available first through the Competitive Tendering and Contracting initiative, in conjunction with program evaluation, and the second through a commitment in the proposed Agency Agreement. Both mechanisms aim to review AEC operations to identify process improvements, to identify savings wherever possible, and to benchmark and implement best practices where cost effective.

Property management contract

5.30 As discussed earlier in this chapter, the ANAO analysed expenditure patterns within the AEC. In examining administrative expenditure (\$26.1 million), the ANAO identified the AEC's property expenses as being the largest cost component. This is demonstrated in Figure 18. One of the initiatives undertaken in the administrative area by the AEC with the aim of producing savings was the outsourcing of its property arrangements to a private sector contractor. The ANAO reviewed the property contract arrangements to examine whether the management and monitoring of the contract was sound and that appropriate performance measures existed in order to determine whether the expected savings had been, or were likely to be, achieved.

5.31 The property management function was contracted out in 1995 and the initial period for the property management contract was three years. The contractor provides national coverage (this was important as the AEC occupies properties in each State and Territory) and has the power to negotiate with any real estate firm on behalf of the AEC.

Figure 18
Breakdown of AEC administrative expenditure



5.32 This contractual arrangement is now in its third year. An option to extend the contract to 30 June 1998 was executed. The contract covers the following areas:

- portfolio co-ordination and planning;
- provision for extension of the contract, by the Commonwealth, for a fixed period mutually agreed on;
- rent reviews;
- lease termination/ restoration;
- lease assignments and sub-letting;
- tenancy services;
- building services contracts; and
- bill paying services and estimates.

5.33 The AEC has listed a number of 'performance standards' within the contract. The ANAO has analysed and commented on these and this analysis is set out in Appendix 5. The ANAO notes that some clauses listed as being performance standards are general conditions pertaining to the operation of the contract rather than measures of performance. For example:

- *AEC reserves the right to use alternative contractors, at its own cost, for individual transactions; and*

...

- *the Contractor agrees that the penalty for incorrect certification and overpayment of monies to lessors or suppliers shall be all costs of*

obtaining reimbursement from the payee, plus any cost of overpayment made and unrecovered after three months, provided always that the amount of this penalty shall not exceed \$25,000 per annum in aggregate.

5.34 However, the ANAO considers that most of the other clauses listed as performance standards do provide some measures of performance. For example:

- *AEC requires notification of all pending lease renewals within six months of each lease expiry, together with a forecast of projected rents, having regard to market trends;*
- ...
- *the Contractor's performance will be assessed by the extent to which dead rental costs are minimised; and*
- ...
- *upon receipt of notification from the tenant, the Contractor will be required to put in place arrangements for fault rectification within 24 hours. If further action is required the Contractor is required to advise AEC within 48 hours, receive instructions and advise AEC of options under lease covenants.*

5.35 The contract also details the performance monitoring arrangements as follows:

- *monthly management meeting between AEC and the Consultant's nominated Project Manager; and*
- ...
- *to ensure that all payment obligations are met and to check compliance with the performance measures outlined in the Statement of Requirements (SOR). The Contractor will consent to an annual performance audit.*

5.36 The AEC advised that it has recently recommenced the monthly meetings and the Property Manager is also in regular contact (usually by e-mail) with the contractor representative regarding day-to-day activities under the contract. The AEC does not retain Minutes of these meetings so the ANAO was unable to form an opinion as to whether monitoring against the performance standards has occurred in the past.

5.37 The AEC could not provide evidence to demonstrate that monitoring against the contract had been undertaken. The ANAO considers that the AEC needs to monitor performance against the contract to determine whether it is achieving value for money from the contractor. Without adequate performance monitoring, the AEC will not be able to

assess whether it has achieved the intended efficiency gains expected from outsourcing the property contract.

5.38 In addition, the ANAO was not provided with any evidence that the annual performance audits had occurred. AEC Internal Audit had received formal approval to conduct a review of the contract but this had not commenced during the audit fieldwork. According to the IA Activity Plan for 1997-98, the review was to examine the following:

... the cost effectiveness and service delivery outcomes from this approach to assess whether the AEC is achieving optimum benefits for dollars expended on contract.

5.39 The AEC advised that the audit was completed in April 1998.

5.40 In order to undertake this review, the AEC would need to have collected information in relation to the effectiveness of the contract arrangements. The ANAO acknowledges that the performance standards outlined in the contract would provide such information if information against these standards has been collected. Discussions with the AEC, and a lack of reports in relation to the performance standards, indicated that the AEC has not been monitoring performance against these standards.

5.41 The contract is due for renewal in June 1998 and the conclusions of the review, which the AEC advised was completed in April 1998, should be considered during negotiations for the new contract.

Recommendation No. 10

5.42 The ANAO *recommends* that the AEC improves the management of its outsourced property contract by ensuring that information is collected, in a timely fashion, against the performance standards and used to determine whether the AEC is achieving value for money, including anticipated savings.

AEC Response

5.43 Agreed. It is intended to build a mechanism to enable contract performance to be measured and assessed against performance standards.

6. Procedures, Guidelines and Training

This chapter discusses the operational procedures and guidelines developed and used by the AEC in its operations and training. The ANAO found that operational procedures and guidelines were generally sound but the AEC needed to consolidate existing documents dealing with aspects of acceptable conduct to provide an AEC-wide code of conduct. As well, the AEC does not have a current overall training strategy but the coordination of training is generally good. The ANAO has made five recommendations aimed at improving these areas.

Introduction

6.1 Operational procedures and guidelines should provide clear guidance to assist staff undertake operational activities effectively. They should be developed for all the key systems and facilitate consistent application of AEC legislation, policies and operational procedures by all areas of the agency. It is important that staff have access to relevant documents and that the operational procedures and guidelines are reviewed regularly.

6.2 The AEC produces a number of procedures manuals and guidelines for the various types of elections, offices (that is, central, head or divisional) and information technology systems. To allow staff to follow these operational procedures and guidelines, and therefore apply AEC policy appropriately, there needs to be timely and relevant training. This training should be consistent across State boundaries as most of the AEC's operations are national activities for which similar training needs to be provided to ensure all staff involved in, for example, a federal election, are consistently interpreting procedures.

6.3 As well, training on Australian Public Service (APS) wide issues and for individual development are important to ensure both personal and managerial effectiveness.

6.4 The ANAO examined the AEC's procedures, guidelines and training at the national and State (for the two offices visited) levels.

Procedures and guidelines

6.5 The key criteria established by the ANAO to assess the effectiveness of the AEC's operational procedures and guidelines are as follows:

- there should be set of Directions from the Electoral Commissioner which are common to all staff and that clearly outline the policy and related procedures on general operational issues;
- there should be guidelines and/or procedures for all the key systems and these should clearly outline the necessary processes;
- there should be appropriate staff consultative processes and all staff should have access to relevant documents; and
- guidelines and procedures should be regularly reviewed to ensure their accuracy, relevance and currency.

