

T h e A u d i t o r - G e n e r a l

Audit Report No.42 1998–99
Performance Audit

The Establishment and Operation of Green Corps

Department of Education,
Training and Youth Affairs

A u s t r a l i a n N a t i o n a l A u d i t O f f i c e

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Canberra ACT
26 May 1999

Dear Madam President
Dear Mr Speaker

The Australian National Audit Office has undertaken a general performance audit 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 *The Establishment and Operation of Green Corps*.

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

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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telephone (02) 6203 7505
fax (02) 6203 7798

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Audit Team

Malisa Golightly

Ann Thurley

Janine McGuinness

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Abbreviations/Glossary

ANAO	Australian National Audit Office
APS	Australian Public Service
ATCV	Australian Trust for Conservation Volunteers
DEETYA	Department of Employment, Education, Training and Youth Affairs
DETYA	Department of Education, Training and Youth Affairs
Environment Australia	Part of the Department of the Environment and Heritage
GCAC	Green Corps Advisory Committee
Green Corps	Green Corps—Young Australians for the Environment program
IT	Information Technology

Summary and Recommendations

Audit Summary

Introduction

1. The delivery of government services and programs by third party providers is becoming more widespread. The ANAO is therefore undertaking a number of audits which examine the administration of such arrangements, including, in particular, the management of contracts between the program manager and the provider.¹ The Green Corps—Young Australians for the Environment program (Green Corps) is delivered through such a contractual arrangement. It was introduced in the August 1996 federal budget with a program allocation of \$41.7 million over three years. The program is designed to give young Australians, between 17 and 20 years old, the opportunity to participate in projects to preserve and restore Australia's natural environment and heritage.
2. Green Corps is a voluntary program where participants receive accredited training in a range of skills such as bush regeneration techniques; habitat protection and restoration; and environmental rehabilitation. Participants work on set projects for six months and are paid a training allowance based on the National Training Wage. After completing a project, participants who decide to move on to accredited further education or training, can apply for a grant of \$500.
3. A Green Corps Advisory Committee (GCAC) was established to advise on program matters. The committee's members include two Parliamentary Secretaries and departmental representatives from the Department of Education, Training and Youth Affairs (DETYA)² and the Department of the Environment and Heritage (Environment Australia).
4. DETYA has principal responsibility for the carriage of the program. It coordinates Green Corps' activities in consultation with Environment Australia which, in turn, provides strategic advice on environmental directions. DETYA contracted the Australian Trust for Conservation Volunteers (ATCV) to administer and manage the Green Corps program nationally.

¹ Details of audit reports and audits in progress which deal with these issues are provided at Appendix 1.

² At the time the audit commenced, the responsible department was the Department of Employment, Education, Training and Youth Affairs. On 21 October 1998, the Administrative Arrangements Order was changed and the department became the Department of Education, Training and Youth Affairs (DETYA). It is referred to by this latter title throughout this report. The responsibility for the Green Corps program has remained with DETYA.

5. The ATCV was the organisation with national coverage selected, from a range of community organisations, through a tender process, to administer and manage the day-to-day operations of the Green Corps program in line with arrangements set out in the contract between DETYA and the ATCV.

6. DETYA advised that, at 31 March 1999, 3000 young Australians had participated in a Green Corps project and that over 300 projects had been conducted. Environmental activities undertaken in the first 195 projects have included the construction of 158 kilometres of walking tracks and 416 kilometres of fencing; the removal of 17 693 hectares of weeds; and the propagation of some 287 000 plants.

Audit objective and criteria

7. The objective of the audit was to examine the effectiveness and efficiency of the administrative arrangements for the establishment and operation of the Green Corps program.

8. The focus of the audit was on DETYA's administration of the Green Corps program, including the management of the contract, and was not an audit of the ATCV's arrangements or administration.

9. The audit examined the various processes involved in establishing the outsourcing arrangements for the delivery of the Green Corps program and the mechanisms introduced to ensure quality of service, accountability and appropriate levels of performance. The audit also examined whether appropriate procedures, processes and guidelines were developed and adhered to, including monitoring of compliance with the requirements of the contract.

10. The ANAO established key criteria against which to review the establishment and operation of the Green Corps program. These criteria are outlined at the beginning of each of the relevant sections in this report.

11. The ANAO provided ongoing feedback to DETYA during the audit fieldwork on a number of aspects of DETYA's management of the contract with the ATCV. This was to allow DETYA the opportunity to address any problems or issues as they were identified.

Audit conclusion

12. The ANAO concluded that DETYA is well focussed on achieving the required outputs and outcomes of the Green Corps program in that it can determine that the training and environmental outputs are being delivered by the ATCV and, in the case of training, identified outcomes³ are being achieved.

³ The Department was developing indicators in relation to environmental outcomes at the time of the audit fieldwork.

13. The ANAO found that a national organisation to run the Green Corps program was contracted in line with Government policy and the relevant departmental procedures. In addition, appropriate specialist advice on a range of matters was sought. Appropriate reporting arrangements to keep departmental management and the GCAC informed of program effectiveness were also developed and improved during the period of the audit fieldwork.

14. The ANAO concluded that the administration of the program was not fully effective or efficient due to the following weaknesses that were identified:

- a comprehensive risk management process to underpin program planning had not been undertaken. The ANAO acknowledges that, at the time the program commenced, comprehensive risk assessments were not a departmental requirement. However, there had been various publications regarding risk management available to agencies such as, the draft *Australia/New Zealand Standard for Risk Management* in 1994⁴ (eventually published in November 1995) and the exposure draft of the MAB/MIAC guidelines on risk management in July 1995 (which were released in October 1996⁵). The ANAO considers that it would have been good management practice to undertake a risk assessment at that time or early in the life of the program;
- while the outcome of the tender process has generally proven to be sound, the process used to evaluate tenders involved a number of deficiencies in clearly demonstrating procedural fairness as the criteria contained in the request for tender did not include **all** criteria used to evaluate proposals received and did not indicate the relative importance that had been assigned to those criteria;
- evidence of systematic consideration of specialist advice received from relevant areas of the Department and documentation of key decisions could not be provided;
- DETYA assessed compliance only with some areas of the 1996 contract and not with others. Because the assessment was therefore not comprehensive, DETYA did not have the assurance that the contractor was performing satisfactorily in relation to the contents of project proposals and the timely notification of trainee withdrawals; and
- not all performance information collected, for example information contained in end of project reports, was analysed and used to monitor and/or improve program performance.

⁴ Standards Australia 1994.

⁵ MAB/MIAC Report No. 22 'Guidelines for Managing Risk in the Australian Public Service' October 1996.

15. As a consequence of the weaknesses identified, in particular the lack of risk management and performance monitoring, there could be risks to the longer-term achievement of the desired program outputs and outcomes unless the identified weaknesses are properly addressed as a matter of priority.

DETYA's response

16. DETYA agreed to all five recommendations and commented as follows:

It is timely to have your report as the Department is currently undertaking a new tender process for the possible extension of the program. The report's recommendations have been taken into account in the tender assessment process and in the design of the ongoing administration of the Green Corps program, should funds be provided for this purpose in the Budget.

Key findings

Implementation of policy

17. The establishment and implementation of new programs involve the translation of government policy intentions into actual service delivery to customers. The initial policy documents and associated decisions had indicated that the Green Corps program was to be delivered by an organisation with national coverage.

18. The ANAO found that DETYA, when implementing the Green Corps policy, had identified options which were in line with the Chief Executive's Instructions⁶, to select the organisation with national coverage to deliver the Green Corps program and received approval to undertake a limited tender process. As well, legal advice was sought as necessary. DETYA's performance in this area was satisfactory.

Planning

19. DETYA advised in late November 1998 that the 1996–97 Green Corps Guidelines provided a strategic plan for the program. As well, the Youth Bureau Business Plan, February 1998, contained references to the Green Corps program.

20. The ANAO found that, together, the Green Corps Guidelines and Youth Bureau Business Plan provide adequate strategic and operational direction for the Green Corps program. They contain the expected elements of sound plans, such as the program objective, strategies and identified priorities of the program.

The tendering process

21. In relation to mapping the tender process and considering options, DETYA had undertaken some very low level planning but had not carried out a comprehensive risk assessment to underpin the process. While

⁶ The Secretary's Management and Finance Instruction No. 50 (now referred to as the Chief Executive's Instructions, CEIs) set out the three options as follows:

- Model 1: Advertise for an organisation with national coverage to deliver the program through an open tender process;
- Model 2: Select the national provider through a limited tender process. Organisations would be invited to tender, based on their demonstrated experience and capacity to deliver the program; and
- Model 3: Nominate at least one organisation to provide Green Corps for the remaining places available in 1996 and 1997. The contract would again become available at the commencement of the 1998 rounds and would be awarded on a basis to be determined.

such a risk assessment was not required under departmental guidelines at that time, there had been various publications regarding risk management available to agencies such as, the draft *Australia/New Zealand Standard for Risk Management* in 1994⁷ (eventually published in November 1995) and the exposure draft of the MAB/MIAC guidelines on risk management in July 1995 (which were released in October 1996⁸). The ANAO considers that it would have been good management practice to undertake a risk assessment at that time or, at the outside, early in the life of the program. The ANAO acknowledges that DETYA did undertake a fraud risk assessment and that Green Corps was rated as 'low risk' in this regard.

22. Comprehensive risk management processes are now a departmental requirement. DETYA indicated that an appropriate risk management strategy would be implemented if the Green Corps program continues beyond its current term.

23. As well, while the outcome of the tender process has generally proven to be sound, the process used to evaluate tenders involved a number of weaknesses in clearly demonstrating procedural fairness which should be addressed for any future similar tenders.

Specialist advice in contract development

24. In examining the issue of contract development, the ANAO assessed whether DETYA had sought (and adequately considered) appropriate specialist advice in developing the Green Corps contract and associated guidelines.

25. DETYA had obtained advice from the internal audit, fraud and legal areas of the Department in developing the contract with the ATCV and associated guidelines. While DETYA advised that all advice had been systematically considered, the ANAO found no evidence, nor could DETYA provide evidence, of such systematic consideration which would accord with sound management practice. The ANAO considers that the audit trail in this situation was not adequate for establishing proper accountability for action taken.

Contract management

26. The aim of effective contract management is to ensure that both parties meet their respective obligations and the required results are

⁷ Standards Australia 1994.

⁸ MAB/MIAC Report No. 22 'Guidelines for Managing Risk in the Australian Public Service' October 1996.

achieved in an efficient and effective (and ethical) manner. In order to ensure that the contractor is performing satisfactorily, and to enable early and effective action to be taken if performance is unsatisfactory, the responsible agency should regularly monitor performance against the contract terms and conditions. One element of performance monitoring is testing the contractor's compliance with the contract terms and conditions. Other aspects of monitoring are discussed further in paragraphs 31 to 35.

27. The ANAO found that DETYA has regularly undertaken some testing of compliance with the 1996 contract terms and conditions, such as monitoring numbers of projects and numbers of trainees and checking that age and citizenship requirements were met by participants. However, there were a number of areas where DETYA did not systematically assess compliance with the terms of the 1996 contract. In particular, DETYA was not monitoring the requirements for: particular information to be supplied as part of project proposals; and for the ATCV to advise DETYA of trainee withdrawals in a timely manner.

28. DETYA did not reconcile monies paid under the contract during the contract's life, that is to identify under or over-payments. Once the contract ended, the overall reconciliation of payments identified only a relatively minor overpayment to the ATCV. However, DETYA had little assurance that this was the situation until the reconciliation was undertaken **after** the contract ended.

Other issues

The Green Corps conference

29. DETYA was unable to identify easily the conference specifications and failed to make a payment that was due to the ATCV. Even though this contract was relatively minor in financial terms, such problems indicate a lack of appropriate management of the contract for the delivery of the Green Corps conference.

Cessation of unemployment benefits

30. DETYA had not analysed the level or type of control that may have been required to manage the risk of duplicate payments (that is, payment of a training wage to a Green Corps participant who was already in receipt of unemployment benefits). However, after the ANAO raised this as an issue, DETYA sought advice from Centrelink and the ATCV and found that all Green Corps participants are covered by data matching arrangements between Centrelink and the Australian Taxation Office. This arrangement identifies any duplication of Commonwealth payments to the participants.

Performance monitoring

31. As previously discussed, the contract manager's monitoring activities should enable early action to be taken if the contractor's performance is unsatisfactory. DETYA's testing of compliance with the contract was discussed in paragraphs 26 to 28. Other aspects of monitoring are outlined below.

