Management of the Adult Migrant English Program Contracts

Department of Immigration and Multicultural Affairs
Canberra   ACT
28 May 2001

Dear Madam President
Dear Mr Speaker

The Australian National Audit Office has undertaken a performance audit in the Department of Immigration and Multicultural Affairs 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 Management of the Adult Migrant English Program Contracts.

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
AUSTRALIAN NATIONAL AUDIT OFFICE

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<tr>
<td>AMEP</td>
<td>Adult Migrant English Program</td>
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<tr>
<td>ARMS</td>
<td>AMEP Reporting and Management System</td>
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<td>ASLPR</td>
<td>Australian Second Language Proficiency Rating</td>
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<td>BPG</td>
<td>Better Practice Guide</td>
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<tr>
<td>CASPR</td>
<td>Committee to Advise on Special Projects Research</td>
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<td>COI</td>
<td>Contract Outcome Indicator</td>
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<tr>
<td>CSWE</td>
<td>Certificate in Spoken and Written English</td>
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<tr>
<td>CTC</td>
<td>Competitive Tendering and Contracting</td>
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<td>DIMA</td>
<td>Department of Immigration and Multicultural Affairs</td>
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<tr>
<td>DL</td>
<td>Distance Learning</td>
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<tr>
<td>ELICOS</td>
<td>English Language Intensive Courses for Overseas Students</td>
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<tr>
<td>ESL</td>
<td>English as a Second Language</td>
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<td>FT</td>
<td>Formal Tuition</td>
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<td>HTS</td>
<td>Home Tutor Scheme</td>
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<tr>
<td>KPI</td>
<td>Key Performance Indicator</td>
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<tr>
<td>MAB-MIAC</td>
<td>Management Advisory Board and Management Improvement Advisory Committee</td>
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<td>MRC</td>
<td>Migrant Resource Centre</td>
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<tr>
<td>NEAS</td>
<td>National English Language Teaching Accreditation Scheme</td>
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<tr>
<td>NISS</td>
<td>National Integrated Settlement Strategy</td>
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<tr>
<td>NMIU</td>
<td>National Management Information Unit</td>
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<tr>
<td>RFT</td>
<td>Request for Tender</td>
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<tr>
<td>RSMS</td>
<td>Regional Sponsored Migration Scheme</td>
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<tr>
<td>SPP</td>
<td>Special Preparatory Program</td>
</tr>
<tr>
<td>TESOL</td>
<td>Teaching of English to Speakers of Other Languages</td>
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<tr>
<td>VAC</td>
<td>Visa Application Charge</td>
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Summary and Recommendations
Summary

Introduction

1. The Department of Immigration and Multicultural Affairs (DIMA), administers the Commonwealth’s settlement programs, which seek to assist migrants and refugees to participate in Australian society. Provision of English language training to newly arrived migrants and refugees has been a long standing and significant part of this settlement support, with some 1.5 million new arrivals assisted in this way since 1948. This language education is delivered through the Adult Migrant English Program (AMEP), which has been described in the following terms:

   The Child ESL (English as a Second Language) Program and the Adult Migrant English Program are immensely productive public interventions. They allow Australia to say that immigration policy is accompanied by appropriate settlement policy. ESL policies have assisted in reducing inequalities of opportunity and life chances. ESL policy is a critically important element in social cohesion and national communication.¹

2. AMEP tuition is available to eligible² adult migrants and refugees who do not have functional English. Eligible migrants and refugees who are survivors of torture or trauma also have access to a preparatory program, designed to assist them in the transition to mainstream forms of tuition.

3. The AMEP is administered under the Immigration (Education) Act 1971 which covers entitlements, and the Immigration (Education) Charge Act 1992, which provides for discretionary cost recovery. In the year 2000, about 35 000 clients participated in the AMEP program at a cost of some $93 million. The AMEP is available free of charge to most eligible migrants and refugees. However, costs are recovered from the holders of some visa categories, chiefly skilled migrants. Appendix 3 provides a brief description of cost recovery procedures and the applicable visa classes.


² Eligibility is governed by the Immigration (Education) Act 1971 and its provisions are summarised at Appendix 2.
4. The educational background of students varies widely from those illiterate in their own language to highly qualified members of professions, covering those both familiar and unfamiliar with Roman script. There is also a wide range of language backgrounds. Although some 70 per cent of participants are from 10 language backgrounds (Figure 1), 30 per cent speak some 80 different languages.

**Figure 1**
**AMEP participants 2000—major backgrounds**

<table>
<thead>
<tr>
<th>Language</th>
<th>Percentage of total participants</th>
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<tbody>
<tr>
<td>Mandarin</td>
<td>18</td>
</tr>
<tr>
<td>Arabic</td>
<td>12</td>
</tr>
<tr>
<td>Cantonese</td>
<td>10</td>
</tr>
<tr>
<td>Vietnamese</td>
<td>8</td>
</tr>
<tr>
<td>Serbian</td>
<td>6</td>
</tr>
<tr>
<td>Bosnian</td>
<td>4</td>
</tr>
<tr>
<td>Persian (Farsi)</td>
<td>4</td>
</tr>
<tr>
<td>Russian</td>
<td>3</td>
</tr>
<tr>
<td>Turkish</td>
<td>2</td>
</tr>
<tr>
<td>Spanish</td>
<td>2</td>
</tr>
</tbody>
</table>

Source: DIMA

5. The range of backgrounds and client needs are accommodated by flexible learning arrangements comprising:

- formal tuition by a service provider in either educational institutions or community settings, which can include day, evening or weekend classes. Formal tuition is the major part of the program, comprising about 33 000 participants at an annual cost of some $66 million;
- distance learning, which involves correspondence learning between teachers and clients in remote locations or those in metropolitan areas who cannot attend classes. It has about 3000 participants at a cost of some $3.5 million per year;
- the home tutor scheme, which assists clients involved in very low level intensity classes or who are not ready or able to participate in formal tuition. It is provided by volunteer home tutors under the
supervision of a service provider. The scheme has about 4000 participants at an annual cost of about $2 million; and

- a special preparatory program for survivors of torture and trauma. It comprises a personalised service by specially trained teachers, to help the client make a successful transition to mainstream AMEP classes. This program is offered on an ‘as required’ basis to those eligible migrants that have suffered torture or trauma, following an assessment conducted by the service provider and is funded to an annual level of approximately $4 million.

6. AMEP tuition is provided to clients according to their assessed need through a nationally accredited competency based curriculum known as the Certificate in Spoken and Written English (CSWE). Students are awarded a Certificate level I, II or III, if they achieve given levels of competency. Students that are unable to achieve sufficient competencies for the award of a Certificate receive a Statement of Attainment and those that do not achieve any competencies can be awarded a Record of Achievement. The curriculum is delivered in the context of settling in Australia and provides information on Australian society, including Australia’s history and democratic institutions and indigenous Australians.

Service Delivery Arrangements

7. Prior to 1998, State Education Departments delivered most AMEP tuition using State Education Department facilities, in accordance with Commonwealth and State agreements, with funding provided by the Commonwealth. The AMEP was opened up for competitive tendering in 1997, with the tendering undertaken in two stages.

8. The new contracted out tuition arrangements were introduced in two tranches, in January and July of 1998. Additional contracts were subsequently entered into for support arrangements, such as:

- the accreditation of providers to provide quality assurance over program inputs;
- research and the professional development of teachers;
- publishing of promotional material; and
- help desk, data analysis and information management systems.

There are now a total of 27 contracts under management to deliver the AMEP, which were collectively valued at some $93 million in 1999–2000.
9. The new arrangements seek to strengthen service delivery through;

• introducing a range of new providers, including universities, community colleges and private agencies in addition to the traditional State Education Department providers;

• more flexible means of tuition to better meet the needs of clients, including provision of classes in community settings (such as community centres); and

• use of a nationally recognised, competency based curriculum together with an independent system of accreditation of service providers.

**The audit**

**Audit objective and approach**

10. The objective of the audit was to assess DIMA’s management of AMEP contracts. In particular, the audit examined;

• performance outcomes;

• strategic contract management and coordination;

• program expenditure, with emphasis on contract funding arrangements; and

• whether contract monitoring and performance information adequately support effective program management.