6.6 As well, the ANAO examined the funding and disclosure (FAD) function as part of its review of operational procedures and guidelines.

ANAO findings

Background

6.7 The AEC has developed guidelines and procedures to assist staff in the performance of their duties. These documents range from the Electoral Commissioner's Directions, which affect all AEC staff, to operational manuals for specific areas of the Commission's operations. The ANAO examined the Electoral Commissioner's Directions and a selection of the specific guidelines and procedures in order to assess whether the AEC is meeting the above key criteria. The documents were selected on the basis of their importance to the program objective of the Commission 'to ensure a fair and equitable Commonwealth electoral system'.⁵² The ANAO reviewed a sample of operational procedures and guidelines and these are discussed below.

Electoral Commissioner's Instructions

6.8 As at 1 January 1998 the Electoral Commissioner as the Chief Executive Officer of the Australian Electoral Commission is authorised by Financial Management and Accountability Regulation 6, made pursuant to section 52(1) of the *Financial Management and Accountability Act 1997* (FMA Act), to give instructions to AEC officials on any matter necessary or convenient for the carrying out or giving effect to the FMA Act and its associated Regulations.

⁵² Extract from AEC Strategic Directions 1997-99.

6.9 Before 1998, Finance Directions issued under Finance Regulation 127A, made pursuant to the *Audit Act 1901*, required the Australian Electoral Commissioner to give directions in relation to a number of specific accounting and financial matters.

6.10 The Electoral Commissioner has issued directions to cover those operational issues which affect AEC staff across organisational and structural boundaries. Such matters include the use of the Australian Government Credit Card, engagement of consultants and contractors, gifts received, purchasing, claims processing and receipts. The individual directions are revised when legal, policy or other changes occur.

Conclusion

6.11 The Electoral Commissioner's Directions address a comprehensive range of policies and related procedures. They are clearly written and describe the procedures in a high degree of detail. AEC staff have appropriate access to these directions. The issue of access to these and other procedures/guidelines is discussed in more detail later in the chapter.

Specific procedures and guidelines

6.12 In addition to the Electoral Commissioner's Directions the AEC has a range of guidelines and procedures that deal with the conduct of specific areas of the AEC's operations. The ANAO examined a number of these documents as outlined below. The date of the last review of these operational procedures and guidelines is included in parentheses after the title:

- *General Enrolment Manual* (April 1997): the manual has the authority of the Electoral Commissioner's Directions. The manual sets out the procedures to be followed for the processing of an enrolment. It is issued for the guidance of Australian Electoral Officers, Divisional Returning Officers and other AEC staff engaged in enrolling electors. The topics covered by the manual include ordinary enrolment, provisional enrolment, itinerants, prisoner enrolment, general postal voters, physically incapacitated and silent enrolment;
- *RMANS (Roll Management System) User Manual* (June 1997): this is a complementary manual to the General Enrolment Manual. It sets out the procedures to enter, amend and enquire on enrolment data in the Australian Electoral Commission's computer based roll maintenance system;
- *Head Office Guidelines - Elections* (January 1996, that is immediately before the March 1996 federal election): this manual sets out guidelines for the performance of certain Head Office tasks at election time. The range of issues dealt with include legislation and policy, issue and return of writs,

enrolment and close of rolls, preparation and distribution of election material, declaration of the poll, compulsory voting and staffing;

- *Procedures Manual for the Conduct of Elections in Divisional Offices* (January 1996): the manual sets out the procedures to be followed in the conduct of elections and referendums in the 148 Divisional Offices; and
- *Accounting Policy for Accrual Reporting* (continuously revised, last major revision May 1996): this document sets out the accrual reporting policies to assist the Commission in meeting its financial reporting requirements.

6.13 The ANAO's review of these documents found that they clearly outline the policy and the necessary processes relating to the area concerned. They are easy to understand and cover all the relevant issues.

6.14 The AEC's 'event plans' were discussed in Chapter 2. These plans provide guidance to staff to undertake effectively their operational activities. They support the operational procedures and guidelines by detailing the steps to be undertaken and associated timeframes in relation to specific tasks. Examples of such tasks would be the conduct of elections by Divisional Offices and conducting the Constitutional Convention.

Conclusion

6.15 The range of specific guidelines and procedures reviewed are comprehensive and clearly outline the policy and the necessary processes relating to the specific areas concerned.

Code of Conduct

6.16 During the audit it was noted that in March 1997 the AEC had issued its own code to deal specifically with information technology issues within the Commission. The Commission has also distributed to its staff a document entitled 'APS values and standards of conduct' that was produced by the Public Service and Merit Protection Commission (PSMPC) in March 1997. This is a general service-wide document and as such does not directly address specific issues that the AEC may confront.

6.17 In addition, the AEC has issued a number of policy statements relating to aspects of its operations and the conduct of its staff but has not consolidated these documents to provide its own specific code of conduct. The ANAO recognises that there has not been much time since the release of the PSMPC document for the AEC to undertake this task.

6.18 The reason for developing a consolidated agency specific code of conduct is to assist in ensuring that there is consistent ethical behaviour at all levels of the Commission. In particular it would provide specific examples for issues facing AEC staff. It should provide guidance in relation to, for example, acting with integrity in the performance of official duties;

ensuring due process in the use of official information, equipment and facilities; exercising consideration and sensitivity in their dealings with other employees and members of the public; and the identification and treatment of any real or perceived conflicts of interest. As part of the consolidation process the code should be reviewed to ensure that it covers these issues.

Conclusion

6.19 The AEC has issued various documents relating to conduct but has not consolidated and reviewed its own specific code of conduct as part of its range of guidelines and procedures. Such a code of conduct should build on the PSMPC document and include documents such as the AEC's information technology code of conduct and assorted policy documents. These matters should be dealt with in the context of the environment within which the AEC operates and provide specific examples of issues which face the AEC. A consolidated code would allow staff ready access to one document if they require information about certain aspects of conduct.

Recommendation No. 11

6.20 The ANAO *recommends* that the AEC produces a consolidated agency specific code of conduct as soon as possible to provide guidance to staff on the standards of ethical behaviour expected at all levels of the AEC consistent with the newly completed public service values.

AEC Response

6.21 Agreed. A draft consolidated AEC specific code of conduct, consistent with the new Australian Public Service values, is currently being finalised to complement the AEC's existing range of guidelines and procedures. As an interim measure, the new Australian Public Service Code of Conduct has been included in the AEC's Customer Service Charter.