Monitoring

32. DETYA had established a number of performance monitoring activities. However, the arrangements for monitoring the performance of the program were not identified clearly as part of a comprehensive performance assessment framework. As well, the ANAO identified the following shortcomings with DETYA's approach to monitoring, as follows:

- the elements of the performance assessment framework were dispersed throughout the contract and not linked explicitly;
- not all information collected was analysed or used to assess program administration and performance or to provide appropriate feedback to the ATCV; and
- a number of separate monitoring activities were being conducted but they were not coordinated to ensure all necessary matters were monitored adequately without any unnecessary duplication of effort.

Evaluation

33. Evaluation is a key component of sound corporate governance. Along with performance indicators, evaluation assists in providing appropriate accountability to key stakeholders. It is particularly important to assist in assessing program effectiveness and with decision-making, especially in the budget context.

34. The overall finding of DETYA's evaluation of the Green Corps program was that the program was *'well regarded by program stakeholders and was seen as a worthwhile investment in terms of participant and environmental benefits'*. The report identifies some aspects of program administration and performance that require improvement. The evaluation also involved the development of draft performance indicators to measure (or assess) the environmental outcomes achieved by projects. The ANAO expects that DETYA will systematically consider the report's findings and use these to improve the program where necessary. These findings should also be provided to the GCAC for consideration.

Reporting

35. DETYA's reporting to the GCAC was developed and improved with each round of Green Corps projects. The ANAO considers that the current reporting arrangements are appropriate.

Recommendations and responses

Set out below are the ANAO's recommendations with the Report paragraph reference and the Department's abbreviated responses. The ANAO considers that the Department should give priority to Recommendations 1 and 3. More detailed responses are shown in the body of the report.

Recommendation No.1
Para. 2.28 The ANAO *recommends* that, if the Green Corps program is extended beyond its current three year period:

- the tender process should be underpinned by sound planning, including comprehensive risk management processes, as now required by departmental guidelines; and
- the selection criteria included in the request for tender, and only those, should be used to make the selection of the preferred tenderer, and that bidders are notified of the relative importance assigned to these criteria.

DETYA's response:

DETYA agrees. DETYA notes that the Green Corps tender was one of the first examples of the purchaser provider program model being implemented in the Department and that it was required to be undertaken over a short time frame in order to meet the Government's objectives.

Recommendation No.2
Para. 2.39 The ANAO *recommends* that DETYA, in line with sound management practice, ensures that management decisions, such as those reflecting consideration of advice received from appropriate specialist areas when drafting or amending contracts, are documented appropriately for accountability purposes.

DETYA's response:

DETYA agrees.

Recommendation No.3
Para. 3.32 The ANAO *recommends* that, in determining the appropriate form of acquittal for future payments, which should be linked directly to the assessed level of risk for the program, DETYA should take the following into account:

- specifying clearly the form of audit certification sought and the information required with respect to the number of Green Corps projects, trainees and withdrawals in order for the auditor to provide the required certification. DETYA should also ensure that the Auditor's Certificate, provided by the ATCV under the contract, certifies the reported percentage of funds expended against each payment of estimated training allowance and confirms that these funds provided to the ATCV were paid to participants in the form of national training wages; and
- requesting, under clause 7.10 of the contract, that the ATCV provide annual, audited financial statements which detail expenditure of funds provided to the ATCV. Such statements should be certified by an independent auditor who is registered under the Corporations Law (as defined by the contract).

DETYA's response:

DETYA agrees. DETYA notes the comments of the ANAO and will ensure that any future Green Corps contractual arrangements reflect this recommendation. DETYA also notes that the risk assessment and management plan, which has been undertaken for the program, supports the continuation of the existing practices to acquit the program's funds.

Recommendation No.4
Para. 3.45 The ANAO *recommends* that DETYA ensures that the conditions and requirements specified in each clause of the contract continue to be relevant, given the prevailing circumstances (this includes whether they are able to be met). If clauses are found to be no longer relevant or necessary, they should be removed from the contract, provided that both parties agree.

DETYA's response:

DETYA agrees. DETYA will carefully monitor the clauses of the current contract with the program's national manager to ensure that they continue to be relevant.

Recommendation No.5
Para. 4.28 The ANAO *recommends* that DETYA systematically analyse the information collected through existing monitoring activities to assess program performance and use this information to provide effective feedback to the ATCV and take steps to improve program administration and performance as required.

DETYA's response:

DETYA agrees. DETYA will continue to systematically analyse the information collected through its existing monitoring activities to assess program performance and use this information to provide effective feedback to the program's contracted manager and take steps to improve program administration and performance as required.

Audit Findings and Conclusions

1. Background

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

Introduction

1.1 The delivery of government services and programs by third party providers is becoming more widespread. The ANAO is therefore undertaking a number of audits which examine the administration of such arrangements, including, in particular, the management of contracts between the program manager and the provider.⁹ The Green Corps—Young Australians for the Environment program (Green Corps) is delivered through such a contractual arrangement. It was introduced in the August 1996 federal budget with a program allocation of \$41.7 million over three years. The program is designed to give young Australians, between 17 and 20 years old, the opportunity to participate in projects to preserve and restore Australia's natural environment and heritage.

1.2 Green Corps is a voluntary program where participants receive accredited training in a range of skills such as bush regeneration techniques; habitat protection and restoration; and environmental rehabilitation. Participants work on set projects for six months and are paid a training allowance based on the National Training Wage. After completing a project, participants who decide to move on to accredited further education or training, can apply for a grant of \$500.

1.3 A Green Corps Advisory Committee (GCAC) was established to advise on program matters. The committee's members include two Parliamentary Secretaries and departmental representatives from the Department of Education, Training and Youth Affairs (DETYA)¹⁰ and the Department of the Environment and Heritage (Environment Australia).

1.4 DETYA has principal responsibility for the carriage of the program. It coordinates Green Corps' activities in consultation with Environment Australia which, in turn, provides strategic advice on environmental directions. DETYA contracted the Australian Trust for Conservation

⁹ Details of audit reports and audits in progress which deal with these issues are provided at Appendix 1.

¹⁰ At the time the audit commenced, the responsible department was the Department of Employment, Education, Training and Youth Affairs. On 21 October 1998, the Administrative Arrangements Order was changed and the department became the Department of Education, Training and Youth Affairs (DETYA). It is referred to by this latter title throughout this report. The responsibility for the Green Corps program has remained with DETYA.

Volunteers (ATCV) to administer and manage the Green Corps program nationally.

1.5 The ATCV was selected, from a range of community organisations, through a tender process, to administer and manage the day-to-day operations of the Green Corps program in line with arrangements set out in the contract between DETYA and the ATCV.

The Green Corps program

1.6 As discussed above, the ATCV was the organisation with national coverage contracted to undertake the delivery of the Green Corps program. The ATCV is responsible for identifying project proposals and participants. These two matters and the method by which the ATCV is paid are discussed under separate headings below.

Project proposals

1.7 Project proposals can come from a range of organisations and the contract specifies that each project proposal must be comprehensive and contain details of:

- the proposed provider of the services and their experience with young people;
- training and supervision details;
- monitoring and evaluation mechanisms which properly and accurately monitor financial, employment, skills, environmental, conservation and/or cultural outcomes;
- accredited training, including core and elective modules, the number of hours of training and the accredited training provider;
- community benefit—short, medium and long term;
- environmental benefits, including specific goals and indicators;
- critical dates, activities;
- links and other expertise, strategies and procedures;
- other issues such as excursions; and
- where a project will involve the provision of accommodation and meals, the standard of the accommodation and meals which are to be provided.

1.8 As well, attachments to the contract set out environmental priorities and Green Corps criteria. Environmental and heritage priorities were to reflect those set out in *Saving Our National Heritage*¹¹.

¹¹ Coalition statement, *Saving Our National Heritage*, released prior to March 1996 federal election.

1.9 Consequently, Green Corps projects are to apply to natural and cultural heritage conservation, including protected area management, wildlife conservation and monitoring, management of water quality, protection and establishment of native vegetation, restoration of our heritage buildings as well as coastal and marine conservation.¹² Proposals are to conform to existing national strategies and legislation. The ATCV was responsible for promoting Green Corps to the community so that a variety of organisations would submit proposals for projects. The ATCV was then to ensure that proposals it received met the criteria set out in the contract before forwarding those proposals to DETYA. Once project proposals were received by DETYA, they were assessed to ensure they contained all the necessary information and then forwarded to the GCAC for consideration against the Green Corps criteria (Annexure B to the 1996 contract) as follows:

- endorsement by the Department of Environment, Sport and Territories¹³ as having the capacity to meet the Federal Government's national environmental priorities;
- general suitability for trainees (including hours of participation each week) and capacity to provide quality training and employment outcomes for trainees;
- designed to have the capacity to raise young people's self esteem and ensure pride in the job;
- consistency with local, regional or State resource management and environmental or cultural plans, the Australian Natural Heritage Charter, the Burra Charter, the *Environmental Protection (Impact of Proposals) Act 1974*, and the *Endangered Species Protection Act 1992*;
- compliance with Commonwealth, State and local government laws and regulations;
- public benefit;
- endorsement of the relevant Nature Conservation Department;
- community support for the Project;
- meaningful, with environmental substance, environmental benefit or suitability; and
- trainees must be additional to the existing workforce, and must not reduce, replace or substitute for any existing workers (voluntary or paid).

¹² Taken from Appendix 2 to Annexure A, Environmental Priorities, 1996 Contract

¹³ Under the amendment to the Administrative Arrangements Order, dated 21 October 1998, this department became the Department of the Environment and Heritage.

Participants

1.10 Participants must be aged between 17 and 20 years and are volunteers. They must be Australian Citizens or a migrant or non-resident who is eligible to receive Job Search or Youth Training Allowance. The 1996 contract indicates that the ATCV, in selecting trainees, must ensure that there is a '*balance of young people reflective of the community ...*'. Participants could apply from across Australia and were interviewed to assess their suitability for, and interest in, the environmental projects to be undertaken. Participants were paid the relevant national training wage (in line with age, experience and elapsed time since they had left school) directly by the ATCV. In identifying participants, the ATCV was to maintain compliance with a range of legislation aimed at ensuring equity of access, privacy and a workplace free from harassment.

Payments to the ATCV

1.11 There are two types of payments made to the ATCV as follows:

- an administration payment, which means the amount of money paid per participant by DETYA for the provision of services. This is an agreed amount¹⁴; and
- estimated training allowance, which means the amount of money to be paid by the ATCV to participants in the form of a national training wage.

1.12 For both payment types, the contract sets out a number of conditions which were to be met prior to payments being made, including:

- signing the contract;
- presentation of an invoice which indicates that the requirements in terms of placements for a specified number of participants are being met [that is, payment was made at the time the projects for each round commenced];
- evidence of insurance cover; and
- evidence of the implementation of projects.

1.13 A reconciliation of the amount of estimated training allowance paid was to take place when the final payment was paid. At that time, any under or over payment was to be determined and appropriate action taken. An over payment would occur if, for example, a trainee withdrew and a replacement was not found (as the calculation for these payments is based on the number of participants). An under payment may occur if, for example, a participant had a birthday during the Green Corps project

¹⁴ The agreed amount in the 1996 contract was \$6464 per trainee for the first 440 trainees, and \$6299 per trainee for the next 1360 trainees.

on which they were working (as the estimated trainee allowance is calculated by the participants' ages).

1.14 As well as payment of estimated training allowance, if trainees provided evidence of their intention to continue to undertake further education and training after the completion of their Green Corps Placement they were paid a further \$500 one off payment (the ongoing training allowance).

Program achievements

1.15 DETYA advised that, at 31 March 1999, 3000 young Australians had participated in a Green Corps project and that over 300 projects had been conducted. Environmental activities undertaken in the first 195 projects have included the construction of 158 kilometres of walking tracks and 416 kilometres of fencing; the removal of 17 693 hectares of weeds; and the propagation of some 287 000 plants.

Audit objective, scope and focus

1.16 The objective of the audit was to examine the effectiveness and efficiency of the administrative arrangements for the establishment and operation of the Green Corps program.

1.17 The focus of the audit was on DETYA's administration of the Green Corps program, including the management of the contract, and was not an audit of the ATCV's arrangements or administration.

1.18 The audit examined the various processes involved in establishing the outsourcing arrangements for the delivery of the Green Corps program and the mechanisms introduced to ensure quality of service, accountability and appropriate levels of performance. The audit also examined whether appropriate procedures, processes and guidelines were developed and adhered to, including monitoring of compliance with the requirements of the contract.

1.19 The ANAO provided ongoing feedback to DETYA during the audit fieldwork on a number of aspects of DETYA's management of the contract with the ATCV. This was to allow DETYA the opportunity to address any problems or issues as they were identified.