**Audit criteria and methodology and cost**

11. The audit criteria and methodology is provided at Appendix 1. The audit was conducted in conformance with ANAO auditing standards and cost $305 000.

**Audit Conclusion**

12. DIMA’s management of the AMEP through contracted out arrangements continues to deliver benefits to the Commonwealth and to those eligible migrants who take up their entitlement to English language tuition in line with the Program’s overall objectives. The Program is widely regarded as a major contributor to DIMA’s settlement aim of enabling migrants to participate equitably in society. The perceived value of the Program is reflected in most participants considering that the English taught was useful for day-to-day life, with it being particularly helpful in areas such as shopping and finding medical help, using public transport, and learning about Australian society.

13. The new arrangements provide tuition services at a similar annual cost per participant to that for the previous arrangements, but also
provide enhanced flexibility in providing tuition to meet the needs of eligible migrants. Notwithstanding the greater flexibility, the extent to which eligible migrants participate in the Program has not increased.

14. Management of the 27 various contracts which comprise the AMEP is undertaken within a sound overarching framework of the National Integrated Settlement Strategy (NISS), which coordinates settlement services at local, regional, State and National levels, and is further guided by an AMEP-specific plan. Contract management is supported by contract performance indicators and monitoring of results, and by quality assurance procedures including accreditation of tuition providers and benchmarking the awarding of competencies by service providers.

15. However, other aspects of contract management do not sufficiently support cost effective delivery of Program outputs and related outcomes. There are also some aspects of the contractual arrangements themselves which warrant reconsideration at the earliest available opportunity as the following indicate.

16. DIMA’s key result areas for Program management of: reach to potential eligible migrants, retention in the Program, and English language results achieved, are only partially reflected in its outcomes/outputs framework and are not well reflected in contract performance indicators. This limits DIMA’s ability to manage contracts for desired outcomes.

17. There are few standards and targets for overall performance management contained in the contracts, which would be better practice contract management in support of outcomes.

18. DIMA does not have reliable information on the extent of the reach of the AMEP to the majority of eligible migrants requiring English language tuition, which could potentially have implications for assessed reach and settlement outcomes. DIMA is seeking to improve information on factors that hamper program participation, but its research does not extend to assessing the impact on settlement outcomes of those not participating.

19. Planning for contract succession has not been sufficient or adequate to ensure that there is a smooth, efficient and effective transition at the end of the contract for either an extension of the existing contract with any revised service levels, or for selection of a new provider.

20. Payment arrangements are not clearly articulated within the contract, and this should be resolved as a matter of priority for the benefit of both parties and to protect the interests of the Commonwealth. There would also be benefit in DIMA reviewing the basis for paying a fixed amount, regardless of the amount of tuition offered by the providers, as DIMA purchases more hours of tuition than is delivered.
21. DIMA has not specified its reporting requirements from the accreditation process. The department does not monitor complaints to service providers, limiting assurance that issues impacting on contractors’ performance are brought to DIMA’s attention and that systemic issues are identified and taken into account in broader contract management.

22. DIMA has recognised that further work needs to be done in these areas and has commenced some corrective action. DIMA has also indicated that it is likely to review the tuition contract funding model for the next contract round (the first of the current contracts expire on 31 December 2002) to consider some of the other matters raised in this audit.

**DIMA Response**

23. DIMA agreed with the six recommendations in this report and commented:

> DIMA accepts the ANAO recommendations on the management of the AMEP contracts as providing useful evaluation and guidance against the Audit Office’s Contract Management Better Practice Guide published in February 2001. With the AMEP contracts now three years old, this recent best practice guide to contract management will provide valuable guidance to the Department in developing tender specifications, funding arrangements, contracts and contract management arrangements for the next tender round. The Department has welcomed the opportunity to discuss with the ANAO the philosophy and assumptions behind current arrangements for managing the delivery of tuition under the AMEP and issues of accountability and risk management and will take account the ANAO findings and recommendations in moving into the next tender phase.
Key Findings

Program Performance Outcomes (Chapter 1)

24. AMEP is a key contributor to DIMA’s settlement outcome of ‘A society which values Australian Citizenship, appreciates cultural diversity and enables migrants to participate equitably.’ AMEP’s outputs, as identified in its outcomes/outputs framework, are tuition to 31 770 clients in 2000–2001, with an estimated 15 000 clients leaving the program having achieved various target levels of English.

25. The ANAO found these measures to have limited alignment with DIMA’s key result areas for internal management and for reporting in the Annual Report which, to varying degrees, seek to address intermediate outcomes, and focus on:
   • reach—the extent to which eligible migrants and refugees take up their AMEP entitlement;
   • retention—the extent to which clients that enter the program use their AMEP entitlement; and
   • results—the English language and settlement outcomes achieved.

Reach

26. DIMA estimates that some 71 per cent of adult settlers who arrived in 1999 and were in need of English tuition had registered with the AMEP by 30 June 2000. This compares with 73 per cent for 1998 arrivals and is broadly comparable with reach achieved under the old arrangements with the States. Thus the increased choice and flexibility in tuition methods has not, to date, had a marked effect on increasing the number of eligible migrants accessing the program.

27. There are some limitations to this measure. It only covers adult immigrants in qualifying groups who apply for their visas outside Australia—some 30 000 in 1999. DIMA does not have similar information for the other 27 000 who applied for their visas in Australia (for example, refugees who arrive in Australia seeking asylum). DIMA also does not know the English language tuition needs of about one-third of eligible offshore immigrants. If the needs of either of these groups differ from other migrants and refugees, there could be a marked effect on measured reach and, consequently, implications for settlement outcomes.
28. Assessing AMEP reach is important since there are few formal opportunities for immigrants to pursue English proficiency after the initial settlement phase. However, DIMA does not have targets for the reach measure. Better practice would incorporate such targets to inform on the significance of levels achieved, and changes in these levels, in contributing to program outcomes.

29. There are a number of pertinent considerations in setting targets for reach, including factors that hamper program participation, and the impact on outcomes of non-participation by immigrants. DIMA is seeking to improve information in this area through a study to identify factors that account for lower participation by particular groups of immigrants. The project does not, however, extend to assessing the impact on settlement outcomes of those not participating. The latter would be particularly valuable in assessing the cost-benefit of various options to increase reach.

Retention

30. Retention—as measured by the number of hours of participation in the program before leaving—has been falling in recent years. For example, Refugee and Humanitarian clients leaving the program in 1999 had 417 hours tuition compared with 446 hours in 1997. DIMA considers that falling retention is, to some extent, due to higher employment and partly due to clients choosing to undertake lower intensity classes. It considers that the former represents a positive outcome, as employment is likely to facilitate the participation of migrants and refugees in society.

31. However, there are no targets for the retention measure. Without these, there is a risk that movement both up and down in retention could be mistakenly regarded as a positive result. (That is, increased retention means more migrants learning English, a fall may be attributable to increased employment). Use of targets would at least provide a framework to assess movements in retention, thereby potentially highlighting areas that may warrant further consideration to ensure that changes are consistent with desired outcomes.

32. DIMA analyses whether leavers have achieved functional English; have used up entitled hours; or withdrawn for other reasons. However, this data is at a high level of aggregation, and provides only limited additional insight into patterns of retention and learning. There is useful information available from the larger service providers who collect client exit survey data. However, DIMA does not obtain this information from service providers which would assist it in monitoring trends and identifying reasons for withdrawal, potentially highlighting areas for management attention.
Results

33. In 1999–2000, the program exceeded its own targets for English ability, with 21 per cent of leavers achieving the highest CSWE certificate level (III) against a 17 per cent target, and 26 per cent achieving the next highest level (II) against a 23 per cent target. 16 per cent did not achieve any English language competencies. These measures combine those who have qualified for the award of a certificate and those unable to complete competencies in all four skill areas and who were actually awarded a Statement of Attainment at the appropriate level. Only some 11 per cent actually achieved the certificate level III, which is functional English, the other 10 per cent in the level III measure were awarded a Statement of Attainment for the achievement of some competencies.