Staff consultation and access to procedures and guidelines

6.22 It is the normal practice of the AEC to establish staff working groups with representation from all relevant areas of the Commission to discuss and provide input in the development of operational procedures and guidelines. The involvement of user groups in this consultative process has increased the usefulness of these documents as their practical knowledge in implementing operational procedures and guidelines can be drawn upon.

6.23 The ANAO interviewed a range of staff in Central Office, the Australian Capital Territory, New South Wales and Victoria. These staff stated that they consulted the appropriate operational procedures and guidelines on a regular basis and were familiar with the contents. The

results of the staff interviews indicated that AEC staff have access to all documents that they require to undertake their particular operational activities.

6.24 The ANAO notes that the staff at the AEC do not at present have on-line computer access to the documents discussed above. Such on-line computer access would make it easier for staff to consult required sections of documents through such means as word searches. It would also allow for increased ease, and regularity, in updating the documents. The ANAO suggests that such a system should be considered by the AEC in the context of its new information technology strategy.

Conclusion

6.25 The AEC consults appropriately with its staff in the development and review of operational procedures and guidelines. The results of interviews with AEC staff indicated that they have access to all the documents that they require to undertake their particular operational activities. The ANAO notes that the staff at the AEC do not at present have on-line computer access to the operational procedures and guidelines.

Recommendation No. 12

6.26 The ANAO *recommends* that on-line computer access to the operational procedures and guidelines should be considered by the AEC, in the context of its new information technology strategy, to improve the ease of access by staff and the AEC's ability to readily update the material.

AEC Response

6.27 Agreed. On-line computer access to guidelines and procedures, including the ability to amend such documents, will be facilitated through the planned installation of an 'Intranet' facility within the context of the new Information Technology infrastructure.

Review of procedures and guidelines

6.28 The AEC reviews its operational procedures and guidelines frequently, for example, to address legislative changes or if new operational methods are to be adopted. The ANAO ascertained the date of the last review of the selection of operational procedures and guidelines examined above. The selected operational procedures and guidelines had either been reviewed in 1997 or immediately before the last occasion for which they were required, that is, the March 1996 federal election.

6.29 In respect of federal election-related manuals, post election reviews are undertaken by each of the State Head Offices followed by a National Operations Conference. These reviews lead to submissions to the working

parties reviewing the relevant manual. Staff are consulted as part of the State reviews and are also represented on the working party. This input provides practical operational knowledge to the AEC's considerations.

Conclusion

6.30 The AEC reviews its guidelines and procedures regularly, to address changes in legislation and new methods of operation, in a manner that enables the Commission to ensure their accuracy, relevance and currency.

Funding and disclosure

6.31 As part of the review of the operational procedures and guidelines the ANAO examined the area of FAD as public election funding payments are significant in terms of AEC expenditure in the years in which they are made. For instance, in 1995-96, the period which covers the last federal election, public election funding amounted to \$32.2 million or about twenty per cent of AEC expenditure.

6.32 The procedures and guidelines used to provide guidance to assist staff undertake operational activities in the FAD area are to be reviewed as part of an evaluation currently being undertaken for the Commission by a consultant.

6.33 The CE Act regulates certain matters relating to FAD. Registered political parties, independent candidates and independent Senate groups are entitled to payment of election funding where they receive four per cent of the formal first preference votes in each candidate's or Senate group's election. The Act also requires certain financial disclosure by the following entities:

- registered political parties;
- donors to political parties;
- associated entities (that is, entities that are controlled by, or operate wholly and mainly for the benefit of, one or more registered political parties);
- candidates and Senate groups;
- media; and
- third parties - any other entity with a disclosure responsibility. For example, this may include lobby groups and professional and union organisations which advertise on election issues.

6.34 The AEC had scheduled an evaluation of its FAD and party registration schemes in 1994. The review had been postponed twice: once due to the substantial amendments to the legislation that took place in 1995 and then again in early 1996 as a result of the federal election.

6.35 The AEC commenced the evaluation in 1996. It is in two parts: a client survey (completed in November 1996) and an audit of internal FAD operations. The terms of reference for the evaluation were:

- to determine the effectiveness and efficiency of FAD operations in meeting the administrative objectives of FAD and party registration, and, in particular:
 - to assess the level of compliance with the legislative provisions of Parts XI and XX of the CE Act;
 - to assess the level of client satisfaction with the service provided;
 - to recommend changes to improve the effectiveness and efficiency of FAD operations;
 - to determine whether existing resources are adequate and appropriately used to meet current and anticipated legislative requirements and client needs; and
 - to recommend appropriate changes to the level and/or composition of staffing resources.

6.36 In looking at effectiveness issues the AEC is trying to assess its performance and the need for change in relation to matters such as timeliness, adequacy of procedures, client services and consultative mechanisms.

6.37 In respect of efficiency it was to examine such matters as procedures, costs, resource use, the use of information technology and the level and composition of staffing resources.

Conclusion

6.38 At the time of the audit fieldwork the AEC was evaluating its FAD operations. The ANAO recognises that the substantial legislative amendments in 1995 and the 1996 federal election prevented the AEC from proceeding with the evaluation as originally scheduled. The AEC advised that the evaluation has been finalised and is currently under consideration by the steering committee. Any changes to the operational procedures and guidelines that result from the review should be implemented before the next federal election.

Training

6.39 The ANAO reviewed the AEC's training regime to establish whether:

- there was a national training strategy that was linked to the AEC's planning hierarchy and that addressed the key training needs of staff;

- training had been coordinated effectively;
- there was a consistent approach to the provision of training across States; and
- training delivery was monitored to assess achievement against objectives.

Background

6.40 Training can be either operational (that is, relating directly to the skills required to deliver AEC services) or non-operational (such as personal effectiveness or management training).

6.41 As formerly mentioned, the AEC restructured its Central Office on 19 January 1998. From that date, responsibility for operational training resided with the Enrolment Parliamentary Elections Section (EPES), Elections and Enrolment Branch in Central Office. In relation to non-operational training, the Human Resource Advisory Section (HRAS), Corporate Services Branch in Central Office has the policy responsibility for national training. Training in the States is organised by State Learning Committees⁵³ which are coordinated by the Training Contact Officers.⁵⁴

Training strategy

6.42 The AEC does not have a current overall training strategy that is linked to the National Operational Plan 1997-98.⁵⁵ However, the ANAO notes that the HRAS has prepared a draft National Learning Strategy (as yet undated), in consultation with State training staff but this has not yet received the endorsement of the Management Board, due to the recent Central Office restructure.

6.43 The submission states that the document is intended to provide 'a framework from which all other learning policies, operational and work plans and training calendars will flow, which in turn will ensure a national and consistent approach to the function'. The submission further states that its development has been

in line with the Strategic Directions document and will complement the National Operations Plan and the anticipated National Human Resource Management (HRM) Framework.