Audit criteria

1.20 The ANAO established key criteria against which to review the establishment and operation of the Green Corps program. These criteria are outlined at the beginning of each of the relevant sections in this report.

Audit methodology

1.21 The audit fieldwork was undertaken between July 1998 and January 1999. The audit included a review of DETYA documentation, analysis of some key areas of compliance with the contract and interviews with staff in DETYA and Environment Australia. To gain a better understanding of the operating environment in which Green Corps is managed, the audit team met with staff in the ATCV; visited three Green Corps projects; and reviewed a selection of ATCV documentation to obtain an understanding of some of the arrangements used by the ATCV in managing the program. The audit was conducted in conformance with ANAO auditing standards at a final cost of \$222 500.

The report

1.22 Chapter 2 of this report examines the establishment and implementation of the Green Corps program. Chapter 3 addresses DETYA's management of the contract for the delivery of Green Corps services, including arrangements for monitoring contractor compliance with the terms of the contract. Chapter 4 discusses the performance assessment framework established by DETYA to measure the efficiency and effectiveness of program administration and the achievement of the program objectives.



Removing seedlings from trays in preparation for planting

2. Establishment and implementation of the Green Corps program

This chapter examines the establishment and implementation of the Green Corps program. The ANAO found that DETYA had identified an appropriate organisation to deliver the program through a tendering process, in line with government policy intentions, and sought advice from specialist areas of the Department in developing the Green Corps contract. As well, DETYA had established an adequate planning framework to guide the implementation, ongoing operation and assessment of the Green Corps program. The ANAO has made two recommendations aimed at improving the tender process and the documentation of management decisions in line with sound management practice and to meet accountability objectives.

Introduction

2.1 The establishment and implementation of new programs are important and common functions undertaken by government agencies. They involve the translation of government policy intentions into actual service delivery to customers. The ANAO acknowledges that DETYA was required to develop fully and implement the Green Corps program within a short timeframe, including the identification of an appropriate organisation to deliver the program through a tendering process and the preparation of the contract.

Implementation of policy

2.2 The initial policy documents and associated decisions had indicated that the program was to be delivered by an organisation with national coverage. Given this policy decision, the ANAO sought to establish whether DETYA had:

- identified and obtained approval for the approach it had taken to select the organisation with national coverage; and
- obtained appropriate legal advice.

2.3 DETYA indicated to the relevant Minister that the organisation should be identified in line with the three possible options¹⁵. In discussing the range of options, DETYA noted the need for a ‘thorough and defensible’ process to be followed. These three approaches were described in a Minute to the then Minister for Employment, Education, Training and Youth Affairs—with approval being sought (and given) to undertake a limited tender process.

2.4 Advice was sought from the Attorney-General’s Department (AGs) in relation to whether there were any possible legal impediments to the implementation of the Green Corps program as proposed. AGs advised that, while some issues raised were a matter for departmental officers to judge, there were no issues of substance to prevent the proposed implementation of Green Corps.

ANAO conclusion

2.5 In implementing the Green Corps policy, DETYA had identified options which were in line with the Chief Executive’s Instructions, to select the organisation with national coverage and received approval to undertake a limited tender process. As well, legal advice was sought as necessary. DETYA’s performance in this area was satisfactory.

Planning

2.6 One of the main elements of sound corporate governance is the establishment of an effective planning framework within which an organisation operates to achieve government objectives. Not only should the planning framework guide the operations of an agency and program area, it should also provide the performance information against which the assessment of efficiency and effectiveness of outcomes and outputs will take place.

2.7 The ANAO examined whether such a planning framework had been established to guide the implementation, ongoing operation and assessment of the Green Corps program.

¹⁵ The Secretary’s Management and Finance Instruction No. 50 (now referred to as the Chief Executive’s Instructions, CEIs) set out the three options as follows:

- Model 1: Advertise for an organisation with national coverage to deliver the program through an open tender process;
- Model 2: Select the national provider through a limited tender process. Organisations would be invited to tender, based on their demonstrated experience and capacity to deliver the program; and
- Model 3: Nominate at least one organisation to provide Green Corps for the remaining places available in 1996 and 1997. The contract would again become available at the commencement of the 1998 rounds and would be awarded on a basis to be determined.

2.8 Initial policy documents indicated that the organisation with national coverage selected to administer the program on behalf of the Government would be required to develop a strategic plan within a limited timeframe. As well, the GCAC was to 'oversee the development of a Strategic Plan for Green Corps' and recommend (or approve) that plan.

2.9 DETYA advised in late November 1998 that the 1996–97 Green Corps Guidelines provided a strategic plan for the program. These guidelines were approved by the GCAC in October 1996.

2.10 The ANAO assessed whether the guidelines, and the 1996 contract as a whole, provide all the necessary elements of a sound strategic framework. As well, the ANAO found that the Youth Bureau Business Plan (YBBP), February 1998, contains references to the Green Corps program. This plan has also been assessed to determine if it assists in providing sufficient guidance for the Green Corps program at the operational level. The results of the ANAO's assessment are set out in Table 1.



Repairing Zig Zag railway after the Lithgow fires—1998.

Table 1:**Assessment of Green Corps Guidelines and Youth Bureau Business Plan (YBBP)**

<i>Plan should cover:</i>	<i>Green Corps Guidelines</i>	<i>YBBP</i>
Strategic issues		
1. Vision	Yes.	It would not be expected that an operational level plan would cover these high level issues.
2. Description of organisation	Sets out DETYA's role as well as role of contracted organisation and of the GCAC.	
3. Corporate values	DETYA's corporate values are set out in its overall Corporate Plan.	
4. Performance forecasts/ performance assessment	Training forecasts listed in 1.1.3. As well, Appendix 1, environmental guidelines, has performance forecasts.	
Operational issues		
5. Objective	Yes—'a Federal Government Budget initiative designed to give young Australians the opportunity to participate in projects to restore Australia's natural environment and heritage and to expand career opportunities.'	Lists objectives.
6. Strategies	Yes.	No. Only lists general Youth Bureau strategies.
7. Performance indicators	The issue of the adequacy of Green Corps' performance assessment framework is discussed in Chapter 4.	Yes. Contains some performance relating the program performance.
8. Responsibilities	Yes.	Program description.
9. Timeframes	Yes.	Significant dates.
10. Priorities	Appendix 1 of the 1996 contract contains environmental priorities and section 4 contains training priorities.	No. Lists priorities for Youth Bureau generally.
11. Resource allocations	Sets out how budget funds for Green Corps are to be allocated.	Yes.

2.11 The ANAO found that the guidelines provide an adequate strategic plan for the Green Corps program in that it contains elements of sound planning such as responsibilities and priorities for the program. However, neither the guidelines nor the YBBP are underpinned by a comprehensive risk assessment. This is discussed further in paragraph 2.17 in relation to the tendering process.

2.12 The YBBP provides an adequate operational plan as it sets out an overall objective in relation to program administration and responsibilities in relation to youth programs generally. As well, it sets

out a series of objectives for Green Corps, timelines and significant dates, some performance indicators and resources allocated.

2.13 As well as providing guidance on program operations, the plan should contain a robust performance assessment framework, including appropriate monitoring arrangements. DETYA's management of the contract, including arrangements for monitoring ATCV compliance with contract terms and conditions, is discussed in Chapter 3. Program monitoring arrangements are discussed in Chapter 4.

ANAO conclusion

2.14 The ANAO considers that, together, the Green Corps Guidelines and Youth Bureau Business Plan provide adequate strategic and operational direction for the Green Corps program. They contain the expected elements of sound plans, such as the program objective, strategies and identified priorities of the program.

The tendering process

2.15 The key elements of a successful tendering process include the need for managers to *'plan carefully, ensure probity measures are in place and treat all potential bidders fairly and most importantly, equitably'*¹⁶. The ANAO sought to establish how this process was undertaken and whether it was supported by and based on:

- appropriate project planning, including the management of the specific risks associated with tendering; and
- effective mechanisms to ensure procedural fairness, including consistency between the request for tender and the tender evaluation process and the preparation of defensible documentation leading to the selection of the preferred organisation.

Planning including risk management

2.16 During mid to late 1996, timelines were developed for each possible tender option. As well, the standard tender process was mapped by DETYA. Notes of discussions, attachments to ministerial briefings and other documents indicated that DETYA had identified the range of organisations that had the capability to deliver Green Corps. DETYA had also established selection criteria to be used in determining the suitability of an organisation.

¹⁶ Speech by Dr Peter Boxall, *Competitive Tendering and Contracting*, Institute of Public Administration Australia Inc, 25 September 1997, p.5.

2.17 While there was some discussion of the risks associated with the short time frame to identify and select an organisation with national coverage, and a fraud risk assessment undertaken (with the Green Corps program rated as low risk), there is no record that a detailed risk assessment was undertaken. While such a risk assessment was not required under departmental guidelines at that time, there had been various publications regarding risk management available to agencies such as, the draft *Australia/New Zealand Standard for Risk Management* in 1994¹⁷ (eventually published in November 1995) and the exposure draft of the MAB/MIAC guidelines on risk management in July 1995 (which were released in October 1996¹⁸). The ANAO considers that it would have been good management practice to undertake a risk assessment at that time or, at the outside, early in the life of the program because:

- it promotes systematic consideration of risks to the achievement of program outputs and outcomes and options to address such risks, for example through inserting appropriate contract terms, conditions or clauses to reduce risk;
- it provides management with a sound basis for current and future decision-making; and
- when appropriately documented, it improves the accountability of decision-making.

2.18 Comprehensive risk management processes are now a departmental requirement. DETYA indicated that an appropriate risk management strategy would be implemented if the Green Corps program continues beyond its current term.

Procedural fairness and selection documentation

2.19 DETYA prepared a detailed brief which was sent to a selected number of organisations, in line with a limited tender arrangement, on 22 October 1996. By the closing date of 26 November 1996 three proposals¹⁹ had been submitted. These proposals were evaluated by DETYA and a preferred organisation, the ATCV, was selected to deliver the Green Corps program. While the outcome of the tender process has proven to be sound, the ANAO found a number of problems with the process used to evaluate tenders in terms of adequately demonstrating procedural fairness. These are discussed below.

¹⁷ Standards Australia 1994.

¹⁸ MAB/MIAC Report No. 22 *Guidelines for Managing Risk in the Australian Public Service*, October 1996.

¹⁹ One proposal was a joint proposal by two organisations included in the limited tender process. These proposals were separately assessed by a DETYA and an Environment Australia officer with rankings and comments provided against the evaluation criteria.

2.20 In order to select the preferred organisation, criteria were included in the request for tender. DETYA also developed an evaluation sheet in consultation with Environment Australia (which also assisted with the actual selection) and the purchasing management section of DETYA. The criteria included in both the tender and in the evaluation sheet are listed and compared in Table 2.

2.21 The evaluation sheet separately identified criteria both as important and less important, although the request for tender had not done this. As well, additional criteria were listed in the evaluation sheet which were not directly or indirectly related to those set out in the request for tender, including: *'Clarity of strategic plan; functional proposal; management structure (clear); and discussions with subcontractors.'* These were considered as a part of the tender assessment process.

2.22 The request for tender had listed proven ability to meet deadlines, ability to ensure confidentiality of client data and a proposed timetable and these were not considered as part of the tender assessment process. As well, the request for tender listed value for money as a criterion and, in addressing this, tenderers had considered the expected cost of an average placement (DETYA had provided them with advice on this) and administrative costs. DETYA advised that value for money was then determined by an assessment of whether the proposal was *'within budget and [provided] a good balance between administration and project implementation'*.

2.23 The evaluation criteria listed the financial viability of the proposal and tenderer.²⁰ As this was not in the request for tender, most tenderers did not provide information that would allow an assessment of this criterion. The financial viability criterion had been ranked by DETYA as important but an assessment was not done prior to signing the 1996 Green Corps contract. An assessment of the ATCV's financial viability was, however, undertaken prior to signing the 1998 contract.

²⁰ The inclusion of this latter criterion related to advice from DETYA's Legal Group, in October 1996, which indicated that *'Specific provisions relating to the management of fraud in contracting include [among other things, the need to undertake an] assessment of the financial viability of the contractors'*.