34. Targets are derived from the previous year’s results, adjusted to reflect the likely influences of expected changes to client profile, rather than from an analysis of desired settlement outcomes. This approach limits the indicator’s usefulness in providing information on the level of English achieved in support of program outcomes. The value of the results measure for management review and action would be strengthened by providing information on qualifications achieved and reasons for not achieving certificates, and ensuring targets are appropriately aligned with settlement outcomes.

Client satisfaction and service charter

35. DIMA has a Client Service Charter that is expressed in broad terms to cover all of DIMA’s clients. In practice, there is likely to be some considerable difference in the expectations and needs of, say, travellers to Australia for holiday or business, compared to new arrivals in the humanitarian or refugee categories. There would be merit in DIMA considering a separate charter, or restating relevant sections of the existing charter, to address service quality dimensions for clients of the AMEP or more generally for settlement service clients.

36. A client satisfaction survey conducted in 2000 indicated a positive response to the AMEP, with 79 per cent of respondents considering the AMEP helpful or very helpful in building confidence. Further, 89 per cent felt that the English taught was useful for day-to-day life, with it being particularly helpful in areas such as shopping and finding medical help, making friends, using public transport and learning about Australian society.
37. The survey results also indicate that there are matters that warrant further investigation to assess program effectiveness. 90 per cent were satisfied with the counselling services offered by tuition providers. However, satisfaction ratings for the three main strands of the program that is, formal tuition, the home tutor scheme and distance learning, were lower than overall satisfaction, at 74 per cent, 73 per cent and 64 per cent respectively. There was also a relatively low level of satisfaction (48 per cent) with grievance procedures. DIMA intends to conduct further analysis of these results to improve program delivery and to develop requirements for service delivery in the next tender round.

38. The ANAO also considers that, consistent with better practice, the value of the client satisfaction survey results would be enhanced if they were related to service standards and to assessed client expectations. Better practice would also seek to have regular assessment of client satisfaction to assess the impact over time of management measures to improve service.

Cost per participant

39. The per capita cost of the contracted out arrangements, at an average cost of some $2600 for each client participating in the Program in a year, is similar to that for the previous arrangements (to 1998) under which services were delivered mostly by the States/Territories Education Departments.

Management and Coordination of the AMEP (Chapter 2)

40. DIMA has a generally sound overarching framework for delivery of the AMEP. It is undertaken within the National Integrated Settlement Strategy, which coordinates settlement services at local, regional, State and National levels, and is supported by an AMEP section plan. The AMEP section plan is an important part of the planning and management framework, outlining key strategies, standards and performance indicators. However, the plan does not outline roles and responsibilities, timelines or many key functions. Accordingly, the plan is not as effective for managing and coordinating the complex range of contracts and in-house services that comprise the AMEP. There are a number of areas where strategic management and coordination could be improved, for example.
Contract succession planning

41. In 2000, DIMA planned for, and undertook, an evaluation of contract performance in the third year of the contracts (which were for a period of three years, with an option to extend for a further two years). This involved the client satisfaction survey; benchmarking the consistency and appropriateness of awarding of competencies; and an evaluation of the service providers against some key contract outcome indicators.

42. However, planning only addressed the evaluation process; it did not extend to covering the possibility of negotiation and implementation of new contracts. This increases the risk that, in practice, DIMA would have limited opportunity to re-tender and negotiate new contracts prior to the expiration of the review period. For example, the most time critical path of the evaluation timetable was the benchmarking analysis, for which robust data was not available on time.

43. DIMA did not undertake a structured review of the contractual arrangements, which would have been desirable at such a major decision point. Matters that might have been considered include the type of relationship adopted for the AMEP contracts, and whether pricing structures may be better managed to achieve more cost-effective outputs. A more systematic approach to succession planning reduces the risk that it is difficult to change contractors irrespective of their performance. There would be merit in DIMA undertaking a more systematic approach to succession planning for the next review point, to increase assurance that it implements the most cost effective option for future service delivery.

Financial management

44. A finance unit within AMEP is responsible for matters such as certification of claims. The unit has a primary focus on process rather than strategic financial management issues and has limited input into contract management. As noted in Chapter 3 of this report, there are aspects of the funding arrangements that would have benefited from more regular financial risk management. A more integrated role for the finance function in AMEP contract management would provide greater assurance that tuition and other services are being delivered according to the financial terms of the contracts; are providing value for money; and that financial risks are appropriately monitored.
Promoting the AMEP

45. DIMA seeks to promote the program as widely as possible amongst the target group of migrants and refugees by attaching information to visa approval letters and through a range of materials and media, including an AMEP website. A range of stakeholders, including tuition providers and the AMEP Research Centre, also promote the services of the program, using a variety of means. These activities are guided by an AMEP communications plan. However, the plan does not clearly address the roles, responsibilities and expected contribution of each of the parties involved in promoting the AMEP. Further, the effectiveness of the various contributions and approaches adopted is not regularly assessed or evaluated to ensure efforts are well directed. Addressing these issues in a more timely fashion would ensure AMEP promotion activities are well targeted.

The AMEP Research Centre

46. DIMA funds a number of research activities through a contract with the AMEP Research Centre. A major part of the funding ($400 000) is for professional development of AMEP teachers, which is used for example in addressing the teaching needs of survivors of torture or trauma, older migrants or those with limited literacy. DIMA receives performance information on the evaluation of courses, but not on the results, standards and objectives for professional development of AMEP teachers. As a consequence, it has limited assurance that it is receiving value for money for its funding of professional development.

47. Effective reporting and monitoring of the Centre’s outputs would provide greater assurance that DIMA is receiving value for money consistent with desired outcomes for its expenditure on professional development.

48. At the time of the audit fieldwork, the contract was still in its first year. Some of the processes for managing various aspects of research centre activity were still under development. This particularly applied to the robustness of procedures for allocating the annual funding of $300 000 for special projects related to the AMEP. DIMA has since refined the criteria for the evaluation and approval of special projects, and receives reports from the research centre on their status.

Contract Funding Arrangements (Chapter 3)

49. In developing its funding approach for the contracted tuition services, DIMA advised that it considered the program as a whole, taking account of the overall costs and risks associated with the bidding and contracting process and the need for flexibility to facilitate the best choices
by clients in their means of English tuition. The funding approach adopted has a focus on enrolments, not on outputs produced. A consequence of this approach is that DIMA accepted some financial risk to achievement of cost-effective outputs as part of the judgements it made in developing the overall package for AMEP tuition and funding. Some risks arise from the possibility that client and/or provider behaviour differs from assumptions underlying the funding arrangements.

**Tuition hours offered to students**

50. DIMA pays contractors for tuition on the assumption that 231 hours of tuition are offered to clients each year in formal tuition and 105 for those in distance learning, subject to a guaranteed minimum payment each year to protect contractors against unexpected reductions in client numbers.

51. DIMA has indicated that this practice of paying was always its intent, was reflected in the Request for Tender, and that this was recognised by service providers. However, the contract payment schedule to DIMA’s contracts with service providers specifies that fees will be paid according to offered hours, defined as ‘...possible contact hours between a client’s assignment start date and end date...’, subject to the guarantee and other adjustments. There is no reference in the contracts to offered hours being assumed to be 231 or 105 hours, other than for the guaranteed payment.

52. The ANAO considers that this payment schedule in contracts is not consistent with DIMA’s stated intent at the time the contracts were signed, as the definition of offered hours in the contracts does not reflect DIMA’s assumptions, but rather suggests actual hours offered. Reference is necessary to other material not incorporated into the contract to properly ascertain the payment practice to infer its intent. Uncertainty in key provisions of the contract carries the risk that, at a later time, the parties may not agree with their initial intention, adversely impacting on performance or administration of the contract.

53. The ANAO also found that the hours offered by service providers is, on average, less than the hours assumed in these payment arrangements. While there may be a need for flexibility to take account of personal circumstances, the lower hours offered means, in effect, that DIMA purchases some 15 hours of formal tuition and 13 hours of distance learning a year for each client which is not delivered. This represents a cost of some $5 million a year. Even if the reduced tuition hours offered has resulted from service providers becoming more effective in the delivery of programs, the Commonwealth has not shared in the benefits.
Tuition received and length of stay in the Program

54. The actual hours of tuition undertaken by students are only about two-thirds of the hours offered by service providers. DIMA has advised that there are practical reasons for this, including students unable to attend all scheduled classes due to other commitments such as work or family priorities. DIMA has also advised that the pattern of client participation has changed in ways not foreseen at the time of contract formulation.