⁵³ The names for these vary from State to State. For example, NSW has a Regional Training Committee and Victoria a Staff Development Committee. However, primarily they fulfil the same function.

⁵⁴ This is the person with the primary responsibility for training in that State. For example, NSW has a dedicated training officer while training in Victoria is coordinated by the Information and Education Manager.

⁵⁵ The latest official National Staff Development Plan was dated 1993-96.

6.44 The aim of the draft strategy is to

‘ensure that all staff nationally have access to consistent development opportunities, and that those opportunities support the AEC’s goals and objectives’.

This indicates that the National Learning Strategy will eventually be linked in the planning hierarchy. The ANAO considers that it is important that the AEC continues to develop this area of its strategic planning as it will enable staff to attain and maintain the skills necessary to achieve the AEC’s goals.

6.45 The AEC’s current ‘key tool’ for planning and identifying training needs is the Personal Development Plan (PDP). The front of the PDP states that the information is used at a ‘State/Territory and national level to plan and resource learning activities’. All AEC staff are requested to complete a PDP annually, in conjunction with their supervisors, and review it three or six monthly to determine whether their needs are being addressed. Staff are asked to assess their current requirements and development needs under the following categories:

- operational/technical skills (job specific skills);
- corporate (for example, EEO, AEC procedures);
- personal effectiveness (for example, time management);
- communication (for example, conflict resolution);
- team skills (for example, problem solving); and
- management (for example, leadership and performance management).

6.46 PDPs are used by the State Learning Committees to determine training needs. The Training Contact Officers then meet with HRAS annually to discuss the priorities arising from the PDPs. HRAS also seeks Management Board input on national training priorities. The ANAO considers that the use of PDPs, to identify training needs, to be a sound practice.

Conclusion

6.47 The ANAO found that the AEC has a number of strategies in place relating to staff development and learning. The AEC does not, however, have a current overall training strategy that is linked to the National Operational Plan 1997-98. The AEC needs to continue to develop its strategic planning in relation to HRM and ensure that this process occurs within the established AEC planning hierarchy.

6.48 The ANAO notes that AEC’s use of PDPs to identify training needs is an example of sound training administration. It is important that PDPs

are reviewed (between staff and supervisors) at regular intervals to ensure that the needs identified are being met.

Recommendation No. 13

6.49 The ANAO *recommends* that the AEC finalises its overall training strategy and links this to the priorities, once established, in the AEC's National Operational Plan to assist in ensuring that training is provided in line with the AEC's business requirements.

AEC Response

6.50 Agreed. The AEC's draft overall training strategy will be reconsidered and included in the context of an overarching AEC Human Resource Strategic Plan currently being developed. The Human Resource Strategic Plan will address issues such as organisation and staffing profiles, communication and consultation, recruitment and retention, staff development, performance management, health and safety, remuneration and reward, equity and diversity, and dealing with change.

Coordination of training

6.51 HRAS uses the PDPs to produce a National Learning Calendar. The calendar shows each State's training activities for the coming six month period (the current one is dated from July through to December 1997) and includes information such as the duration of the course.

6.52 The ANAO notes that this document provides a sound basis for coordination of training across States. However, the ANAO considers that this document could be improved by reviewing its contents to ensure they provide sufficient information for staff to identify courses relevant to their needs. This could be achieved, for example, by:

- outlining the nature of the course (a brief description);
- the potential for interstate participants to attend (for example, the cost of the course and whether it is tailored specifically for that State or for more general application); and
- whether it is a course designed 'in-house' or outside the AEC.

6.53 This would provide an enhanced coordination mechanism to help ensure that all States' staff have similar development opportunities.

Conclusion

6.54 The AEC's National Learning Calendar provides a sound basis for coordination of training across States. However, discussions with staff indicated that this document could be improved by reviewing its contents to ensure they provide sufficient information for staff to identify courses relevant to their needs.

Recommendation No. 14

6.55 The ANAO *recommends* that the AEC reviews the contents of the National Learning Calendar to ensure they provide sufficient information for staff to identify courses relevant to their needs as part of their personal development.

AEC Response

6.56 Agreed. The AEC's National Learning Calendar will be reviewed to confirm its relevance, appropriateness and suitability during the development of the AEC Human Resource Strategic Plan.

Consistency of training delivery across States

6.57 The EPES staff produce a national training program for operational staff. This is the Training of Operational Staff (TOOS) manual and consists of a series of self-paced learning modules that can be undertaken by one person working alone, a team or group of staff, or used in a classroom to deliver training to a larger number of people. In addition, the States use the Training of Polling Staff (TOPS) manual produced by HRAS. This is a training package consisting of materials, including videos, used by all divisional staff to train casual polling staff.

6.58 The EPES sets a national training program for the Federal Election Management System (ELMS). Such national training is undertaken before every federal election, to prepare divisional and casual staff. The section conducts a trial election (the next one was to be conducted in June 1998). Every DRO is sent a 'script' of pre-prepared data (so many candidates, votes and so on) to input into the system. This then allows a check of the accuracy of the outcomes. Each system (such as the Polling Place Management System) is tested individually and then the integration of all the sub-systems is also tested. On the Thursday night prior to the federal election, a dress rehearsal is conducted to ensure that all communications to the National Tally Room are working correctly.

6.59 The States also contribute to operational training. Best Practice Papers are produced by divisional staff in the three largest States following each federal election. These are used to provide peer support and review and to supplement the national guidelines. For example, a particular DRO might have good financial management skills which result in each election in that division being brought in within budget. This person would deliver a best practice paper to their peers on how to achieve this result.

6.60 The States are responsible for the delivery of training regarding other nationally produced manuals such as the General Enrolment Manual (GEM) or the Divisional Office Procedures for Elections (DOPE). However, when major changes are required to be implemented (such as when the

Roll Management System, RMANS, was introduced) the EPES develops and facilitates training for all Divisional Office staff. Delivery of other operational training, such as induction for new industrial elections staff, is usually conducted by an experienced member of the appropriate section in each State.

6.61 Discussions with various State staff indicated that the level and quality of training in operational activities was adequate for their needs.

6.62 Therefore, the State Learning Committees organise training courses for one or more of the following reasons:

- the need is identified through the PDPs;⁵⁶
- operational requirements dictate a need;⁵⁷
- a State initiative requires specialised training to be developed;⁵⁸ or
- AEC management requires that such training is undertaken.

6.63 The current system relies on a good exchange of information between States and between the States and Central Office. The ANAO notes that these communication links do exist through the nominated contact officers in each State. For example, an induction course for new starters in Industrial Elections in Victoria was also run in NSW. In addition, representatives from a number of States usually work together in project teams to develop the national training manuals and guidelines. For example, when the AEC developed guidelines for running the Constitutional Convention, State staff had a high involvement.