Table 2:
Selection criteria for assessing tenders

<i>In request for tender</i>	<i>In evaluation sheet</i>
1. The expertise of the organisation in development and delivery of projects designed to restore Australia's environmental and natural heritage.	Experience with environmental projects. Projects are to: —meet national environmental guidelines —be viable —cover a range and distribution of remote, regional and urban areas.
2. Proven ability in working with young people in general, and specifically in provision of training.	Experience with young people.
3. The record and experience of the organisation in providing projects nationally.	Would be provided in answer to 1 and 2 above.
4. Ability to relate to young people, community and corporate representatives.	Corporate/community sponsorship and 2 above.
5. Capacity to ensure training is to the standard outlined in the contract and guidelines.	Training arrangements, including plan, accredited modules links to other courses/traineeships. Link with further employment and education.
6. Proven ability to met deadlines.	Not included as a criterion.
7. Value for money.	Financial viability of proposal and tenderer. Could relate to value for money.
8. Ability to guarantee confidentiality and adhere to the provisions of the <i>Privacy Act 1988</i> .	Not explicitly included may be covered by 9 below or in understanding of program requirements.
9. Knowledge of relevant Commonwealth legislation and policies.	Knowledge of relevant Commonwealth legislation—not policies.
<i>Proposals to include:</i>	
10. Itemised budget including: organisations administration costs such as salaries, travel, overheads and administration and indicative costings for regional and remote projects. The detailed budget must indicate how the total tender price has been arrived at, and be sufficiently transparent to enable discussions about the reasonableness of particular components.	Financial viability of proposal and tenderer only.
11. Details of all personnel involved in the project (names, relevant qualifications and experience).	Composition of team.
12. A detailed training plan including accreditation details and linkages to other course.	Covered by 5 above.
13. A proposed timetable.	Not explicitly included.
14. An overview of how the organisation will cater for individual needs of participants.	No, but could be covered by criteria on projects/ training arrangements.
15. A statement on ability to ensure confidentiality of client information.	Not included.
16. A broad outline of the proposed methodology together with a discussion of any substantive or methodological issues considered pertinent.	Not explicitly included but could be covered by understanding of program requirements, functional proposal.

2.24 However, the purpose of including selection criteria in the request for tender is to ensure that all tenders are treated equally. Tenderers would expect that the selection criteria listed in the request for tender and addressed by them in their submissions, would be used to make the selection of the preferred tenderer.

2.25 The Commonwealth Procurement Guidelines²¹ indicate that, in order to ensure openness in the tendering process, evaluation criteria should clearly identify the relative importance of all factors, and provide a sound basis for decision-making. As well, '*agencies should evaluate each offer applying only the evaluation criteria and methodology notified to bidders in the request for tender documentation*²²'. This assists in ensuring procedural fairness and provides for accountable decision-making.

ANAO conclusion

2.26 In relation to mapping the tender process and considering options, DETYA had undertaken some very low level planning but had not carried out a comprehensive risk assessment to underpin the process. While such a risk assessment was not required under departmental guidelines at that time, there had been various publications regarding risk management available to agencies such as, the draft *Australia/New Zealand Standard for Risk Management* in 1994²³ (eventually published in November 1995) and the exposure draft of the MAB/MIAC guidelines on risk management in July 1995 (which were released in October 1996²⁴). The ANAO considers that it would have been good management practice to undertake a risk assessment at that time or early in the life of the program. The ANAO acknowledges that DETYA did undertake a fraud risk assessment and that Green Corps was rated as 'low risk' in this regard.

2.27 As well, while the outcome of the tender process was generally sound in that the successful tender met the criteria to the highest level, the process used to evaluate tenders did not clearly demonstrate procedural fairness. To avoid this situation in the future, DETYA should ensure that the criteria set out in the request for tender include all necessary requirements, including the relative importance to be assigned to criteria in evaluating tenders, and that proposals received are assessed only against those criteria.

²¹ Department of Finance and Administration (DoFA), *Commonwealth Procurement Guidelines: Core Policies and Principles*, March 1998.

²² Ibid, DoFA 1998, p. 8.

²³ Standards Australia 1994.

²⁴ MAB/MIAC Report No. 22 *Guidelines for Managing Risk in the Australian Public Service* October 1996.

Recommendation No.1

2.28 The ANAO *recommends* that, if the Green Corps program is extended beyond its current three year period:

- the tender process should be underpinned by sound planning, including comprehensive risk management processes, as now required by departmental guidelines; and
- the selection criteria included in the request for tender, and only those, should be used to make the selection of the preferred tenderer, and that bidders are notified of the relative importance assigned to these criteria.

DETYA's response

2.29 DETYA agrees. DETYA notes that the ANAO agrees that the overall result of the 1996 tender process '*...was generally sound in that the successful tenderer met the criteria to the highest level*'. DETYA also notes that this conclusion is supported by the outcomes of the contracted agency's actual performance over the first two years of the operation of the contract in that it has achieved the objectives of the original procurement process.

2.30 DETYA notes that the Green Corps tender was one of the first examples of the purchaser provider program model being implemented in the Department and that it was required to be undertaken over a short time frame in order to meet the Government's objectives.

2.31 DETYA notes that in regard to the current Green Corps tender process:

- a Statement of Requirement was approved by the Green Corps Advisory Committee;
- appropriate internal clearances, including legal clearances were obtained for the Request for Tender documentation;
- a comprehensive Probity Plan was developed and endorsed by the external firm of legal advisers appointed to provide probity services for the tender;
- a comprehensive Tender Evaluation Plan has been established; and
- a comprehensive Risk Management Plan has been developed to guide the tender assessment process and the ongoing management of the program in the future.

2.32 DETYA also notes that it has undertaken widespread staff development programs addressing risk management and contract management.

Specialist advice in contract development

2.33 The development of an appropriate contract and its subsequent management are fundamental to ensuring that both parties meet their obligations and the Commonwealth obtains value for money through satisfactory performance against contract requirements. In examining this issue, the ANAO assessed whether DETYA had sought (and adequately considered) appropriate specialist advice in developing the Green Corps contract and associated guidelines. The issue of ongoing management of the contract between the ATCV and DETYA is discussed in Chapter 3.

2.34 There have been two contracts developed in relation to the Green Corps program. The first contract, signed in December 1996, covered the period from then until the end of June 1998. The second contract covered the period from July 1998 to December 1999.²⁵ Together, these contracts cover the entire period of operation for the program as agreed by the Government. That is, the program was to run for three years during which time the total number of projects was to provide 3500 placements.

2.35 Advice was sought from the DETYA internal audit, legal and fraud areas of the Department in late September 1996. This advice referred to a number of matters which needed to be considered, for example, the requirement for clearance of the contract *'by Legal Group as part of the review process'*. The ANAO considers that the contract had received these clearances.

2.36 While it is management who decides what action will be taken as a result of any advice received, there should be evidence to indicate that decision makers have systematically considered the advice provided. This does not require extensive minutes or comments to be recorded but can be in the form of, for example, file notes, margin notes on advice received, or e-mails. The ANAO was unable to identify, nor could DETYA provide, evidence of decisions, particularly reasons for decisions arising from specialist advice in examining program documentation.

2.37 Maintaining records of the basis for management decisions is sound management practice as it promotes accountability and assurance. As well, appropriately documenting key decisions enables corporate knowledge to be retained despite high staff turnover within an agency.

²⁵ Contracts cover projects until their completion, therefore the life of these contracts extends beyond this date as projects take six months to complete. For example, a project which commenced towards the end of the first contract will be completed late in 1998/early 1999 but is covered by the 1996 contract.

ANAO conclusion

2.38 While DETYA had obtained advice from the internal audit, fraud and legal areas of the Department in developing the contract with the ATCV and associated guidelines, the ANAO found no evidence, nor could DETYA provide evidence, that there had been systematic consideration of the advice provided which would accord with sound management practice to achieve the required outcomes. DETYA advised that all advice had been systematically considered as evidenced by the final contract's contents. The ANAO considers that the audit trail in this situation was not adequate for establishing proper accountability for action taken.

Recommendation No.2

2.39 The ANAO *recommends* that DETYA, in line with sound management practice, ensures that management decisions, such as those reflecting consideration of advice received from appropriate specialist areas when drafting or amending contracts, are documented appropriately for accountability purposes.

DETYA's response

2.40 DETYA agrees.

3. Contract management

This chapter examines DETYA's management of the contract for the delivery of Green Corps services, including arrangements for monitoring contractor compliance with the terms of the contract. The ANAO found that DETYA had undertaken some testing to determine compliance with contract terms and conditions. However, there were a number of areas highlighted by the ANAO's compliance testing of a sample of Green Corps projects, which demonstrate that DETYA did not systematically assess contractor compliance with the terms of the 1996 Green Corps contract. The ANAO has made two recommendations aimed at improving DETYA's management of the Green Corps contract.

Introduction

3.1 The aim of effective contract management is to ensure that both parties meet their respective obligations and the required results are achieved in an efficient and effective (and ethical) manner. In order to ensure that the contractor is performing satisfactorily, and to enable early and effective action to be taken if performance is unsatisfactory, the responsible agency should regularly monitor performance against the contract terms and conditions. One element of performance monitoring is testing the contractor's compliance with the contract terms and conditions. Other aspects of monitoring are discussed further in Chapter 4.

3.2 The ANAO examined whether DETYA was assessing compliance with the 1996 contract in a systematic and timely manner.

3.3 There have been two Green Corps contracts. The 1996–97 contract (the 1996 contract) was in operation until the end of 1998 (that is, when round six projects, which were covered by the 1996 contract, were completed). The 1998–99 contract (the 1998 contract) covers projects from round seven onwards. The ANAO focused on the 1996 contract because the majority of arrangements and projects considered at the time of the audit were being conducted under that contract. However, the ANAO has noted where issues relating to the 1996 contract have been addressed as part of the 1998 contract.

3.4 This chapter focuses on DETYA's overall contract management and monitoring of compliance with contract provisions. As well as compliance with the contract, DETYA should monitor program achievements and its own administrative efficiency and effectiveness. This is discussed in Chapter 4.

Compliance

3.5 In line with sound management practice, DETYA should have ensured that the ATCV was delivering the program in line with contract terms and conditions. The ANAO found that DETYA was monitoring compliance in the following areas:

- numbers of projects and participants (contract clause 2.3)—this information was used to prepare possible parliamentary questions and Senate Legislation Committee briefings as well as being a condition of payments being made to the ATCV under the contract; and
- eligibility, that is age and citizenship, of participants²⁶ (contract clause 3.3) was checked in the first four rounds (which had all been completed at the time of the audit fieldwork) by visiting the ATCV's head office and examining birth certificates. These visits also involved checking that all participants had signed a training agreement (clause 3.5) which specified training modules, training hours and conditions of participation in training. Where DETYA found areas of non-compliance, it required the ATCV to follow these up with the participant concerned. The ANAO found that this action was performed effectively. DETYA had advised the ANAO of its intention to reduce this testing to a sample of participants in round five and in subsequent rounds to allow the Department to include other areas which would be tested for compliance.

3.6 While DETYA assesses compliance with the above areas of the contract, the ANAO found that this procedure was not part of an overall, systematic approach to ensuring compliance with all of the conditions contained in the contract. Therefore, the ANAO undertook testing of key areas of the contract to assess the level of compliance with these conditions. The areas examined included payments to the ATCV (under Parts 5 and 6 of the contract), in particular the requirements for payments to be linked to evidence of adequate insurance cover for Green Corps trainees and acquittal of funds expended by the ATCV, and arrangements for the payment of the ongoing training allowance.

3.7 The ANAO also examined key contract clauses relating to specific project matters. This involved randomly selecting 35 projects which resulted in testing of five projects from each of rounds²⁷ one to seven.

²⁶ The terms 'participant' and 'trainee' are used interchangeably and both mean a person who has participated in a Green Corps project.

²⁷ A 'round' refers to each time the ATCV sends a group of project proposals to the GCAC for consideration. The contract specifies the minimum number of Green Corps participants that must be given placements over the life of the contract and the ATCV submits rounds of project proposals to ensure that this number is met. Rounds six and seven commenced on 30 June 1998 which was just after the 1998 Green Corps contract was signed (26 June 1998).

These projects were selected because they were either completed (rounds one to five) or had commenced (rounds six and seven) at that time. The areas tested were as follows:

- clause 2.2—requirements for project proposals. This clause identifies the information that must be provided in each project proposal. Project proposals comprise a project application and a project summary sheet;
- clause 3.17—withdrawal by trainees. The ATCV is required to notify DETYA of trainee withdrawals from Green Corps placements within a specified period of time and provide information on the reasons for the withdrawal; and
- clause 4.12 and Annexure C – project reports. The format and information to be provided in (end of) project reports and the timeframe within which such reports are to be completed is specified.

3.8 As well, in the course of examining compliance with the contract, the ANAO identified issues in a number of related areas, as follows:

- the contractual arrangements made for the conduct of a Green Corps Conference, held early in 1998; and
- mechanisms in relation to the cessation of unemployment benefits when a participant joins Green Corps.