55. One of the changes is that clients are tending to choose lower intensity classes. This means that clients will potentially remain in the program over a longer period. This is reflected in the fact that clients continuing in the program have completed a greater number of terms (an average of 2.94 in 1999–2000 compared with 2.66 in the previous year). The cost of outputs from the program would rise under these circumstances as DIMA is paying on an annual enrolment basis. This is one aspect of the funding arrangements that DIMA should consider at the next available opportunity.

Clients enrolling for AMEP courses more than once in a year

56. Current funding arrangements permit more than one annual payment for tuition for the same client. This can arise as a result of movement of clients between regions. For example, if a client commences the AMEP in Sydney and then moves to regional NSW and continues tuition with another service provider (or consortium member). In this situation, both providers are paid an annual tuition fee, notwithstanding the actual hours of tuition completed with each provider.

57. It is important that contractual arrangements facilitate relocation of clients where this is in support of settlement outcomes. However, these payment arrangements do result in an additional tuition payment for each parallel enrolment, with no compensating control mechanism in the contracts. The proportion of such enrolments represents 2 per cent of enrolments, or about $1 million each year. However, DIMA emphasises that this amount may not represent potential savings, as provider tender bid prices would have taken account of factors such as this. This aspect of the contractual arrangements is not routinely monitored, however it would be prudent financial management to do so, to assess whether different contractual arrangements might be more cost-effective.

Concurrent learning

58. The ability to have concurrent learning activities is part of the flexibility of the AMEP. For example, the home tutor scheme supplements tuition for some clients. However, some clients are concurrently enrolled
in formal tuition and distance learning and a few in all three tuition modes, which is not explicitly envisaged in the contracts.

59. DIMA has advised that this occurs because service providers employ a range of strategies to maximise outcomes from the program. However, there is wide variation in the amount of concurrent learning activity between different providers. This suggests that monitoring arrangements are not focused on delivering a consistent approach in support of educational outcomes nor on the risks that inappropriate levels of concurrent learning for some providers might result.

60. The provider is paid for the majority of concurrent enrolments, amounting to approximately $1.3 million each year. Paradoxically, in many of these cases data indicates that these clients are less likely to utilise the hours of tuition assumed in the payment calculations.

Funding arrangements for the Research Centre

61. The ANAO found that the sale of publications is treated as income to the Centre which in the absence of other agreements, is not consistent with the contract provisions that all such intellectual property rights are vested with the Commonwealth.

Contract Monitoring and Performance Assessment (Chapter 4)

Monitoring against key program performance indicators

62. The AMEP tuition contracts employ a wide range, number (from 10 to 130) and type of performance indicators, with many differences between contracts. Many of these indicators arose from negotiations with individual service providers, and may now have little relevance for managing contract performance. Specifically, most do not address the key result areas of reach, retention and results.

63. DIMA recognised shortly after the contracts became operational that performance information contained within the contracts was not sufficiently aligned with key AMEP performance measures. Negotiations have been underway with service providers to make changes to the indicators, with revisions to the contracts now at varying stages of development.

64. Based on the existing contracts, DIMA has few indicators with which it can compare performance between providers and report overall results. There are few meaningful performance targets set for service providers. Such targets (or standards) are an important element of better practice contractual arrangements and contract performance management and would provide clear benchmarks for accountability on AMEP service performance.
The accreditation of providers

65. The accreditation of AMEP tuition providers is an important quality control, and is contracted to the National English Language Teaching Accreditation Scheme (NEAS). The NEAS is required to visit each service provider’s premises at least once a year and to assess, inter alia, student placement and teaching facilities, resources and practices.

66. DIMA can specify its reporting requirements of the NEAS, but has not done so. The NEAS annual report discusses provider performance in very broad terms and does not provide specific information on its assessments. Accordingly, DIMA may not be aware of common problems or emerging themes; for example, whether some providers are just meeting standards in some key areas, which would be important knowledge for managing the contracts for optimum service delivery.

Monitoring of the award of competencies

67. DIMA, through the AMEP Research Centre, has undertaken a benchmarking exercise to facilitate assessment of the consistency and appropriateness of the awarding of competencies by service providers. Preliminary analysis of the results has identified one issue for program management—that ‘stage jumping’ occurs when students undertake competencies at a higher level than the certificate level in which they were initially enrolled. This occurs for example, where students may be relatively more advanced in speaking skills than writing. Whilst there are legitimate reasons for this to occur in support of program outcomes, there is also the risk that some of this may, in effect, be due to students maneuvering around competencies which they find difficult to achieve, with potential implications for program outputs. DIMA is aware of this practice and intends to undertake further refinement and development of the benchmarks.

Complaints handling

68. Tuition providers are required to have a complaint handling procedure and to resolve client complaints. However, there is no requirement for the forwarding of complaint data to DIMA. The department does not monitor complaints to service providers. Such a review mechanism is an important element of better practice in complaints handling. It would provide greater assurance that individual complaints are satisfactorily resolved, that issues impacting on an individual contractor’s performance are brought to DIMA’s attention and that systemic issues are identified and taken into account in broader contract management.
69. The need to effectively manage complaints handling mechanisms was emphasised by the Client Satisfaction Survey, which reported low levels of satisfaction with DIMA’s complaint process.

Information management

70. Management of the AMEP requires sound information management to, inter alia, track individuals’ academic progress. DIMA’s information management is centred on a database that draws information on eligibility from DIMA’s settlement database and on tuition undertaken and achievement of competencies from service providers. Both contract managers’ and service providers’ access the database for performance monitoring and contract management purposes. The ANAO found that DIMA’s information system has the necessary elements and functionality to support adequate contract monitoring and thus contribute to the achievement of DIMA’s objectives for the AMEP.
Set out below are the ANAO’s recommendations aimed at improving management of AMEP contracts. Report paragraph references are also included. The ANAO considers that DIMA should give priority to Recommendations 1, 2 and 3.

Recommendation No. 1  Para. 1.50

The ANAO recommends that performance management and reporting for the key result areas of reach, retention and results include:

- Development of appropriate performance targets and standards;
- Enhancing the ‘reach’ measure to more accurately reflect the population reach of eligible clients; and
- Strengthening the analysis of performance information on retention, including reasons for clients exiting the program.

DIMA response: Agreed.

Recommendation No. 2  Para. 2.31

The ANAO recommends that DIMA improve strategic management and coordination for the AMEP to more effectively manage contracts, administration and outputs by:

- systematic planning for contract succession to ensure that there is a smooth, efficient and effective transition at the end of the contract for either an extension of the existing contract with any revised service levels, or for selection of a new provider;
- better integration of financial and contract management;
- clarifying the role and responsibilities of the various parties involved in promoting the AMEP; and
- implementing appropriate standards, performance indicators and performance reporting for the investment in teachers’ professional development.

DIMA response: Agreed.
The ANAO recommends that DIMA better manage its financial risks by:

- ensuring that tuition contracts more clearly articulate intended payment arrangements;
- assessing, when DIMA next renegotiates the contracts, financial risks to the Commonwealth of the current financial arrangements, and ensuring that future funding arrangements provide an appropriate balance between risk and achievement of value for money for the Commonwealth; and
- developing appropriate monitoring and controls for existing contracts with regard to tuition hours and multiple enrolments.

**DIMA response:** Agreed.

To enable DIMA to evaluate AMEP performance, the ANAO recommends that, at the first available opportunity, DIMA fully align performance indicators in AMEP tuition contracts with key program performance measures, and include performance targets in the contracts.

**DIMA response:** Agreed.

The ANAO recommends that DIMA specify its expected requirements from the NEAS to provide it with suitable information on accreditation assessments of provider skills, facilities, resources and practices.

**DIMA response:** Agreed.

The ANAO recommends that DIMA collect, monitor and review complaints data to inform and improve service delivery.

**DIMA response:** Agreed.
Audit Findings
and Conclusions
1. Program Performance Outcomes

This chapter assesses the contribution of the AMEP to DIMA’s outcomes. While the intermediate outcomes themselves are sound in the sense that eligible migrants are receiving English language tuition, there are some weaknesses in the performance measures and reporting arrangements.