6.64 The proposed National Learning Strategy recommended that the primary responsibility for coordination, policy, advice, resourcing, preparation, delivery, monitoring and evaluation of national training reside with HRAS in Central Office. The ANAO had considered that, before the restructure, the system (especially in relation to non-operational training) needed to be clearly defined to ensure consistency across States. However, the AEC has addressed this as part of its Central Office restructure (see paragraph 7.38).

⁵⁶ For example, the Victorian Staff Development Committee put together an Election Management Program Workshop for junior divisional staff. The aim of this project was to allow DROs to share experience and practical ideas with the junior staff so those staff could act in DRO positions during an election.

⁵⁷ For example, a team in NSW currently is working on a training course for the GEM for divisional staff, as the State is about to undergo a formal Electoral Roll Review.

⁵⁸ For example, NSW designed training modules to provide industrial elections skills for divisional staff.

Conclusion

6.65 The delivery of training is coordinated and undertaken at a variety of levels within the AEC. Central Office and the States and Divisional Offices share the delivery role depending upon the nature of the training required, such as major policy or procedural changes.

6.66 The recent restructure, discussed in paragraph 7.38, that sets out the national responsibilities for operational and non-operational training, has only been in place a short time. However, the ANAO considers that the new structure, which clearly defines roles and responsibilities, is likely to result in a consistent approach to the provision of training across States and enhanced delivery of training in the AEC.

Monitoring of training

6.67 All training activities are entered on a National Training Database. This is used by HRAS to produce quarterly reports to the Management Board on:

- numbers of staff trained (by classification, State and EEO category);
- titles of training courses undertaken by State;
- number of training days; and
- cost of training activities (excluding salary component).

6.68 In relation to training the ANAO acknowledges that the AEC has established reporting mechanisms in a number of important areas that are relevant to AEC senior management. However, the ANAO considers that the reporting on training activities to management could be improved to include reporting against the six skill sets used in the PDP to ensure that training was being provided in all relevant skill areas. This would also enhance the feedback mechanism to management to allow them to direct future training priorities. To date, it has not been possible to use the National Training Database to monitor and report on training against the six skill sets. The AEC has stated that this will be possible in the near future.

Conclusion

6.69 To improve understanding of whether the six skill sets outlined in the PDPs are being met, the AEC should consider the costs and benefits of reporting to management against the required skill sets. This would enhance the feedback mechanism to management to allow them to direct future training priorities.

Recommendation No. 15

6.70 The ANAO *recommends* that, as part of its monitoring of training, the AEC examines the feasibility of establishing a mechanism to report to management on the achievement of the skill sets used in the Personal Development Plans to ensure that training is being provided in all relevant skill areas, where required.

AEC Response

6.71 Agreed. The AEC will review its approach to Personal Development Plans in light of the AEC Human Resource Strategic Plan, for example, to identify the skills and competencies required by the AEC.

7. Review and Evaluation

This chapter examines the AEC's system of internal review and evaluation. In particular, the chapter focuses on the AEC's Audit Committee, Internal Audit function and evaluation process. In general, the ANAO found arrangements in all these areas to be satisfactory.

Introduction

7.1 Effective Internal Audit (IA) and evaluation functions provide assurance to the CEO and management on internal control and management of the organisation, assist planning and review of the agency's operations and evaluate progress, and, if results are used effectively, ensure consultation and constructive feedback on all its activities. The functions also contribute to making the operations of an agency transparent to the public and Parliament as well as improving accountability.

Internal audit review and monitoring

7.2 The ANAO reviewed the AEC's system of national and State internal controls to establish whether:

- there was an IA function, including an Audit Committee, to monitor and review the performance of the AEC's goals. In making this assessment, the ANAO also reviewed the AEC against the ANAO's Better Practice Guide on Audit Committees,⁵⁹ and
- there was a system of internal reviews, including IA and evaluation, to assess the AEC's performance.

Background

7.3 The AEC has an IA Section, which is directly accountable to the Deputy Commissioner, located in its Central Office. The IA Policy and Procedures,⁶⁰ document outlines the section's mission and the scope of IA activities as covering 'compliance audits, system-based audits, information technology audits, performance audits, special investigations and consultancies for AEC management'.

7.4 The evaluation function is coordinated by the Strategic Planning and Workplace Improvement Section, Corporate Services Branch, in Central

⁵⁹ July 1997.

⁶⁰ Revised 1997.

Office, which is responsible to the CEO. All AEC managers have responsibility for meeting program evaluation requirements. IA's policy is to take into account AEC managers' program evaluation plans in formulating strategic and annual work programs, to avoid duplication of assessment.

ANAO findings

Audit Committee

7.5 The AEC has an Audit Committee⁶¹ that is responsible to the CEO, who is an ex-officio member. It reports to, and its minutes are considered by, the Board of Management. The primary role of the Committee is to 'monitor the standards and effectiveness of the AEC's IA activities'⁶² and is responsible for, among other things:

- approving the IA strategic and annual work programs to ensure that appropriate areas are selected for audit; and
- ensuring appropriate action is taken in respect of IA recommendations.

7.6 The membership of the Committee includes both State and Central Office representatives. The Committee meets quarterly (formal minutes are kept of meetings) to discuss such items as:

- status reports on recommendations from previous internal audits;
- progress reports on current IA activities;
- proposed audit coverage for next quarter; and
- the financial statements.

7.7 The role of the Committee does not limit the ability of the Director, IA to approach the Electoral Commissioner directly on any matter relating to the activities of the IA Section.

Internal Audit

7.8 The IA Section operates under a Charter⁶³ that covers such issues as IA's objective, functions, responsibilities, accountabilities (to the Deputy Electoral Commissioner and the Audit Committee) and the review of the Charter (annually by the Director, IA).

⁶¹ The financial management and audit legislation that replaced the *Audit Act 1901* on 1 January 1998, requires all Commonwealth agencies to 'establish and maintain an audit committee'. The Committee members are appointed by the Electoral Commissioner for terms of two years.

⁶² Sections 11 and 29 of the Internal Audit Policies and Procedures, as referred to in the IA Charter, contain the elements of an Audit Committee Charter; that is, they outline the Committee's policy, procedures, functions, powers, membership and format of meetings.

⁶³ Revised (approved by the Electoral Commissioner and the Audit Committee Chairperson) on 3 March 1997.

7.9 The AEC has a Strategic Audit Plan 1997-98 to 1999-2000.⁶⁴ It includes:

- a 1997-98 Audit Work Program;
- a 1998-99 Strategic Plan (all items in both Strategic Plans are shown against priority rankings and the estimated number of days to complete the task); and
- a 1999-2000 Strategic Plan.