3.9 These issues are discussed in paragraphs 3.56 to 3.64, following the examination of compliance with the contract.

Payments to the ATCV

3.10 The total appropriation for the Green Corps Program was \$41.7 million over three years with an allocation of \$3.7 million in 1996–97, \$16.3 million in 1997–98 and \$21.7 million in 1998–99. As discussed in paragraphs 1.11 to 1.14, the contract provides that payments to the ATCV are divided into two categories:

- an administration payment, which means the amount of money paid per participant by DETYA for the provision of services; and
- estimated training allowance, which means the amount of money to be paid by the ATCV to participants in the form of a national training wage.

3.11 Payment of the administration allowance and the estimated training allowance to the ATCV was contingent on compliance with a number of criteria in the contract (as specified in clauses 5.3 and 6.2). In general terms, the criteria for payment were as follows:

- provision of an invoice to DETYA indicating which instalment was to be paid;

- DETYA's approval of a certain number of projects and trainees;
- evidence of the commencement of the implementation of the approved projects in accordance with their Implementation Schedules;
- setting up appropriate insurance arrangements; and
- provision of an acquittal, in the form of an auditor's certificate, for certain percentages of the administration and estimated training allowance payments.

3.12 The ANAO found general compliance with these criteria but noted areas of concern in relation to the implementation schedules, insurance and acquittals.

Implementation schedules

3.13 Part 1 of the contract defines 'implementation schedule' to be '*...the schedule which is annexed to a project proposal and which specifies the critical dates for the project and the number of trainees for the project*'. The ANAO interpreted this to mean that each project would have a number of critical dates (such as when the project commenced, when it was officially launched, when it ceased and when the trainees graduated). The ANAO found, during its compliance testing, that few²⁸ of the project proposals examined contained a schedule as specified above.

3.14 DETYA advised that it defined the critical dates in the implementation schedule under the 1996 contract to be the start date for each round of projects. Therefore, the Department made contract payments to the ATCV on the basis that it had complied with the requirement for implementation schedules.

3.15 The 1998 contract more clearly defines what is meant by 'implementation schedule', that is '*a schedule which must be in the form of annexure F to this Contract and which is part of a Project Proposal*'. Annexure F includes a pro forma for this document which provides room for dates for project commencement, launch, end of project and trainee graduation.

ANAO conclusion

3.16 The ANAO found that, prior to making administration payments to the ATCV for the first seven rounds of Green Corps projects, DETYA had not obtained evidence of the commencement of the implementation of the approved projects in accordance with their implementation schedules as required by clause 5.3 of the contract. However, DETYA had interpreted 'implementation schedule' to mean the overall contract

²⁸ Nine of the project proposals (30 per cent) examined by the ANAO included details of critical dates for the project. However, none of the project proposals examined had an implementation schedule attached to it that provided the information required under Part 1 of the contract.

clause outlining the start date for each round of projects and therefore considers that the ATCV had met this condition for payments made under the 1996 contract. The 1998 contract more clearly defines what is meant by 'implementation schedule' which is in line with the ANAO's interpretation of the 1996 contract.

Insurance

3.17 As discussed above, the contract indicates that payments were to be made to the ATCV after it had met a range of criteria including: *... evidence of all insurance cover (including workers' compensation where applicable) for Trainees being in place*.

3.18 The insurance cover (as outlined in Part 9 of the contract) fell into three categories, as follows:

- public liability cover of \$5 million;
- personal accident cover of \$10 million; and
- permanent injury and death benefits to trainees not covered by existing workers' compensation arrangements.

3.19 The first of these conditions was met adequately (the ANAO notes that the required amount for public liability insurance increased from \$5 million to \$10 million under the 1998 contract to match DETYA's own public liability insurance).

3.20 The second condition, personal accident cover, could not be provided because the ATCV had been advised by its insurers that the maximum value to which this type of cover could be provided was \$100 000. The ANAO considers that DETYA should have established that such conditions could reasonably be met before the contract was signed. In addition, where it was found, after the contract had been signed, that the condition was not able to be met, DETYA should have negotiated an amendment to the contract as soon as possible to rectify the situation before continuing to make payments. The ANAO notes that, under the 1998 contract, the requirement to have insurance cover for \$10 million had been replaced. This addressed the problem but a significant period after the program commenced.

3.21 DETYA also required evidence that participants in each State and Territory were covered by workers' compensation insurance or that other insurance (death, personal accident and non-Medicare expenses) was in place where workers' compensation was not available. Workers' compensation insurance was in place in all States except one. That State provided advice that Green Corps participants could not be covered under

its workers' compensation legislation. The participants in that State were therefore covered by public liability and personal accident insurance under the contract but this did not extend to non-Medicare expenses. The situation could not be redressed by DETYA until May 1998 when there was a change to the manner in which Green Corps program funds were appropriated in the 1998–99 Budget. DETYA could then take advantage of the *Health Insurance Act 1973* regulations and extend its existing health insurance contract to cover non-Medicare expenses for participants in programs such as Green Corps. The 1998 Green Corps contract addresses this by requiring additional insurance cover of \$10 000 per accident where workers are not covered by workers' compensation insurance.

ANAO conclusion

3.22 One type of insurance cover could not be provided in accordance with the original terms of the contract and alternative arrangements had to be put in place. The ANAO considers that DETYA should ensure that all terms and conditions of the contract are able to met before the contract is signed. As well, if impediments to the terms and conditions of the contract are found after the contract is signed, DETYA should take early action to negotiate an amendment to the contract and/or make alternative arrangements to ensure that payments are made in accordance with the contract and that the desired outcome is achieved in a timely manner. This is linked to the issues discussed in paragraphs 3.43 and 3.44.

Interim acquittal of funds

3.23 Payments are made by DETYA to the ATCV at the commencement of each round of projects, that is, in advance. At the time a payment is made (except for the first payment), a certificate of acquittal for payments for previous rounds is provided by the ATCV to DETYA. The 1996 contract (clauses 5.3 and 6.2) required acquittals in the form of an auditor's certificate and set out, for each payment, the specific acquittal requirements in order for further payments to be made. One auditor's certificate, dated 25 February 1998, (which was representative of the certificates received by DETYA) indicated that:

We have inspected the Payroll records maintained by [the] ATCV in respect of the allowances paid to the Green Corps Program trainees and conducted audit testing as deemed necessary. Following our audit inspection we confirm that Training Allowances paid to the date of this acquittal exceed the sum of 100% of the first instalment of Estimated Training Allowance, 80% of the second instalment of Estimated Training Allowance and 30%

of the third instalment of Estimated Training Allowance as required by Parts 5.3 and 6.2 of the Contract for the Provision of Green Corps services.

3.24 DETYA Internal Audit advised the ANAO that the level of detail required in an acquittal is contingent on the level of risk associated with the particular program, that is, high risk programs would require a more detailed acquittal of funds. However, as explained in Chapter 2, a comprehensive risk analysis of the Green Corps program as a whole had not been undertaken by DETYA and it is therefore unclear whether the form of acquittal for expenditure of Green Corps funds was appropriate for that program. The ANAO considers that future acquittals of DETYA funds be based on comprehensive risk management practices.

3.25 In particular, the acquittal under the 1996 contract did not require a reconciliation of training allowances expended by the ATCV against the estimated training allowances paid by DETYA for a specific round of projects. This meant that over or under payments of training monies were not identified until the final reconciliation in March 1999. This is more than two years after the first payment to the ATCV.

3.26 There are a number of existing mechanisms through which DETYA could have more regularly reconciled and monitored the expenditure of funds to identify any over or under payments:

- DETYA received an end of project report from the ATCV for each project completed. A component of this report was a detailed certificate of expenditure showing any under or over-payment for the project. The ANAO found that DETYA had not used this information for reconciliation purposes either on a project by project basis, at the end of each round of projects (approximately every six months) or on an annual basis during the life of the contract; or
- under clause 7.10 of the 1996 contract DETYA could request (but had not done so at the time of the audit fieldwork) the ATCV to provide annual audited financial statements that detail its expenditure. Such statements were to be certified by an independent auditor who was registered under the Corporations Law (as defined by the contract). The provision of such a statement in line with the contract could have allowed DETYA to account for annual expenditure of program funds by the ATCV in the Department's financial statements.

3.27 Although the ATCV was contracted to administer the program, DETYA's role as contract manager should have included regular reconciliation and monitoring of expenditure against the contract. This is good cash management practice because it allows any debts owed to

the Commonwealth (which would occur if DETYA had overpaid the ATCV) to be identified and collected as soon as possible. The ANAO acknowledges that the eventual overpayment to the ATCV was a relatively minor amount.²⁹ However, DETYA did not know this until the final reconciliation was undertaken.

3.28 In its response to the draft audit report, DETYA advised:

The payment of the Estimated Training Allowance under the original contract was based on an amount of \$206.65 being paid to the trainees each week. This was based on an estimate at the time that the first tender was developed concerning the average age, secondary education and the elapsed time since obtaining that qualification. As a result of this estimate, it was possible to determine that, on average, each trainee would be paid an amount of \$5 373 over the life of their Green Corps placement. It is necessary to make this calculation because DETYA does not know the characteristics of each trainee beforehand due to the voluntary nature of the program. The fact that the contractor owes the Commonwealth an amount of only 0.1% of the total amount of training allowance provided to it over the two year period of the first contract indicates that the initial estimate was extremely accurate.

3.29 The ANAO considers that in determining the appropriate form of acquittal for future payments³⁰, which should be linked directly to the level of risk for the program, DETYA should take into account the need for the following actions:

- the Auditor's Certificate provided by the ATCV under the contract should, as well as certifying the reported percentage of funds expended against each payment of estimated training allowance, confirm that funds provided to the ATCV were paid to participants in the form of national training wages. DETYA should specify clearly the form of audit certification sought and the information required with respect to the number of Green Corps projects, trainees and withdrawals in order for the auditor to provide the required certification; and
- DETYA, under clause 7.10 of the contract, should request that the ATCV provide annual, audited financial statements which detail expenditure of funds provided to the ATCV. Such statements should be certified by an independent auditor who is registered under the Corporations Law (as defined by the contract).

²⁹ \$10 785.

³⁰ These would now be under the 1998 contract.

ANAO conclusion

3.30 The ANAO found that there are a number of financial accountability factors that DETYA should consider in specifying acquittal requirements, in particular the form of acquittal should be linked to a risk assessment of the Green Corps program and allow DETYA to account for annual expenditure of program funds by the ATCV in the Department's financial statements.

3.31 DETYA did not reconcile monies paid under the contract during the contract's life, that is to identify over or under payments. Once the contract ended, the overall reconciliation of payments identified only a relatively minor overpayment to the ATCV. However, DETYA had little assurance that this was the situation until the reconciliation was undertaken **after** the contract ended.

Recommendation No.3

3.32 The ANAO *recommends* that, in determining the appropriate form of acquittal for future payments, which should be linked directly to the assessed level of risk for the program, DETYA should take the following into account:

- specifying clearly the form of audit certification sought and the information required with respect to the number of Green Corps projects, trainees and withdrawals in order for the auditor to provide the required certification. DETYA should also ensure that the Auditor's Certificate, provided by the ATCV under the contract, certifies the reported percentage of funds expended against each payment of estimated training allowance and confirms that these funds provided to the ATCV were paid to participants in the form of national training wages; and
- requesting, under clause 7.10 of the contract, that the ATCV provide annual, audited financial statements which detail expenditure of funds provided to the ATCV. Such statements should be certified by an independent auditor who is registered under the Corporations Law (as defined by the contract).

DETYA's response

3.33 DETYA agrees. DETYA notes the comments of the ANAO and will ensure that any future Green Corps contractual arrangements reflect this recommendation. DETYA also notes that the risk assessment and management plan, which has been undertaken for the program, supports the continuation of the existing practices to acquit the program's funds.

Ongoing training allowance

3.34 Under the 1996 contract, Green Corps participants who wish, after completing a project, to move on to further accredited education or training can apply for an ongoing training allowance, that is a grant of \$500. On 24 December 1997, the contract with the ATCV was amended to change the way that the \$500 allowance was paid (that is, proof of enrolment is now required, from round two onwards, rather than a statutory declaration of an intention to study, as was required for round one participants). It also stated that: '*... six months after the completion of each project you [the ATCV] must provide us [DETYA] with the names of each trainee claiming the ongoing training allowance.*'

3.35 DETYA advised that the ATCV provided it with the first invoice for payment of the ongoing training allowance in late 1998. DETYA then selected a random sample of approximately one third of those payments and required the ATCV to provide evidence that the trainees had been enrolled in further education or training. As a result of that testing, three per cent of claims were rejected.