Outcome/output framework and performance measurement

1.1 Performance management is arguably the single most important aspect of contract management\(^3\).

1.2 Performance management for AMEP contracts is undertaken within the context of DIMA’s outcome/output framework, with AMEP a key contributor to Outcome 2:

\[
A \text{ society which values Australian Citizenship, appreciates cultural diversity and enables migrants to participate equitably.}
\]

In particular, the AMEP is designed:

\[
to \text{ provide basic English training to newly arrived migrants and refugees to assist them in the process of settlement in Australia}^{4}.
\]

1.3 The Outcome 2 business plan framework is summarised in Figure 2.

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### Figure 2
Performance information framework for the AMEP, 2000–2001

<table>
<thead>
<tr>
<th>Outcome 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>‘A society which values Australian Citizenship, appreciates cultural diversity and enables migrants to participate equitably’</td>
</tr>
</tbody>
</table>

| Output 2.1 |
| Settlement Services Outcome Effectiveness Measures (Most directly related to the AMEP)⁵ |
| Settlement planning arrangements and programs equip migrants and refugees to participate in society, measured by; |
| • levels of participation and client outcomes from settlement services, and |
| The extent to which settlement planning arrangements and programs equip migrants and refugees to participate in society, measured by; |
| • level of satisfaction with settlement services among new refugees. |

| Output Component 2.1.4 |
| Performance Measures for AMEP Administration |
| Quality | The Estimated 15,000 clients exiting the program are expected to achieve the Certificate of Spoken and Written English (CSWE)⁶ or equivalents as follows (level III is functional English): |
| • CSWE Certificate III — 21% |
| • CSWE Certificate II — 26% |
| • CSWE Certificate I — 37% |
| • CSWE Record of Achievement — 16% |
| Quantity | Tuition to 31,770 Clients |

Source: DIMA 2000–01 business plan

1.4 Supporting this framework DIMA has a wide range of detailed performance measures utilised in day-to-day management of the program. The three aspects of the program that are central to DIMA’s monitoring and assessment of program performance are;

- reach—the extent to which eligible migrants and refugees take up their AMEP entitlement;
- retention—the extent to which clients that enter the program deplete their AMEP entitlement; and
- results—the English language and settlement outcomes achieved by AMEP clients.

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⁵ Other outcome effectiveness measures are: ‘The extent to which Australian Citizenship is valued’ and the ‘extent to which Australians appreciate cultural diversity.’

⁶ On entry to the AMEP, clients are streamed according to English language ability according to the Certificate of Spoken and Written English (CSWE) curriculum levels I, II or III with level I representing the lower English abilities and level III being the highest level available under the AMEP and is equivalent to functional English. See Appendix 6 for more detailed explanation of CSWE Certificate levels.
1.5 These measures are, to varying degrees, seeking to address intermediate outcomes, and have been recently supplemented by a client satisfaction survey. Results for the three measures are presented in the Annual Report as key results of the program.

1.6 Limiting output measures to one quality and one quantity measure has the disadvantage of limiting alignment between the AMEP performance measures in DIMA’s output/outcome framework and the key result areas used for internal management and for reporting in its Annual Report.

1.7 The extent to which the output measures provide insight to the contribution of the AMEP to settlement outcomes is further limited by:

- the quality output measures in Figure 2 provide little information on the contribution of the program to settling migrants. To do so would require knowledge of the target levels of English necessary to achieve the desired settlement outcomes; and
- value for money is not addressed in the framework. Measures such as cost per participant or per output would assist in accountability for value for money.

1.8 The key result areas of reach, retention and results are discussed further below.

Reach

1.9 Reach is the extent to which eligible clients take up their entitlement to tuition. DIMA estimates that some 71 per cent of adult settlers who arrived in 1999 and were in need of English tuition had registered with the AMEP by 30 June 2000. This compares with 73 per cent for 1998 arrivals. The results for each of the migration categories that qualify for AMEP are summarised in Figure 3 for the last two years data available.

1.10 These reach outcomes are broadly comparable with those achieved under the old arrangements with the States. Thus the increased choice and flexibility in tuition methods has not, to date, had a marked effect on increasing the number of eligible migrants accessing the program.
There are, in practice, some limitations to the coverage and reliability of these measures. Firstly, the statistics only cover the 29,515 adult immigrants in qualifying groups in 1999 who applied for their visas outside Australia—referred to as ‘offshore’ applicants. There are another 26,981 adult immigrants who applied for their visas in Australia (‘onshore’ applicants). The latter category includes, for example, refugees who arrive in Australia seeking asylum.

The reason that onshore applicants are not included in reach measures is that DIMA only knows the tuition needs of 30 per cent of these applicants. There is also a time lag between application and granting of permanent visas, during which some applicants may have gathered sufficient English skills by other means. In the absence of reliable information on the tuition needs of onshore clients, DIMA assumes for budgetary and contract management purposes that all onshore applicants are potential AMEP clients. Typically, the reach for onshore migrants is some 10 to 15 per cent lower than for offshore applicants on the basis of this assumption.

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7 Only 30 per cent of onshore applicants answered a question on their settlement information form concerning their English skills.
1.13 Further, DIMA does not know the English language tuition needs of about one-third of eligible offshore immigrants.\(^8\) The need for this group is assumed to be in the same proportion as those whose needs DIMA knows. This assumption has not been tested. If the actual needs differ from this assumption, there could be a marked effect on measured reach and, consequently, implications for settlement outcomes.

1.14 Finally, assessing AMEP reach is particularly important for eligible immigrants with less than functional English, since there are few formal opportunities for immigrants to pursue English proficiency after the initial settlement phase. However, DIMA does not have targets for the reach measure. Better practice performance management would incorporate such targets to inform on the significance of levels achieved, and changes in these levels, in contributing to program outcomes.

1.15 There are a number of pertinent considerations in setting targets for reach of the program, including factors that hamper program participation, and the impact on outcomes of non-participation by immigrants. These are considered below.

**Eligible immigrants not accessing AMEP**

1.16 Although DIMA’s measure of reach suggests some 30 per cent of eligible immigrants do not access the AMEP, performance information provides little insight into either factors limiting program take-up, or the impact of limited take-up on settlement outcomes.

1.17 The limiting factors are likely to be many and varied. Figure 4 illustrates the circumstances of one non-participant.

**Figure 4**

**Example of non-participation**

Mrs X was a refugee living in a metropolitan area who did not register for any form of AMEP tuition. A DIMA Settlement Services Officer established in an interview that she had six small children, three of whom were blind and she cared for them while her husband was at work. Although childcare is provided as part of the AMEP, in some cases the personal circumstances of the clients can make it difficult for them to participate.

Source: DIMA

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\(^8\) This is because the need for English tuition is based on self-assessment of immigrant’s English proficiency as either ‘very good’, ‘good’, ‘poor’ or ‘nil’. About one-third of offshore applicants do not state their level of English proficiency.
1.18 DIMA is seeking to improve information in this area. It has commissioned a study by the AMEP Research Centre to investigate reach patterns in order to identify factors that account for lower participation by particular groups of immigrants. It also seeks to make recommendations aimed at increasing the level of participation by under-represented groups and by AMEP clients more generally. The report of this project is due to be released in 2001.

1.19 The project does not, however, extend to assessing the impact on settlement outcomes of those not participating. This would be particularly valuable in assessing the cost-benefit of various options to increase reach.

Retention

1.20 Retention is the extent to which clients who enter the program deplete their AMEP entitlement. Retention is actually assessed by DIMA by measuring the number of hours that have been used by the average AMEP client at the point of exit. Entitlement under the legislation is for English tuition to be provided for up to 510 hours or until a functional level of English is reached, whichever is less.

Figure 5
Average hours of participation at point of exit from the AMEP

Source: DIMA
1.21 DIMA considers that falling retention is partially a function of higher employment rates in the general economy, and partly due to clients choosing to undertake lower intensity classes. It considers that the first factor represents, to some degree, a positive outcome as employment is likely to facilitate the participation of migrants and refugees in society.

1.22 However, there are no targets for the retention measure. Without these, there is a risk that movement both up and down in retention could be regarded as a positive result. (That is, increased retention means more migrants learning English, a fall may be attributable to increased employment). Use of targets would at least provide a framework for management to assess movements in retention, thereby potentially highlighting areas that may warrant further consideration to ensure that changes are consistent with desired outcomes.