7.10 The 1997-98 Audit Work Program was approved by the Audit Committee (and endorsed by the Management Board) and its focus areas are customer service, consultancy and financial accountability. Audits are linked to the corporate goals outlined in the National Operational Plan 1997-98. IA has been conducted in line with the work program. The ANAO also found that the Audit Committee reviews progress and achievement against the IA Work Program and all IA reports are tabled before the Committee.

7.11 The ANAO notes that IA reviews include reviews of financial management and administration.

Internal audit monitoring

7.12 Monitoring of the action taken on IA reports is undertaken by the Audit Committee. A standing agenda item for Audit Committee meetings is a status report on action taken on recommendations from previous internal audits. This shows the timeframes for implementation of recommendations and the responsible officer.

Post task reviews

7.13 As well as internal audits and evaluations, the AEC also undertakes reviews through conferences at the conclusion of major events, such as a federal election or an Electoral Roll Review. These involve operations staff from all levels of the organisation (particularly State and divisional officers). The primary function of these conferences is to debrief staff and disseminate ideas, experience and better practice. A list of outcomes and recommendations is prepared at the conclusion of the conference. These are then implemented in the following event (for example, recommendations made at the conclusion of the 1993 Post Election Conference, were implemented in the conduct of the 1996 federal election).

7.14 The ANAO considers that these conferences were comprehensive and well organised, with detailed minutes kept of all discussion and

⁶⁴ Approved at September 1997 Management Board meeting.

proposals. Where the need for change was identified, procedures manuals and training programs were revised to take these changes into account before the next election.

Conclusion

7.15 The ANAO considers both the AEC's IA function and its monitoring through the Audit Committee process to be in line with all areas of the ANAO's better practice guide.

7.16 The ANAO also considers that post task reviews undertaken by various levels in the AEC are a sound process for identifying improvements to major operational tasks.

Monitoring and conduct of evaluations

7.17 The ANAO reviewed the planning and monitoring of the AEC's national and State evaluation function to establish whether evaluations are undertaken periodically to gain an insight into program performance and impact over a number of years.

ANAO findings

Conduct of evaluations

7.18 The JSCEM provides one mechanism for the evaluation of the AEC's activities. It inquires into the conduct of each federal election by the AEC, in addition to other reviews.⁶⁵ As well, the AEC undertakes regular internal evaluations (sometimes with the aid of consultants) to assess functional area performance and the impact of its activities over a number of years.

7.19 The AEC's latest Performance Evaluation Plan was dated July 1992 to June 1997. While this is no longer a mandatory requirement to prepare an Evaluation Plan,⁶⁶ the AEC advised the ANAO that it had intended to use a proposed Performance Information Review (PIR),⁶⁷ due to have been undertaken early in 1997, as the basis for establishing a formal evaluation regime for the remainder of 1997 and future years. PIRs are no longer to be undertaken but will be integrated into the accrual budgeting framework. The AEC recognises the continued need to develop an evaluation framework.

⁶⁵ For example, the JSCEM's *Report of the Inquiry into the role of the AEC in conducting industrial elections*, October 1997.

⁶⁶ Each agency was required to produce Portfolio Evaluation Plans and submit them to the then Department of Finance (now, the Department of Finance and Administration, DoFA) each November (for more information, see *Doing Evaluations: A Practical Guide*, DoFA, Canberra 1994 and ANAO Report No. 3 of 1997-98, *Program Evaluation in the APS*).

⁶⁷ DoFA had begun a triennial process of Performance Information Reviews across the APS. The Government has now decided to integrate this process with the implementation of accrual budgeting.

7.20 Some AEC evaluations have used consultants to help deliver the evaluation product. The ANAO considers this to be sound practice as external expertise can assist in ensuring that the appropriate skills are used, for example, to design and analyse surveys. As well, consultants can also provide greater independence to the evaluation process.

7.21 The AEC advised that consultation with stakeholders is an integral part of major and minor program evaluations, reviews and surveys conducted by the AEC. The views of stakeholders are actively sought during these processes.

Evaluation monitoring

7.22 All evaluations have a Steering Committee appointed. Draft copies of reports are provided to the Steering Committee and then to the Electoral Commissioner who decides on the appropriate course of action, which, in the majority of cases, involves sending the report to the Management Board. The responsible section prepares a quarterly report for each Management Board meeting that outlines the status of current AEC evaluations.

7.23 The report also includes benefits to be derived from implementation and the resource implications. Once the recommendations have been endorsed by the Management Board, it is the responsibility of the relevant Assistant Commissioner to ensure implementation of the recommendations. Monitoring of progress against the recommendations is not a standard Management Board agenda item but Assistant Commissioners do report this on an informal basis.

Conclusion

7.24 The AEC undertakes regular internal evaluations (sometimes with the aid of consultants) to assess functional area performance and the impact of its activities over a number of years. The conduct and monitoring of evaluations is generally sound but the ANAO encourages the AEC to develop an evaluation regime, including a plan for evaluation that is linked to the overall planning framework, to improve the process.

Canberra ACT
3 July 1998



P.J. Barrett
Auditor-General

Appendices

Appendix 1

AEC 2000

AEC 2000 was undertaken in three phases. A Steering Committee that consisted of senior executives within the organisation coordinated the process and sought input from a variety of levels. The AEC also set up three Advisory Groups representing the areas of:

- Client Service Delivery (chaired by the Assistant Commissioner, Elections and Enrolment);
- Information Technology Support and Enrolment Process (chaired by the Assistant Commissioner, Information Technology); and
- Corporate Services and Costings (chaired by the Assistant Commissioner, Corporate Services).

Key milestones were set down by the Steering Committee and adhered to throughout the process. AEC staff were kept informed of developments through a series of articles in 'Workplace Notes' (staff circulars).

Phase one of the process consisted of an information gathering exercise. Information was sought from Divisional Offices (electorate based), Head Offices (State based) and Central Office (based nationally in Canberra) and dealt with all sections of those offices during both election and non-election seasons.

In addition to focusing on regionalisation, the process examined the services currently delivered by the AEC and its delivery mechanisms. For each area, delegates were asked to suggest possible alternatives for service delivery (for example, by another area of the AEC or outsourced to a third party) and emerging service requirements (that is, potential future business for the AEC during both election and non-election periods).

The second phase consisted of an analysis of the information gathered during phase one and the development of risk and quality assessment criteria. Client needs were identified as well as current business processes and alternative means of service delivery. The AEC also conducted an analysis of the organisation's external environment. The needs of key stakeholders were identified and evaluated.

Phase three involved the formation of working parties who were asked to scrutinise each process and answer a series of key questions. They were then asked to formulate three potential models for restructuring the organisation along the lines of regionalisation. Membership of the working parties came from Central Office, Divisional Offices and Head Office operational areas.