ANAO conclusion

3.36 The ANAO considers DETYA's testing of payments, to ensure compliance with the terms of the contract relating to the ongoing training allowance, to be satisfactory.

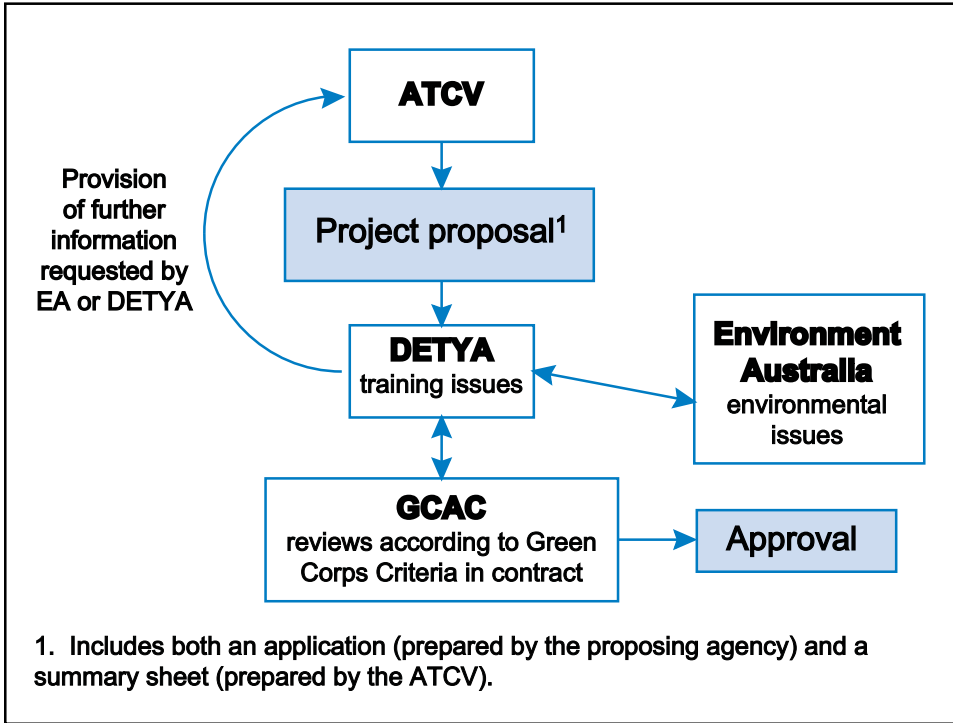
Project specific compliance testing

3.37 As well as the more general matters discussed above, the ANAO examined some key aspects related to compliance of individual projects with the contract terms and conditions. These are discussed under separate headings below.

Project proposals

3.38 The process for developing and approving Green Corps projects is outlined in Figure 1.

Figure 1:
Approval of projects by the GCAC



3.39 The ATCV identifies and develops potential projects proposed by a range of community organisations. These proposals are then provided to DETYA for assessment. DETYA, in turn, forwards copies of the proposals to Environment Australia for assessment and comment on environmental aspects. If DETYA (and/or Environment Australia) identify the need for more information, this is sought from the ATCV. Proposals (that are either complete or still awaiting further information) are then sent to the GCAC for approval (clause 2.4). The GCAC’s approval on projects where information from the ATCV is still pending is given subject to the provision of that information. After a project has been approved by the GCAC, DETYA’s role is to follow up the required information from the ATCV.

3.40 Of the 35 projects in the ANAO’s sample, five round one projects did not have project applications (this was due to the tight time constraints during Green Corps’ implementation), but all projects had a project summary sheet. The ANAO examined the 30 proposals and the summary sheets relating to those against the requirements of clause 2.2 of the contract. The results of this testing are outlined in Table 3.

Table 3:**Compliance with clause 2.2 of the contract (rounds one to seven)**

<i>Clause 2.2—every project proposal must contain details of:</i>	<i>ANAO findings from the 30 project proposals tested</i>
Proposed provider of the services and their experience with young people.	No details provided in any of the proposals relating to provider's experience with young people.
Training and supervision details.	Only nine proposals (30 per cent) included details of training and supervision.
Monitoring and evaluation mechanisms which properly and accurately monitor financial, employment, skills, environment, conservation and/or cultural outcomes.	Seventeen proposals (57 per cent) included details of environmental evaluation or monitoring. However, none of the other proposals included any details of monitoring or evaluation mechanisms.
Accredited training including core and elective modules, the number of hours and the accredited training provider.	In this case, the ANAO examined all 35 summary sheets and found that none of the projects contained all the required information. However, 32 projects (91 per cent) included details of the training modules to be provided. A further three proposals (nine per cent) included this information as well as the training provider.
Community benefit—short, medium and long term.	Twenty-two proposals (73 per cent) included limited details of community benefits in a letter of community support. The remaining 27 per cent did not demonstrate community support but one proposal was submitted by a local community body.
Environmental benefits, including specific goals and indicators.	Ten of the proposals (33 per cent) included details (some very brief) of both environmental goals and indicators. The other twenty proposals (67 per cent) included only goals and no indicators.
Critical dates, activities.	All proposals included details about the activities. Nine of these proposals (30 per cent) included details of both dates and activities.
Links with other expertise, strategies and procedures.	Twenty-eight (93 per cent) demonstrated links with other expertise, strategies or procedures.

3.41 Table 3 demonstrates that not all the information required under the contract was included in the project proposals. As well, there had been no deadline for providing the information nor is there any sanction if it is not provided. Therefore, it was possible to complete some projects prior to all the information being provided to DETYA.

3.42 DETYA subsequently advised the ANAO that it had discussions with the ATCV to reinforce the need to supply all necessary information as part of project proposals. The ATCV now submits to DETYA more projects than will be approved to meet contract requirements for each round. DETYA then rejects those that do not contain all the required information. As a result, only proposals containing all necessary information are forwarded to the GCAC for approval.

ANAO conclusion

3.43 The ANAO found that there were a number of areas, such as details of training and supervision and environmental evaluation or monitoring mechanisms, where information required by the contract was not included in the project proposal. DETYA subsequently advised that it has reinforced the ATCV's obligation to provide all information required by the contract when submitting project proposals and that the ATCV now provides more proposals than required with DETYA rejecting those proposals that do not contain all required information. The ANAO considers that, provided this occurs in practice, the problem will be resolved.

3.44 The ANAO further considers that, if parties are not complying with conditions of the contract because they do not consider them to be significant or relevant then, given the prevailing circumstances, those conditions should be removed from the contract. As well, paragraph 3.20 above discussed the need to ensure that contractual clauses are able to be met before the contract is signed.

Recommendation No.4

3.45 The ANAO *recommends* that DETYA ensures that the conditions and requirements specified in each clause of the contract continue to be relevant, given the prevailing circumstances (this includes whether they are able to be met). If clauses are found to be no longer relevant or necessary, they should be removed from the contract, provided that both parties agree.

DETYA's response

3.46 DETYA agrees. DETYA will carefully monitor the clauses of the current contract with the program's national manager to ensure that they continue to be relevant.

Trainee withdrawals

3.47 Not all trainees go on to complete their Green Corps project. Departmental records show that 243 trainees withdrew from rounds one to four (as at 25 February 1998). Of these 243 people, 69 were replaced by other people.

3.48 Clause 3.17 of the contract requires the ATCV to provide the reasons for each withdrawal in writing to DETYA within one week. The results of the compliance testing for the 64 withdrawals reported in the ANAO's sample of projects are shown in Tables 4 and 5.

Table 4:

Reasons for withdrawal provided

<i>Reasons for withdrawal provided?</i>	<i>No. and per cent of withdrawals</i>
Yes, in detail	7 (11 per cent)
Yes, in aggregate form only ³¹	18 (28 per cent)
No	39 (61 per cent)

3.49 These results demonstrate that only 11 per cent of the withdrawals complied with the contract terms and conditions.

Table 5:

Timing of notification of trainee withdrawals and percentage affected

<i>Advised within 1 week of withdrawal taking place</i>	<i>Advised between 7 and 28 days</i>	<i>Advised between 28 and 100 days</i>	<i>Advised between 100 and 200</i>	<i>Advised in excess of 200 days</i>
3 (5 per cent)	26 (41 per cent)	16 (25 per cent)	5 (8 per cent)	2 (3 per cent) ³²

3.50 Only five per cent of the withdrawal advices were received by DETYA within the contractual timeframe. The ANAO notes that the requirement to advise DETYA immediately of withdrawals has been removed from the 1998 contract and the requirement that withdrawals must be advised in writing within one week has been extended to two weeks. However, as Table 5 shows, many would still not meet this timeframe. DETYA has advised that it is considering reviewing contract requirements relating to trainee withdrawals in order to implement a practical solution.

ANAO conclusion

3.51 The ANAO considers that clause 3.17 (withdrawal of trainees) is not being complied with in that not all withdrawal forms contained reasons for the withdrawal and the withdrawals were not provided to DETYA within the timeframe specified under the contract. The ANAO notes that DETYA is considering reviewing contract requirements relating to trainee withdrawals in order to implement a practical solution.

³¹ That is, the reason for the withdrawal was provided in the (end of) project report which did not identify which reason corresponded to which withdrawal.

³² Withdrawal notices were not on file for three withdrawals which were advised in the (end of) project report. For the remaining nine withdrawals, there are no details of the date the withdrawal was advised.

Project reports

3.52 Clause 4.12 and Annexure C to the contract require the ATCV to provide, within one month of the completion of each project, an (end of) project report. At the time of the audit fieldwork, only 20 (rounds one to four) of the 35 projects sampled had been completed. Of these, only 15 had a project report because round four project reports did not arrive in DETYA until 10 weeks after the projects were completed. The ANAO notes that the period by which project reports are to be provided to DETYA has been extended to six weeks under the 1998 contract.

3.53 DETYA advised that, following receipt of the project reports, it:

- enters details about the training allowance acquittals into its data base;
- checks participant withdrawals/replacement advice against the information the ATCV forwards during the project round; and
- forwards environmental information to Environment Australia for its information (discussed further in Chapter 4).

3.54 The ANAO examined the project reports and compared key information in these reports to other information provided about the sampled projects in project proposals. Minor issues were identified in the following areas:

- six of the 15 project reports contained descriptions which differed from those included in the project proposal. Since these were minor, the ANAO considers that this area was satisfactory overall; and
- Clause 7.15 and Section 2 of Annexure C to the contract requires a signed certificate of expenditure, as well as receipt and expenditure details, to be attached to each project report. The certificate is the ATCV National Administration Manager's certification that funds paid to the ATCV have been expended in accordance with the conditions of the contract. While there was a significant delay in DETYA locating the relevant documentation, the ANAO found that certificates of expenditure were completed for each of the projects reviewed.

ANAO conclusion

3.55 The ANAO found minor inconsistencies in the project description when comparing project proposals with project reports. While there was a significant delay in locating the certificates of expenditure, required for end of project acquittal purposes, appropriate documentation was found for each of the projects reviewed. DETYA's performance in this area was satisfactory.

Other issues

The Green Corps conference

3.56 The Green Corps conference (the conference) was conducted in February 1998 and aimed to:

... showcase the achievements of the Green Corps program and to enable Green Corps participants to share experiences and to learn more about the environment.

3.57 The funding for the conference was sourced partly from corporate sponsorships and partly by DETYA. DETYA's contribution to the conference's funding was approved by the Minister in November 1997. The administration and conduct of the conference was outsourced to the ATCV under a separate contract signed on 18 December 1997.

3.58 The ANAO identified a number of concerns regarding DETYA's management of the conference contract, as follows:

- the conference contract stated that the contractor would perform the services in accordance with Schedule 1 of the contract which specified that:

The contractor is to manage and organise a national Green Corps conference ... in accordance with the Green Corps Conference Specifications proposal attached to this contract and marked as "Annexure A".

The contract between DETYA and the ATCV for organising the conference did not include a document marked Annexure A or any other document which included the specification and timing of the services to be delivered by the ATCV. DETYA was not able to easily identify and locate the most recent draft of Annexure A. DETYA advised that Annexure A had existed but was not marked as such. The ANAO considers that, if such documents are not able to be identified easily, there is a risk that the Department would not be able to effectively monitor performance under the contract. This situation would be exacerbated by staff turnover as corporate memory of the location of such documents would be lost;

- the conference contract specified a payment schedule, including the amount and timing of payments. The first payment (\$5000) was due within 14 days of the date of signing the contract. The second payment (\$20 000) was due '*following the ... conference*' and a final payment (\$5000) was due '*following the delivery by the contractor of conference papers to all conference participants*'. When this issue was raised, DETYA advised that the main conference outcome was the preparation and distribution of the conference proceedings (report) and that the Department had

not made **any** payments to the ATCV pending provision of a satisfactory report. Therefore, DETYA had not paid the ATCV in accordance with the contract payment schedule that specified an initial payment within 14 days of signing the contract. The conference report was provided to the ANAO at the end of the audit fieldwork, that is late November 1998. Subsequently, in late December 1998, DETYA advised that it has now commenced arrangements to pay the ATCV in line with the contract; and

- the ANAO found that DETYA made a number of administrative payments in relation to the conference, including equipment hire for the conference and a payment for maps provided to conference participants. Since the ATCV had been contracted to organise and administer the conference, these expenses might reasonably have been expected to be part of the ATCV's responsibility under the contract. DETYA has advised that it was administratively easier for the Department to organise and pay these bills and that this will be taken into account in acquitting conference expenditure and making payments to the ATCV.