1.23 DIMA undertakes little detailed analysis on the pattern, and reasons for, and qualifications of those withdrawing from the program. The ANAO notes that the larger service providers routinely collect client exit survey data, which could potentially inform DIMA whether change in the rate or pattern of exit is consistent with its planned outcomes. However, DIMA does not obtain this information from service providers for review and to capture insight into changes to the rate of withdrawals. Such analysis of retention data patterns and inclusion in annual report measures could assist in monitoring trends and identifying reasons for withdrawal, potentially highlighting areas for management attention to improve performance.

Results

1.24 On entry to the program, AMEP clients are streamed according to their English abilities. These streams correspond to Certificate of Spoken and Written English (CSWE) curriculum levels I, II or III with level I representing the lower English abilities and level III being the highest level available under the AMEP (it is equivalent to functional English).

1.25 Within these streams are learning bands (A, B or C). Band C represents slower pace learners who have limited learning experience in formal settings and who are generally characterised by low levels of formal education, literacy in first language, and possibly non-Roman script first language. Band B clients have some learning strategies and have generally had secondary education and are literate in their first language. Band A clients are fast pace learners, literate in their own language and have a high level of learning resources and some post-secondary education and/or technical skills training.
In order to be awarded the CSWE Certificate students must complete a requisite number of competencies in reading, writing, speaking and listening language skills. In some cases, there is an optional numeracy competency. Some clients are unable to complete competencies in all four-skill areas; in such cases they complete as many competencies in as many skill areas as they can. These clients are awarded a Statement of Attainment. Clients unable to complete any competencies are awarded a Record of Achievement in acknowledgment of the work that has been undertaken.

The key performance indicators for internal monitoring and for external accountability for results are summarised in Figure 6 for the most recent year’s data.

**Figure 6**

<table>
<thead>
<tr>
<th>CSWE level</th>
<th>Average number of competencies achieved</th>
<th>Target proportion for certificate or statement of attainment %</th>
<th>Certificate or statement of attainment awarded %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level III (Functional English)</td>
<td>10</td>
<td>17</td>
<td>20.7</td>
</tr>
<tr>
<td>Level II</td>
<td>15</td>
<td>23</td>
<td>26.2</td>
</tr>
<tr>
<td>Level I</td>
<td>13</td>
<td>39</td>
<td>36.7</td>
</tr>
<tr>
<td>Record of Achievement</td>
<td>Nil</td>
<td>21</td>
<td>16.4</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: DIMA

The figure shows that for 1999–2000, the program exceeded its targets, in terms of English ability achieved. However this information has some limitations in terms of providing indications of level of English achieved in support of program outcomes. The targets are derived from previous years results adjusted to reflect the likely influences of expected changes to client profile, rather than from an analysis of desired settlement outcomes.

Further, columns 3 and 4 of Figure 6 include those clients who have withdrawn from the program with hours remaining and groups together those who have qualified for the award of a certificate and those qualified for a Statement of Attainment. For example, 20.7 per cent of exiting clients achieved a certificate or statement of attainment at
CSWE level III\textsuperscript{10}. However, only some 11 per cent achieved the certificate level III, which is functional English, the other 10 per cent were awarded a Statement of Attainment for the achievement of some competencies at this level.

1.30 Analysis and monitoring of results for management review and action would be strengthened by providing further information on qualifications achieved, and reasons for not achieving certificates, and ensuring targets are appropriately aligned with settlement outcomes.

**Client satisfaction with the AMEP**

1.31 In recent years, there has been recognition in the Australian Public Service that client satisfaction measures should be part of a better practice framework aimed at the provision of quality client services through the development of service standards and client feedback on service, with these statements part of a client service charter.

1.32 In seeking information from clients, client-focused organisations focus on:

- client needs and expectations;
- client perceptions of how well the organisation is meeting needs and expectations; and
- how the organisation can use the information obtained to ensure that clients are consistently satisfied by meeting or exceeding their expectations or alternatively to shape client expectations in line with what the organisation can deliver.\textsuperscript{11}

**DIMA Client Service Charter**

1.33 DIMA has had a Client Service Charter since 1998 that is available to the public in brochure form and through the DIMA website. The Charter outlines DIMA’s commitment to high-quality service and provides an explanation of what clients may expect of DIMA and methods for making a suggestion or complaint.

\textsuperscript{10} Achievement of the requisite competencies at this level equates to the ‘Functional’ level of English.

1.34 The existing charter expresses DIMA’s service quality commitment to services in broad terms, and it is a single charter intended to cover all types of clients. However, there is wide divergence in the type of clients in receipt of services from DIMA. Accordingly, there is likely to be some considerable difference in the expectations of clients who may be travellers to Australia for holiday or business, say, compared to new permanent arrivals in the humanitarian or refugee categories.

1.35 Better practice permits agencies to have several service charters where this is appropriate. For example, some departments and agencies with several different functions, products or services have separate service charters to match the specific service delivery needs of distinct client groups. The characteristics of immigrants who are AMEP clients, some of whom may be illiterate, and from a poor or traumatised background, suggest that their needs and expectations are likely to be very different to those of the broader DIMA client group. Therefore there would be merit in considering a separate charter, or restating relevant sections of the existing charter, to address service quality dimensions for clients of the AMEP, or more generally for settlement service clients.

AMEP client satisfaction survey

1.36 In accordance with DIMA’s contract management plan, a client satisfaction survey was undertaken in the third year of the new contractual arrangements (2000), as part of an evaluation process to inform the decision of whether to extend the existing contracts or re-tender. The survey covered AMEP clients who had attended more than 10 hours of tuition with a single contracted service provider.

1.37 Clients responded to a series of questions relating to their participation in the AMEP. Clients indicated satisfaction on a rating system on a scale from highly dissatisfied to highly satisfied and also responded to specific questions requiring a yes/no (or unsure/or not relevant) answer.

1.38 The survey indicated that 79 per cent of respondents found the AMEP helpful or very helpful in building confidence. Further, 89 per cent felt that the English taught was useful for day-to-day life. The areas where AMEP clients felt English language training was most helpful is summarised in Figure 7.

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12 Each Department and Agency can apply the principles of client service charters in a way that best suits the nature of the organisation and importantly meets the needs of clients and stakeholders. Department of Finance and Administration report of Service Charters in the Commonwealth Government November 2000, page 6.

13 The survey was administered by telephone by bilingual interviewers, in 16 languages other than English.
1.39 Client satisfaction with key aspects of the AMEP was also assessed (Figure 8). The results show varying levels of satisfaction with different aspects of the services of service providers.

**Figure 8**
**Satisfaction with aspects of AMEP\(^{14}\)—(year 2000)**

Source: DIMA Client Satisfaction Survey

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\(^{14}\) Note: The satisfaction rating represents the sum of the responses reported as satisfied and highly satisfied.
1.40 The survey results also suggest that there are aspects of the responses that warrant further investigation to assess program effectiveness. For example, although there is a high level of overall satisfaction, satisfaction ratings for the three main strands of the program; formal tuition, the home tutor scheme and distance learning are lower at 74 per cent, 73 per cent and 64 per cent respectively. Further, there was a relatively low level of satisfaction with grievance procedures. This is discussed further at paragraphs 4.19 to 4.22.

1.41 The results of the survey also indicated that on the one hand, some 24 per cent of clients felt that the lessons were too difficult for them and on the other hand 32 per cent indicated there was too much repetition. This suggests that streaming of clients may need further examination.

1.42 DIMA has advised that it will conduct further analysis of the results of the national client survey. This will include the information provided by the survey in relation to grievance processes to improve program delivery and in particular to input the development of requirements for service delivery in the next tender round.

1.43 The ANAO also considers that consistent with better practice, the value of the client satisfaction survey results would be enhanced if they were related to service standards, (for example, as set out in a charter), and to assessed client expectations. Better practice would also seek to have regular assessment of client satisfaction to assess the impact over time of management measures to improve service.