The final plan was to reallocate work within the organisation resulting in more centralisation and less devolution. The plan also envisaged some staff reductions which were quantified as part of the costs/savings. The Steering Committee developed some key criteria to formally assess the proposed models for restructuring on a regional basis. These identified the consequential strategic considerations driving process redesign. The final model was designed to:

- result in overall improvement to the current standards of client service;
- maintain AEC's impartiality, independence and integrity;
- minimise risk level associated with option (high, medium, low);
- provide total transparency to clients at election time;
- recognise and meet needs of regional Australia;
- realise savings to budget;
- provide career opportunities for staff (training and development, OH&S, equity and so on);
- have potential to raise revenue; and
- be marketable to staff and clients (including government).

A number of other issues besides regionalisation were considered as AEC 2000 was being developed and these are listed below:

- new technology was a high priority of the restructure and the costs of information technology improvements were offset against the projected savings in the first two years;
- a number of changes to Central Office were proposed (such as the centralisation of Corporate Services and the potential outsourcing of some sections. However, the costs and savings of these proposals were not analysed fully); and
- a number of changes to State Head Offices were also proposed but were dependent on the regionalisation model.

AEC 2000 was a thorough exercise that challenged all areas of the AEC within tight time constraints. Due to the federal election in March 1996, its associated follow-up work and the budgetary cycle, the entire exercise was undertaken between September and December 1996.

Appendix 2

Parliamentary reviews

In addition to AEC 2000, there have been a number of parliamentary reviews, conducted between 1974 and 1994, that included consideration of the issue of regionalisation. These reviews were:

- *WD Scott Report* (1974) - found the introduction of Regional Offices in metropolitan areas to be the preferred option to gain efficiencies;
- *Is this where I pay the electricity bill?* (October 1988) - the JSCEM replied to the Efficiency Scrutiny into Regionalisation. The JSCEM recommended the amalgamation of up to three Divisional Offices in metropolitan areas only;
- *the Conduct of Elections: New Boundaries for Cooperation* (September 1992) - the JSCEM recommended that regionalisation/collocation in metropolitan and major provincial centres should proceed; and
- *the 1993 Federal Election* (November 1994) - the JSCEM discussed difficulties caused by the AEC's Divisional Office structure and recommended that any proposals for a revised structure be referred to the JSCEM.

As well as the above reviews, a number of other parliamentary reviews have been conducted into various aspects of the AEC's operations. These were:

- the *JSCEM Report of the Inquiry into the Conduct of the 1996 Federal Election* was tabled on 16 June 1997 and contained 73 recommendations for the reform of the electoral system and improvements to the operations of the AEC;
- the *JSCEM Report of the Inquiry into the Conduct of Industrial Elections* was tabled on 20 October 1997 and contained 18 recommendations in relation to issues such as the possible standardisation of rules governing the conduct of industrial elections, mechanisms for the review and conduct of industrial elections and the capacity of the AEC to provide assistance to organisations on a fee-for-service basis;
- the House of Representatives Standing Committee into Legal and Constitutional Affairs reported in July 1997 on *Aspects of Sections 44 of the Constitution* related to subsections 44(i) and (iv) which disqualify candidates and Members of Parliament on the grounds of either foreign citizenship or holding an office of profit under the Crown; and
- the Senate Legal and Constitutional Legislation Committee report on the provisions of the *Constitutional Convention (Election) Bill 1997: Consideration of Legislation Referred to the Committee* (tabled 15 May 1997), resulted in subsequent Government amendments to the Bill.

Appendix 3

AEC performance measures relating to clients' views

The following list outlines performance 'measures' developed by the AEC that relate to client feedback. These measures are feedback from:

- joint roll partners on their level of satisfaction with joint roll arrangements, products and services;
- parliamentarians and clients on the level of parliamentary and client satisfaction with electoral roll data;
- internal and external clients on their level of satisfaction with roll products delivered and services provided by the AEC;
- parliament and other relevant client groups on the level of parliamentary and client group satisfaction with processes and arrangements;
- internal and external clients on the timeliness, accuracy and quality of advice and support;
- relevant client groups on the timeliness of processing requested changes to the register of political parties;
- internal and external clients on the accuracy of public funding payments;
- external clients on disclosure returns placed on public display;
- customer surveys to indicate satisfaction with Service Charter and better service delivery to clients;
- client organisations and government agencies on the level of satisfaction and confidence of clients and members of organisations with the conduct of their elections and ballots;
- client organisations and government agencies on the level of client satisfaction with the assistance and/or advice provided by the AEC;
- client organisations on the efficiencies and effectiveness demonstrated in procedures and systems;
- client surveys on the level of community knowledge about electoral events and support for electoral events;
- client surveys on the level of community knowledge about matters and support for electoral activities;
- client evaluation on the level of participation by client groups in electoral education programs;
- stakeholders and AEC managers on the extent to which the AEC is able to provided relevant, clear and useful management information readily to government and other stakeholders;

- host countries, international organisations, Department of Foreign Affairs and Trade, AusAID and non-government organisations on the appropriateness and quality of international assistance provided;
- survey of clients on changes in organisational arrangements recognised and implemented without negative effect on service levels; and
- Parliament on the comprehensiveness, appropriateness and timeliness of responses.

Appendix 4

The continuous roll updating pilot project

In relation to improving services, for example, at the time of the audit fieldwork the AEC was examining a fundamental redesign for the Electoral Roll updating process.

A complete and accurate Electoral Roll is fundamental to the AEC's effective operations. The process for updating the Electoral Roll has centred around two yearly door-to-door habitation reviews, estimated to cost some \$15-16 million every two years. There has been an increasing demand for a continuously accurate (rather than point in time) roll and an identified need to make the process more efficient, because of among other things:

- the increasing difficulty in contacting electors through habitation reviews (there is currently a 30 per cent call back rate);
- the increasing mobility of the population (25 per cent of the population moves home each year);
- Habitation Reviews take up to six months to complete and are by then out of date; and
- Habitation Reviews are not directly targeted towards unenrolled or incorrectly enrolled citizens.

At the time of the audit fieldwork the third stage of the redesign of the Electoral Roll was underway and aimed to investigate a strategy for national implementation including additional data sources, privacy implications and cost, funding and effectiveness considerations. This stage is necessary to establish the ultimate feasibility and cost-efficiency of arrangements for CRU, together with the practical requirements for implementation and quality assurance.

This exercise demonstrates that the AEC is laying the groundwork for significant improvement in the cost and quality of one of its major current business processes. The ANAO notes, however, that the cost benefit analysis has not been updated since the initial feasibility review. It is important that the cost/benefit analysis be updated to enable the AEC to focus on the potential for cost-efficiencies through CRU. This is particularly important since, during the earlier phases of the study it was found that change of address data held by Australia Post alone was not sufficient for effective CRU and this has cost implications.