ANAO conclusion

3.59 The ANAO identified a number of areas of concern in relation to DETYA's management of the contract for the delivery of the Green Corps conference, as follows:

- the conference specifications were not able to be easily identified, including by DETYA. As a result, there was an increased risk that DETYA had not monitored performance under the conference contract effectively;
- DETYA advised that the ATCV was not paid \$5000 on signing the contract as specified in the contract payment schedule; and
- DETYA paid for a number of conference related items which may have been the responsibility of the ATCV as part of the contract to administer the conference.

3.60 While the contract for the delivery of the conference was relatively minor in financial terms the administrative issues identified are significant and are an indication of a lack of appropriate management of the contract.

Cessation of unemployment benefits

3.61 Green Corps participants are volunteers. Prior to accepting a placement, they can be studying, unemployed or employed. Given that 49 per cent of round one and two participants were unemployed at the time they accepted a placement, some of these participants may have been in receipt of unemployment benefits. At the time the participant

joins a Green Corps project, they begin receiving a training allowance. At that time, any unemployment benefits should cease.

3.62 The ANAO examined whether DETYA had established a system which notified Centrelink of unemployment benefits recipients taking up Green Corps placements in order to reduce the risk of inappropriate payments. The ANAO found that the Department had not analysed the level or type of control that may be required to manage the risk of duplicate payments. The ANAO raised this issue as a concern during the audit fieldwork.

3.63 As a result, DETYA consulted with Centrelink and the ATCV on this issue. DETYA advised the ANAO that, because all Green Corps participants have PAYE³³ tax deducted from their trainee allowance, the participants' Employment Declaration Forms (signed at the beginning of a Green Corps placement and which included the participants' tax file numbers), are included in the data matching database held by the Australian Taxation Office. All these forms are matched against unemployment records held by Centrelink. This enables duplicate payments to be identified.

ANAO conclusion

3.64 DETYA had not analysed the level or type of control that may have been required to manage the risk of duplicate payments. However, after the ANAO raised this as an issue, DETYA sought advice from Centrelink and the ATCV and found that all Green Corps participants are covered by data matching arrangements between Centrelink and the Australian Taxation Office. This arrangement identifies any duplication of Commonwealth payments to the participants.

Overall conclusion—contract management

3.65 The ANAO considers that DETYA has undertaken some testing of compliance with the 1996 contract terms and conditions, such as monitoring numbers of projects and numbers of trainees and checking that age and citizenship requirements were met by participants. However, there were a number of areas of concern which demonstrate that DETYA did not systematically assess compliance with the terms of the 1996 contract. In particular, DETYA was not monitoring the requirements for: particular information to be supplied as part of project proposals; and the ATCV to advise DETYA of trainee withdrawals in a timely manner.

³³ Pay as you earn.

3.66 DETYA did not reconcile monies paid under the contract during the contract's life, that is to identify over or under payments. Once the contract ended, the overall reconciliation of payments identified only a relatively minor overpayment to the ATCV. However, DETYA had little assurance that this was the situation until the reconciliation was undertaken **after** the contract ended.

3.67 There were also issues of concern regarding DETYA's management of the contract for the Green Corps conference and the risk of inappropriate payments to Green Corps participants that were in receipt of unemployment benefits.

3.68 The ANAO therefore considers that there were weaknesses in DETYA's contract management. That is, because DETYA did not systematically assess compliance with the 1996 contract, it did not have the assurance that the contractor was performing satisfactorily in relation to all key areas of the contract.



Track work on Bluff Knoll, Stirling Ranges, WA.

4. Performance monitoring

This chapter examines the performance assessment framework established by DETYA to measure the efficiency and effectiveness of program administration and the achievement of the program objective. The ANAO found that while the elements of a performance assessment framework are contained in the Green Corps contract, there is a risk that not all performance information will be collected and used to assess program performance in a way that minimises duplication of effort. As well, no performance indicators to measure administrative efficiency and effectiveness have been developed. The ANAO has recommended that DETYA develop a more robust performance assessment framework.

Introduction

4.1 The establishment of a performance assessment framework, including a system of monitoring against that framework, are important tools in the management of programs and performance improvement. They are also a valuable part of a framework by which an agency is accountable to key stakeholders such as the Minister, the Parliament, clients and the public.

4.2 Where the delivery of services has been contracted out, and the customer is therefore at arms length to the responsible agency, monitoring of service delivery performance is even more important. As part of sound monitoring, agencies should analyse the information collected and provide feedback to the contractor to ensure that objectives are being met and quality services are being provided in an effective way.

4.3 As discussed in Chapter 2, the Green Corps Guidelines provided the key planning document for the Green Corps program. It is in such a plan that it would be expected that a performance assessment framework should be detailed. The ANAO examined the guidelines and other elements of the contract to determine whether DETYA had established a performance assessment framework, or elements of it, which allowed the achievement of the program objective to be measured. A performance assessment framework should contain (among other things³⁴):

- the objective, strategies, targets and indicators, which are linked, and are measurable;

³⁴ For more information, see *Better Practice Guide on Performance Information Principles*, ANAO and Department of Finance and Administration, November 1996.

- a balance of measures, that is input, process, quality of client services, output and outcome, so that all aspects of program performance can be assessed; and
- monitoring and reporting arrangements, including the conduct of an evaluation.

4.4 As well, DETYA should have established measures to assess the efficiency and effectiveness of its own administration, including the contract arrangements with the ATCV. The actual management of the contract in relation to the ATCV's compliance with its terms was discussed in Chapter 3.

Identifying the performance assessment framework

4.5 As previously discussed, the contract manager's monitoring activities should enable early action to be taken if the contractor's performance is unsatisfactory. DETYA's testing of compliance with the contract was discussed in Chapter 3. Other aspects of monitoring are outlined below.

4.6 The ANAO found that the contract:

- did not set out the program objective explicitly (although Annexure A, the Green Corps Guidelines, states:

Green Corps will give young Australians the opportunity to demonstrate their commitment to the environment by working on projects designed to preserve and restore Australia's natural environment and heritage. The projects will also contribute to their career and employment prospects through the provision of training, skills development, work experience and personal development);

- contained adequate descriptions of services to be delivered by the ATCV and the guidelines contained strategies through which DETYA would achieve the program objective; and
- had listed useful performance indicators throughout it.

4.7 The contract contained some indicators to assist in measuring the program objective. The ANAO examined a sample of these performance indicators as well as establishing whether there were sufficient links with the objective as shown in Table 6. The ANAO acknowledges that not all of these indicators will be able to be monitored in the short term. Some inherently involve significant time delays attached to their measurement, such as those relating to environmental outcomes. Monitoring of performance indicators is discussed later in this chapter.

Table 6:**Some key performance indicators contained in the contract**

Green Corps objective: <i>To give young Australians aged 17–20 the opportunity to demonstrate their commitment to the environment by contributing to high priority conservation projects whilst being provided with quality on the job training.</i> ³⁵	
Performance indicator	Link with objective
<i>Short term indicators</i>	
1. Number of projects and participants within a given timeframe. Achievement of trainee numbers.	Conservation projects. Opportunity for young Australians.
2. Trainee progress, attendance and behaviour.	Opportunity to demonstrate commitment.
3. Number of trainee withdrawals.	Quality 'on-the-job' training.
4. Proof of eligibility in terms of age and citizenship.	Young Australians 17–20.
<i>Longer term indicators</i>	
5. Number receiving training allowance (of \$500).	Further education/training.
6. Environmental outcomes, for example data collected, area.	High priority conservation projects.

4.8 In addition, Annexure C to the contract sets out what is to be included in the project reports provided by the ATCV at the completion of each project. Project reports were to include, for example, details of trainees, financial matters, preliminary outcomes data and comments on quality outcomes.

4.9 Some links could be made between the listed indicators and the program objective, and the performance indicators in the contract do present a balance of measures, including output and outcomes.

4.10 The ANAO considers that the contract, including guidelines, contains the elements of a performance assessment framework, that is the contract includes an objective, strategies (both in the contract and the guidelines) and performance indicators (throughout the body of the contract). However, although links can be made between these areas, they are not presented as part of a comprehensive framework. Because these links are not explicit, there is a risk that not all information will be collected and used in such a way that minimises duplication of effort or ensures that it is focussed on measuring outputs and outcomes. The monitoring of performance information is discussed later in this chapter.

³⁵ The objective is stated differently in a number of places, for example in the Post Program Monitoring Bulletin, it is 'to give young Australians between 17 and 20 years the opportunity to volunteer to demonstrate their commitment to preserve and restore Australia's natural environment and cultural heritage.'

ANAO conclusion

4.11 While the elements of a performance assessment framework are contained in the Green Corps contract, the links between these elements are not explicit. Therefore a risk exists that not all performance information will be collected and used to assess program performance in a way that minimises duplication of effort.

Monitoring

4.12 The arrangements for monitoring the performance of the program were not set out as part of a comprehensive performance assessment framework. However, the ANAO found that DETYA undertook a number of monitoring activities, as follows:

- collecting and using the information against the performance indicators;
- undertaking a post program monitoring survey;
- conducting field visits to selected Green Corps projects; and
- reporting by youth officers in relation to the program.

These are discussed under separate headings below.

Performance indicators

4.13 As discussed above, DETYA had identified performance indicators that, if the information was collected and analysed, would allow appropriate assessment of the achievements of the Green Corps program against the objective. The ANAO has used the indicators set out in Table 6 as they cover most aspects of the program objective, to determine whether DETYA was collecting and analysing the data. The analysis is set out in Table 7 and the paragraphs below the table explain particular aspects of the monitoring undertaken.

Table 7:
Collection and use of performance information

<i>Performance indicator</i>	<i>Information collected</i>	<i>Use of information</i>
<i>Short term indicators</i>		
1. Number of projects and participants within a given timeframe. Achievement of trainee numbers.	Y	Entered into data base monitoring the ATCV's performance, that is, checked against information provided by the ATCV. Used to prepare PPQs ³⁶ and for Senate Estimates.
2. Trainee progress, attendance and behaviour.	Y	Collected in (end of) project reports.
3. Number of trainee withdrawals.	Y	As for 1 above

³⁶ Possible parliamentary questions.

<i>Performance indicator</i>	<i>Information collected</i>	<i>Use of information</i>
4. Proof of eligibility in terms of age and citizenship.	Y	As for 1 above.
<i>Longer term indicators</i>		
1. Number receiving training allowance (of \$500).	Y	To be collected in final acquittals at completion of projects covered by the contracts.
2. Environmental outcomes, for example data collected, area.	Y	Data collected in (end of) project reports.

4.14 In relation to the collection and use of data relating to environmental outputs/outcomes the ANAO acknowledges that there are difficulties in measuring outcomes in at least in two areas. Firstly, with a program such as Green Corps, it is likely that it will be some time before actual outcomes can be assessed. As well, while outputs can be documented, they will relate to a variety of very different activities, for example planting trees, erecting fences, removing weeds, collecting water samples and tagging wild life. It would be difficult to put this information together in a way which shows the total contribution to improving the environment. At the time of the audit fieldwork, an evaluation of the Green Corps program had been conducted. The evaluation is discussed in more detail at the end of the monitoring section.

4.15 Both environmental outputs and a range of other information is provided to DETYA in the project reports, including training provided, number of participants accessing the \$500 training allowance, employment outcomes, qualitative statements about outcomes and quantitative data regarding environmental outputs. DETYA advised that the GCAC considers this information at its meetings. The ANAO found that items discussed at these meetings included project proposals, contract negotiations, insurance issues, the Green Corps guidelines and participant details (profiles). However, minutes of GCAC meetings did not indicate that there had been discussion or consideration of (end of) project reports by the Committee, including the performance information contained in them. These reports are the main source of information on program outputs and indicate the success of the projects in contributing to the achievement of program objectives.