**Cost per participant**

1.44 DIMA undertook baseline costing for AMEP prior to contracting out, costing the program at $98.565 million in 1996–97.\(^{15}\) At that time there were 40366 AMEP clients in the program, representing a cost of $2531 per participant at 1999–2000 prices.\(^{16}\)

1.45 In 1999–2000 the total program cost was $93.858 million including departmental costs, but excluding the cost of the Special Preparatory Program and the Home Tutor Scheme Enhancement Program.\(^{17}\) This was an average cost of $2612 for the 34969 AMEP clients.

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\(^{15}\) Including payments to States/Territories and DIMA administration costs for the former scheme.

\(^{16}\) Adjusted by the CPI to 1999–2000 using 1996–97 as the base year.

\(^{17}\) The 1996 Federal Budget allocated an additional $17 million for four years for English language education and training, however to allow for planning and consultation expenditure was deferred until July 1997. The majority of this funding was devoted to assisting torture and trauma survivors’ progress to a standard teaching environment under a program known as the AMEP Special Preparatory Program (SPP). The remainder of the funding was devoted to providing enhancements to the Home Tutor Scheme.
Thus, the per capita cost of the contracted out arrangements is similar to those they replaced.

**Conclusion**

DIMA’s management of the AMEP through contracted out arrangements continues to deliver benefits to the Commonwealth and to those eligible migrants who take up their entitlement to English language tuition in line with the Program’s overall objectives. The Program is widely regarded as a major contributor to DIMA’s settlement aim of enabling migrants to participate equitably in society. The perceived value of the Program is reflected in most participants considering that the English taught was useful for day-to-day life, with it being particularly helpful in areas such as shopping and finding medical help, using public transport, and learning about Australian society.

The new arrangements provide tuition services at a similar annual cost per participant to the previous arrangements, but provide enhanced flexibility in providing tuition to meet the needs of eligible migrants. Notwithstanding the greater flexibility, the extent to which eligible migrants participate in the Program has not increased.

Some aspects of the performance management framework require improvement to provide better performance and contract management in support of outcomes. Specifically:

- the key result areas for Program management of reach to potential eligible migrants, retention in the Program, and English language results achieved, are only partially reflected in its outcomes/outputs framework;

- the use of standards and targets for overall performance management is limited;

- DIMA does not have reliable information on the extent of the reach of the AMEP to the majority of eligible migrants, and its research does not extend to assessing the impact on settlement outcomes of those not participating; and

- information is not systematically obtained from service providers to assess reasons for people leaving the program.
Recommendation No.1

1.50 The ANAO recommends that performance management and reporting for the key result areas of reach, retention and results include:

- development of appropriate performance targets and standards;
- enhancing the ‘reach’ measure to more accurately reflect the population reach of eligible clients; and
- strengthening the analysis of performance information on retention, including reasons for clients exiting the program.

DIMA response

1.51 DIMA agrees to the recommendation. DIMA will further develop its performance targets, while noting the difficulties of applying such targets to a unique and diverse client group who are voluntary participants in the program at a time when they are experiencing competing priorities in their early settlement phase.
2. Management and Coordination of the AMEP

This chapter reviews the management and coordination of the contracts and administrative functions that collectively deliver the AMEP. The ANAO found that strategic management and coordination warrant strengthening to manage the AMEP program risks.

The planning framework for contracted services

2.1 The central role of the AMEP in achieving settlement outcomes and the complex and varied range of contracted services and of service providers, emphasises the need for a systematic and coordinated approach to program management. Program management is guided by three key elements:

• the National Integrated Settlement Strategy (NISS) which coordinates settlement services at local, regional, State and National levels. The aim of the strategy is to improve the level of service provided to clients by clarifying which agencies have responsibility for providing specific settlement services, encouraging agencies to coordinate delivery of settlement services and targeting resources to avoid gaps and duplications. The AMEP is an important element of the NISS (Appendix 4 provides further information on the NISS);

• the output/outcome framework for settlement services, and associated business plans; and

• an AMEP section plan.

2.2 The AMEP section plan is an important part of this planning and management framework. The plan addresses delivery of the AMEP through 27 contracts that are collectively valued at $92.9 million. The contracts cover a range of services, including the provision of tuition, the accreditation of providers, information systems and research, and are supported by some in-house services. Figure 9 shows the AMEP functions according to whether they are delivered through in-house resources or contracted out. All of the contracted out functions have one or more contract managers for managing the delivery of services.
2.3 The AMEP section plan outlines key strategies, standards and performance indicators for the management of the AMEP. However, the plan does not outline roles and responsibilities, timelines or some key functions. Accordingly, it has some limitations as an overarching framework for managing and coordinating the complex range of AMEP contracts and services. In particular, the ANAO found that strategic management and coordination warrants strengthening in the following aspects of AMEP program management:

- contract succession planning;
- AMEP financial management;
- promotion of the AMEP;
- outputs from the AMEP Research Centre; and
- the role of State DIMA offices.

2.4 Each of these is discussed further below.

**Contract succession planning**

2.5 The tuition contracts commenced on 1 January 1998 for service providers in Victoria and Western Australia and on 1 July 1998 for other providers. The contracts were all for a period of three years, with an option to extend for a further two years, subject to a satisfactory review in the third year of the contract.
2.6 DIMA has reviewed the contracts, with a view to extending them for a further two years. DIMA has now extended the first tranche of the contracts for a period of two years and at the time of writing this report, was reviewing provider performance of those in the second tranche.

2.7 Effective contract succession planning ensures that there is an efficient and effective transition at the end of the contract for either an extension of the existing contract with any revised service levels, or selection of a new provider. An effective transition plan ensures that the risk to service interruption during transition is minimised.18

2.8 This phase also provides a valuable opportunity to review how a contract has performed, and to assess how relationships and pricing structures may be better managed to achieve more cost effective outputs. These are all elements of better practice succession planning, which should be encapsulated in a documented plan that ideally should be reflected in the contract.

2.9 The ANAO found that DIMA did plan for an evaluation of contract performance in the third year, as provided in the contracts. This involved:

- the client satisfaction survey (see 1.36);
- a benchmarking analysis, undertaken by the AMEP Research Centre, to assess the consistency and appropriateness of service providers awarding competencies under the CSWE curriculum; and
- an evaluation of the service providers against some key contract outcome indicators.19

2.10 However, planning for the three-year review point only addressed the evaluation process and did not extend to covering the possibility of negotiation and implementation of new contracts. This increases the risk that, in practice, DIMA would have limited opportunity to re-tender and negotiate new contracts prior to the expiration of the review period. For example, the most time critical path of the evaluation timetable was the benchmarking analysis, which required results for the Victorian and West Australian contracts to be finalised by 14 August 2000, some four and a half months prior to end of the three-year period. In the event, robust benchmarking data was not available until late in September 2000. While benchmarking results were in fact satisfactory, had this not been the case, there would have been considerable practical difficulties in either agreeing revised contractual arrangements, or in undertaking a selection process for a new provider in the available time.

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19 DIMA identified a number of performance indicators from existing contractual performance indicators against which the service providers were assessed as part of the evaluation process. (Performance indicators for contracts are discussed further in Chapter 4).
2.11 DIMA’s arrangements at the three-year point of the contract did not provide for a structured review of the contractual arrangements that would have been desirable at such a major decision point. Matters that might have been considered include the type of relationship adopted for the AMEP contracts, and whether pricing structures may be better managed to achieve more cost-effective outputs. (Chapter 3 assesses the pricing structure further, and identifies a number of aspects of the current arrangements that warrant further consideration at the next opportunity for contract renewal or renegotiation).

2.12 A more systematic approach to succession planning reduces the risk that it is difficult to change contractors irrespective of their performance. There would be merit in DIMA undertaking a more systematic approach to succession planning for the next review point, to increase assurance for DIMA’s management that it is able to assess and implement the most cost effective option for future service delivery.

**AMEP financial management**

2.13 A finance unit within DIMA’s AMEP Section is responsible for input into the Annual Budget cycle; certification of claims; negotiation of additional payments to contractors in line with contracts; and CPI adjustments. However, the unit has a focus on process rather than strategic financial management issues. It has limited input into the contract management function, which has a focus on service delivery.