Appendix 5

Analysis of property contract performance standards

Contract Clauses listed as Performance Standards	ANAO Comment	AEC has provided evidence of monitoring?
<p>(a) Portfolio coordination and planning</p> <p>(iv) Monthly management meeting between AEC and the Consultant's nominated Project Manager</p>	Monitoring mechanism	Yes, but only e-mails relaying time date
<p>(b) Lease negotiation</p> <p>(xi) AEC's preference is to negotiate all new leases and lease renewals on a 'gross' as compared to a 'net' or 'base rental plus recovery of increases in outgoings' rental basis with no net increases in outgoings between review periods</p>	Performance against this can be assessed	No
<p>(xii) A proforma Memorandum of Lease detailing the terms and conditions upon which AEC is prepared to occupy property is attached as Appendix B. It is expected that the Contractor will negotiate all new leases and lease renewals on substantially similar terms to those contained in the Memorandum of Lease. Any variation or departure from the proforma lease is to be advised to AEC. Copies of the duly executed Memorandum of Lease are to be provided within 7 days of receipt from AEC's nominated legal representative.</p>	Performance against this can be assessed	No
<p>(xiii) A proforma Schedule of Property details and lease covenants, representing the minimum level of property information required for its internal file records is attached as Appendix C. The Contractor will prepare a similar schedule for each property occupied by AEC at 1 July 1995 and will provide updated schedules at each rent review or lease renewal.</p>	Performance against this can be assessed	No
<p>(xiv) All buildings occupied by AEC are to be surveyed in accordance with the 1989 BOMA⁶⁸ method of measurement when they next fall due for renewal and/or exercise of options. The cost of the survey is to be borne by the Lessor.</p>	Performance against this can be assessed, but second sentence is not a performance standard	No
<p>(xv) AEC requires notification of all pending lease renewals within 6 months of each lease expiry, together with a forecast of projected rents, having regard to market trends</p>	Performance against this can be assessed	No
<p>(xvi) The Contractor's performance will be assessed by comparison to the outcomes of other lease renewals in the market and the extent of which the rental levels achieved correspond to those forecast by the Contractor</p>	Performance against this can be assessed	No

⁶⁸ Building Owners' and Managers' Association (now known as the Australian Property Council).

Appendix 5 (Contd)

Contract Clauses listed as Performance Standards	ANAO Comment	AEC has provided evidence of monitoring?
(xvii) AEC reserves the right to use alternative contractors, at its own cost, for individual transactions	Not a performance standard	N/A
(c) Rent reviews		
(ix) AEC requires notification of all pending rent reviews within 6 months of each rent review, together with a forecast of projected rents having regard to market trends	Performance against this can be assessed	No
(x) The Contractor's performance will be assessed by comparison to the outcomes of other rent reviews in the market and the extent to which the rental levels achieved correspond to those forecast by the Contractor	Performance against this can be assessed	No
(xi) AEC reserves the right to use alternative suppliers or contractors, at its own cost, for individual transactions	Not a performance standard	N/A
(d) Lease termination / restoration		
(xi) The Contractor's performance will be assessed by the extent to which makegood and associated restoration costs are minimised	Performance against this can be assessed	No
(e) Lease assignments and subletting		
(vii) The Contractor's performance will be assessed by the extent to which dead rental costs are minimised	Performance against this can be assessed	No
(viii) AEC reserves the right to use alternative suppliers or contractors, at its own cost, for individual transactions	Not a performance standard	N/A
(f) Tenancy services		
(xiv) The Contractor is required to provide a point of contact for each State Office and Central Office for the reporting of building faults between the hours of 8.30am and 5pm Monday to Friday (excluding Public Holidays)	Performance against this can be assessed	No
(xv) All properties are to be inspected by the Consultant on at least an annual basis. A Property Inspection Report, in the form of Appendix D, is to be provided within ten working days of each inspection	Performance against this can be assessed	No
(xvi) Upon receipt of notification from the tenant, the Contractor will be required to put in place arrangements for fault rectification within 24 hours. If further action is required the Contractor is required to advise AEC within 48 hours, receive instructions and advise AEC of options under lease covenants	Performance against this can be assessed	No

Appendix 5 (Contd)

Contract Clauses listed as Performance Standards	ANAO Comment	AEC has provided evidence of monitoring?
(xvii) The Contractor shall use its best endeavours to ensure that correction building faults is two working days or shorter for urgent and priority matters	Performance against this can be assessed	No
(xviii) The Contractor will maintain appropriate documentation to monitor the date, time, AEC contact, nature of fault and action taken for all reported faults	Performance against this can be assessed	No
(g) Building services contracts		
(viii) The Consultant will be assessed on the extent to which building services Contractors meet the quality, service delivery and OH&S standards required by AEC	Performance against this can be assessed	No
(ix) The performance of building services contracts is to be regularly monitored and reported to AEC on at least six monthly basis	Performance against this can be assessed	No
(x) Copies of relevant building services contracts, including evidence of contract renewal, are to be provided to AEC within 14 days of a request by AEC	Performance against this can be assessed	No
(h) Bill paying services and estimates		
(xii) The Consultant is required to provide in hard copy and electronic (floppy disc) format, within 7 working days, a monthly report at the end of each month to AEC Head Office and each State Office, outlining:	Performance against this can be assessed	No
<ul style="list-style-type: none"> • a summary of amounts charged in the previous month for each lease; • a summary of the amounts paid and payable in the financial year to date for each lease; • the variance between amounts payable and amounts paid for each lease and budget projections; • a summary of energy consumption year to date for each lease; • an annual budget detailing projected Property Operating Expenses for each lease in line with AEC's chart of accounts; and • office market reports for each major region and capital city, incorporating forecasts of rents and vacancy levels in sufficient detail to enable AEC to obtain an understanding of long term (5 year) rental and vacancy trends. 		
(xiii) To ensure that all payment obligations are met and to check compliance with the performance measures outlined in the SOR. The Contractor will consent to an annual performance audit.	Monitoring mechanism	No

Appendix 5 (Contd)

Contract Clauses listed as Performance Standards	ANAO Comment	AEC has provided evidence of monitoring?
(xiv) The Contractor agrees that the penalty for incorrect certification and overpayment of monies to lessors or suppliers shall be all costs of obtaining reimbursement from the payee, plus any cost of overpayment made and unrecovered after three months, provided always that the amount of this penalty shall not exceed \$25 000 per annum in aggregate	Not a performance standard	N/A
(xv) The Contractor is encouraged to provide information to AEC in electronic format. Consultants who are able to provide 'on line' access to proprietary property systems will be highly regarded	Quasi-performance standard	No

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