4.16 DETYA advised that the environmental data is forwarded to Environment Australia for its information. A consideration of Environment Australia's use of this information was beyond the scope of the audit. The reports were forwarded to Environment Australia 'for

information only'. This indicates that DETYA was not expecting advice from Environment Australia regarding the appropriateness of environmental outputs and the ANAO could not find evidence of such advice being received.

Post program monitoring

4.17 Three months after participants complete or leave their Green Corps placement they are sent a survey form requesting information to allow an assessment of whether assistance provided through Green Corps has assisted them in gaining employment. Specifically, the survey seeks to establish whether participants *'now have a job, are studying or are doing something else'*³⁷.

4.18 Results of the survey and associated commentary are presented to the GCAC in internal issues papers which provide information on characteristics of participants (gender, qualifications on entry, prior employment status and so on). The second of these issues papers (undated) provided performance statistics related to former Green Corps participants' employment status. For example, it showed that, overall, some 44 per cent of former Green Corps participants had found unsubsidised employment three months after leaving assistance.

4.19 This survey, and the information it provides, enables DETYA to assess adequately whether the program is achieving success in providing training which leads participants to undertake further education or training, or obtain employment. It is directly relevant to DETYA's monitoring of program outcomes and outputs.

Field visits

4.20 DETYA has been undertaking field visits to particular projects since the Green Corps program commenced generally as a result of problems being identified by other parties. The ANAO acknowledges that the ATCV has administrative responsibility for Green Corps and has arrangements in place to visit and monitor projects on a regular basis. DETYA has access to the information kept by the ATCV and therefore does not necessarily need to undertake this monitoring itself.

4.21 At the time the audit fieldwork began, DETYA had not been documenting the purpose or result of its field visits. The value and cost effectiveness of these visits could be enhanced if DETYA considered, for example, the purpose and scope of each visit; whether other projects in the area would also benefit from a visit; and whether aspects of compliance

³⁷ Statement made in information accompanying the survey form sent to Green Corps participants.

with the contract could be tested at the same time. As well, the results of these visits should be documented to allow DETYA (and/or the ATCV) to follow-up problems appropriately and to identify any systemic issues for resolution. DETYA has now commenced documenting these visits.

Youth officers

4.22 The Youth Bureau Business Plan (YBBP) sets out the roles and responsibilities for youth officers. The ANAO acknowledges that this may be revised as a result of the recent changes to administrative arrangements. Youth officers were recruited in late 1997, early 1998 and were not therefore involved in the Green Corps program for the first year of its operation.

4.23 Each youth officer has a service level agreement which sets out their role in relation to Green Corps as being '*... to monitor ... Green Corps ... including mutual obligation components of ... Green Corps*'. The key performance indicator specified in relation to youth officers' role in Green Corps is '*effective operation of other youth focused DETYA programs including the Green Corps*'.

4.24 A sample of youth officer quarterly reports (that is, a number of reports for the March 1998 quarter for youth officers from different States and Territories) shows that they were involved in the following relevant activities:

- attended a number of Green Corps launches and graduations;
- liaised with other organisations regarding possible employment opportunities for Green Corps graduates;
- held discussions with State Offices of the ATCV;
- provided regular feedback on Green Corps issues as they arose;
- provided support, including resolution of issues; and
- disseminated and exchanged information on Green Corps.

4.25 This demonstrates that some monitoring of Green Corps activities was occurring.

ANAO conclusion

4.26 DETYA had established a number of activities to monitor the performance of the program, including:

- collecting and using information against performance indicators;
- undertaking post program monitoring surveys of participants;
- conducting field visits to selected Green Corps projects; and
- reporting by youth officers in relation to the Green Corps program.

4.27 All of these areas would provide valuable information to DETYA if used in a systematic manner. However, there were shortcomings with this approach, as follows:

- not all information collected was analysed or used to assess program administration and performance or to provide appropriate feedback to the ATCV; and
- a number of separate monitoring activities were being conducted but they were not coordinated to ensure all necessary matters were adequately monitored without any unnecessary duplication of effort.

Recommendation No.5

4.28 The ANAO *recommends* that DETYA systematically analyse the information collected through existing monitoring activities to assess program performance and use this information to provide effective feedback to the ATCV and take steps to improve program administration and performance as required.

DETYA's response

4.29 DETYA agrees. DETYA will continue to systematically analyse the information collected through its existing monitoring activities to assess program performance and use this information to provide effective feedback to the program's contracted manager and take steps to improve program administration and performance as required.

Administrative efficiency and effectiveness

4.30 The ANAO examined the Green Corps contract (and the guidelines which are considered by the Department to be the strategic plan) and the YBBP to determine whether measures of administrative performance had been established. While the YBBP contained a list of significant dates/timeframes, resources and average staffing levels (ASL) and program indicators to measure program achievements, it did not contain specific indicators to allow the assessment of administrative efficiency and effectiveness. As part of trying to identify whether DETYA had considered this issue, the ANAO sought information from the Department regarding the cost of administering the Green Corps program. The cost of administering a program is only one measure that could be used to assess performance and DETYA should consider the development of a range of measures to cover such things as quality of service to the ATCV and the GCAC, timeliness of advice and the value of reports.

4.31 At the time of the audit, DETYA had not identified the cost of administering the Green Corps program and therefore could not monitor these costs in order to assess the efficiency of program administration. DETYA advised that, based on ASL for 1998–99, the cost of salaries for those staff administering the Green Corps program, including on-costs such as superannuation, was estimated to be \$342 000. Other costs for 1998–99 were travel of \$29 600 and other overheads of \$31 700. This latter item included plaques and t-shirts.

4.32 However, in providing these administrative costs, DETYA had not identified and attributed senior management time to the program although these staff were involved in its administration. DETYA then advised that the amount of senior management time was not material. The ANAO recognises that DETYA was able to cost its program administration after this issue was raised. The ANAO notes that the Department released, in December 1998, an internal newsletter to all staff that highlighted the importance of attributing all costs of program administration and linking them to the costing (and eventual pricing) of outputs under the accrual budgeting framework.

4.33 DETYA should monitor full administrative costs to enable benchmarking against similar activities and provide opportunities to improve administrative performance.

ANAO conclusion

4.34 DETYA has now identified the full cost of the administration of the Green Corps program and intends to use this information as part of developing its accrual budgeting framework. However, DETYA should also monitor these costs to benchmark against similar activities and provide opportunities to improve administrative performance.

Evaluation

4.35 Evaluation is a key component of sound corporate governance. Along with performance indicators, evaluation assists in providing appropriate accountability to key stakeholders. It is particularly important to assist in assessing program effectiveness and with decision-making, especially in the budget context.

4.36 DETYA had identified the need for an evaluation when the Green Corps program was initially established. The evaluation was to be undertaken in two stages, that is:

- a progress report focussing particularly on the implementation phase was to be provided by the end of 1997; and
- a second phase, which was to commence early in 1998, ‘*to address effectiveness and achievements of the program*’.

4.37 At the time of the audit fieldwork, both phases of the evaluation had been undertaken. The final report was expected to be finalised by the end of January 1999 but was provided to the ANAO by DETYA on 25 March 1999.³⁸

Progress report

4.38 The progress report noted the fact that the implementation had occurred quickly. The report was based on *‘information gathered by means of stakeholder interviews, participant discussion groups and an analysis of administrative data’*. The report notes that it does not therefore contain any quantitative information regarding the impact of Green Corps on participants’ employment prospects nor any detailed analysis of the environmental benefits generated by the program. This may be reasonable given that the program had only been operating a short time when the progress report was done. The report indicates that stakeholders were generally positive about the program and environmental benefits (number of trees planted and so on) were identified.

4.39 While the draft progress report was provided to the GCAC for information in March 1998, the ANAO could not find any evidence that systematic consideration of the report’s findings had been undertaken, that is, whether action did (not) need to be taken to, for example, make improvements to the program. As well, despite some early indications that there would be consideration of current performance indicators and further developments in this area, this did not occur.

1998 Evaluation

4.40 The main purpose of this phase of the program evaluation was to provide input to the 1999–2000 budget. It was to *‘assess the short-term impact [of the program] on both participants and the environment’*.

4.41 Issues examined by the evaluation were the impact of the program on participants’ subsequent employment, education and training and evidence of environmental outputs (not outcomes). As well, the evaluation was intended to provide indicators to assess environmental outcomes and examine methodologies for environmental assessments. The ANAO acknowledges the difficulties in establishing outcome indicators given that the evaluation is being completed some two years after the program commenced.

4.42 The Green Corps Evaluation report states that Goal Attainment Scaling was used to assess the environmental benefits of the selected

³⁸ The ANAO understands that the second phase was initially to be completed by the end of September 1998 but had been delayed.

projects. This involved developing performance indicators for the general and project specific elements of each project and quantifying each indicator on a five-point scale. The report recommends that these indicators be further developed, in consultation with Environment Australia, for use in ongoing monitoring of the program.

4.43 The overall finding was that the program was *'well regarded by program stakeholders and was seen as a worthwhile investment in terms of participant and environmental benefits'*. The percentage of Green Corps participants finding employment and further study also increased after they had completed their placements.

4.44 As well, the ANAO notes that the evaluation undertook an assessment of environmental outputs, and their potential for resulting in environmental outcomes, based on an examination of 15 projects from early rounds of the program. DETYA acknowledges that the sample examined was indicative only and not statistically representative. The evaluation found that *'nearly all the fifteen projects examined ... achieved their intended environmental outputs'*.

4.45 The evaluation report identifies a number of aspects of program administration, such as that the *'project documentation (that is project proposal and end of project report) is inadequate for evaluating the projects for environmental benefits'* and *'a lack of established performance indicators'*, that require improvement to ensure that future projects maximise the investment of Commonwealth funds and the achievement of program objectives. The areas for improvement suggested in the report are complimentary to those outlined in this audit report. DETYA should take into account the findings outlined in the report, and the ANAO's recommendations, in improving the administration and performance of the Green Corps program. The evaluation report should also be provided to the GCAC for consideration.

ANAO conclusion

4.46 The overall finding of the evaluation was that the program was *'well regarded by program stakeholders and was seen as a worthwhile investment in terms of participant and environmental benefits.'* The report identifies some aspects of program administration and performance that require improvement. The evaluation also involved the development of draft performance indicators to measure (or assess) the environmental outcomes achieved by projects. The ANAO expects that DETYA will systematically consider the report's findings and use these to improve the program where necessary. These findings should also be provided to the GCAC for consideration.

Reporting

4.47 Annexure A, clause 5.3.3, of DETYA's contract with the ATCV states that each project report '*will be made available to the GCAC*'. The GCAC minutes and attachments did not record whether these documents were provided or considered by the Committee. DETYA considered that, because the GCAC was a high level committee, consideration of individual reports was not appropriate.

4.48 The ANAO found that DETYA developed and improved its reporting arrangements to the GCAC during the life of the 1996 contract. As might be expected of a committee of this kind, the GCAC itself also requested certain reports and presentations of data for its own purposes. DETYA built on the accumulated knowledge from each round of Green Corps projects to provide information to the GCAC on project achievements, including participant profiles.

ANAO conclusion

4.49 DETYA's reporting to the GCAC was developed and improved with each round of Green Corps projects. The ANAO considers that the current reporting arrangements are appropriate.



Canberra ACT
26 May 1999

P. J. Barrett
Auditor-General

Appendices

Appendix 1

Performance audits on contracting-out

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Department of Employment, Education, Training and Youth Affairs

Centrelink

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Sale of SA Rail, Tasrail and Pax Rail

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DAS Business Unit Sales

No.24 Sales Management

No.25 DASFLEET Sale

No.26 Sale of Works Australia

No.27 Sale of DAS Interiors Australia

Audit Report No.7, 1998–99

Management of the Implementation of the New Employment Services Market

Department of Employment, Education, Training and Youth Affairs

Audit Report No.2, 1998–99

Commercial Support Program

Department of Defence

Audit Report No.34, 1997–98

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Assessable Government Industry Assistance
Australian Taxation Office

Audit Report No.4 Performance Audit
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Australian Trade Commission

Audit Report No.5 Performance Audit
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Audit Report No.6 Audit Activity Report
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Audit Report No.7 Performance Audit
Management of the Implementation of the New Employment Services Market
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Getting Over the Line: Selected Commonwealth Bodies' Management of the Year 2000 Problem

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Accountability and Oversight Arrangements for Statutory Bodies in the Former Primary Industries and Energy Portfolio

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Pay-As-You-Earn Taxation—Administration of Employer Responsibilities
 Australian Taxation Office

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National Aboriginal Health Strategy—Delivery of Housing and Infrastructure to Aboriginal and Torres Strait Islander Communities
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