2.14 A more integrated role for the finance function in AMEP management would provide greater assurance that tuition and other services are being delivered according to the financial terms of the contracts and are providing value for money; and that financial risks are appropriately monitored. Chapter 3 discusses aspects of contract financial management that warrant further consideration at the next appropriate opportunity.

**Promotion of the AMEP**

2.15 DIMA has a communications plan for the AMEP, which seeks to promote the program as widely as possible amongst the target group of migrants and refugees, in order to increase its reach to those eligible for English language tuition.

2.16 Information about the AMEP is attached to the visa approval letter sent to each eligible applicant. In addition, DIMA promotes the AMEP, and the importance of learning English for successful settlement, in a range of materials. The materials are produced in key languages, and include brochures, videos and an AMEP website. The website now receives 5800 ‘hits’ per week, up from 1200 per week previously following
redevelopment to give it a more user friendly, multi-lingual interface (Figure 10).

**Figure 10**
AMEP website


2.17 The AMEP has a wide range of stakeholders, many of whom have an important role in promoting the services of the program in assisting eligible migrants to settle. For example, tuition providers are contractually required to promote the AMEP, and to adopt a variety of means of achieving this. Their promotion activities include using ethnic radio and print media, and advertising at Migrant Resource Centres (MRCs) and Community Centres. The AMEP Research Centre also promotes the AMEP through seminars, principally aimed at AMEP teachers and administrators.

2.18 A variety of approaches to promote the AMEP is necessary given the diverse nature and needs of the eligible client group and the range of services on offer. This diversity also reinforces the need for effective coordination of the various efforts in their contribution to DIMA’s overall communications strategy. However, DIMA’s communications plan does not clearly address the roles, responsibilities and expected contribution of each of the individual stakeholders in promoting the AMEP. Further, the effectiveness of the various contributions and approaches adopted is not regularly assessed or evaluated. This presents the risk that some promotional activities will overlap, or conversely, that some eligible clients may not be appropriately targeted in promotions. Addressing these issues would strengthen AMEP promotion efforts.
The AMEP Research Centre

2.19 DIMA has a five-year contract with the AMEP Research Centre\(^{20}\), which commenced in January 2000. The contract, for $1.15 million in calendar year 2000, requires the Centre to:

- conduct and manage research;
- produce teaching materials;
- promote the AMEP; and
- lead the professional development of teachers.

2.20 The work of the Research Centre is guided by a workplan which sets out tasks and key performance indicators.

The Professional Development of Teachers

2.21 $400 000 of the total contract funding of $1.15 million in year 2000 was for professional development of AMEP teachers. The purpose of this funding is to ensure that AMEP teachers are provided with access to the latest techniques in teaching English as a Second Language (ESL) and have the particular skills required in teaching groups such as survivors of torture or trauma, older migrants and those with limited literacy. The funding also provides for the professional development activities coordinated by the Research Centre to be supplemented by the publication of the professional journal of AMEP teachers and the maintenance of a website for the exchange of ideas amongst teachers. The importance of professional development is recognised in contracts with service providers, which require them to facilitate the professional development of staff through providing on-going support and development.

2.22 DIMA receives performance information on the evaluation of courses, but not on the results, standards and objectives for professional development of AMEP teachers. Accordingly, DIMA has limited assurance that it is receiving value for money for its funding of professional development through the Research Centre. The introduction of a standard for the professional development of teachers, and related performance indicators, would provide greater control over this activity and greater assurance that DIMA’s objectives are being achieved.

\(^{20}\) The AMEP Research Centre is a partnership between Macquarie and La Trobe Universities (with affiliates in WA and Queensland). The current contract was established following reviews of the role of a centre for research to support management and delivery of the contracted AMEP tuition services.
Management of the Special Projects Research Grants

2.23 In addition to its contract funding of $1.15 million, the Research Centre also receives annual funding of $300,000 for projects to undertake special research related to the AMEP. A Committee to Advise on Special Projects Research identifies and recommends research priorities to DIMA. DIMA provides the Chair for this Committee, which includes representatives of stakeholders (such as service providers) and a nominee of the Minister.

2.24 At the time of the audit fieldwork, the contract was still in its first year. Some of the processes for managing activity of the Research Centre were still under development. Robust procedures were not in place to ensure that research undertaken was consistent with the aims and objectives of the main program. DIMA has since refined the criteria for the evaluation and approval of special projects, and receives reports from the Research Centre on the status of special projects.

Role of the State offices

2.25 Prior to contracting out, AMEP services were delivered by State/Territory governments. The DIMA State offices had responsibility for day to day management of these arrangements. With the advent of the contractual arrangements, DIMA State offices now have a limited role that includes: community liaison to bring difficulties with service providers to the attention of contract managers; assistance with AMEP promotion; and attending and participating in quarterly contract management meetings.

2.26 In practice, Migrant Resource Centres are becoming involved in resolving issues between service providers and AMEP clients, or concerns are finding their way directly to the contract managers in Canberra, thereby diminishing the role of the State Office. This tends to limit the ability of the State Office representative to make a contribution at the quarterly contract management meetings.

2.27 There would be value in DIMA reviewing the role with a view to either reallocating responsibilities to reflect current practices, or addressing any impediments to the effectiveness of the current role.

Conclusion

2.28 Management of the 27 various contracts which comprise the AMEP is undertaken within a sound overarching framework of the National Integrated Settlement Strategy (NISS), which coordinates settlement services at local, regional, State and National levels, and is further guided by an AMEP-specific plan.
2.29 However, planning for contract succession has not been sufficient or adequate to ensure that there is a smooth, efficient and effective transition at the end of the contract for either an extension of the existing contract with any revised service levels, or for selection of a new provider.

2.30 Other aspects of strategic management and coordination that would benefit from strengthening include:

- a more integrated role for financial management, which would provide greater assurance that tuition and other services are being delivered according to the financial terms of the contracts and are providing value for money;
- managing the different contributions of participants in AMEP promotion, and assessing the effectiveness of the various promotional activities; and
- improving performance information and reporting for professional development of teachers undertaken by the AMEP Research Centre.

**Recommendation No.2**

2.31 The ANAO recommends that DIMA improve strategic management and coordination for the AMEP to more effectively manage contracts, administration and outputs by:

- systematic planning for contract succession to ensure that there is a smooth, efficient and effective transition at the end of the contract for either an extension of the existing contract with any revised service levels, or for selection of a new provider;
- better integration of financial and contract management;
- clarifying the role and responsibilities of the various parties involved in promoting the AMEP; and
- implementing appropriate standards, performance indicators and performance reporting for the investment in teachers’ professional development.

**DIMA response**

2.32 DIMA agrees to the recommendation. An AMEP Business Strategy is being developed to provide an improved planning framework for AMEP management for the next five years. The Strategy will be supplemented by a Contract Management Plan to provide a point of coordination and guidance to contract managers. Both documents will take into account the findings and recommendations of the audit report.
3. Contract Funding Arrangements

This chapter analyses the contract funding arrangements with particular emphasis on the financial risks associated with funding of the tuition contracts and the contract for the AMEP Research Centre. The audit has identified weaknesses in the existing arrangements that will require particular attention in the period leading up to contract succession.

Introduction

3.1 In developing its funding approach for the contracted tuition services, DIMA advised that it considered the program as a whole, taking account of the overall costs and risks associated with the bidding and contracting process. DIMA also advised that it had regard for normal funding arrangements for adult education and that many service providers were familiar with the historical basis for funding AMEP, which had been based on enrolment levels. Accordingly it considers service providers bid prices would have had regard to known and prospective student behaviour. DIMA also took into account the need for flexibility to facilitate the best choices by clients in their means of English tuition, (the appropriate form of tuition is the subject of negotiation between the client and service provider).

3.2 The range of backgrounds and client needs is accommodated by flexible learning arrangements comprising:

- formal tuition, which can include day, evening or weekend classes. Formal tuition is the major part of the program, comprising about 33 000 participants at an annual cost of some $66 million;
- distance learning which involves correspondence learning between teachers and clients in remote locations or those in metropolitan areas who cannot attend classes. It has about 3000 participants at a cost of some $3.5 million per year;
- the home tutor scheme, which assists clients involved in very low level intensity classes or who are not ready or able to participate in formal tuition. It is provided by volunteer home tutors under the supervision of a service provider. The scheme has about 4000 participants at an annual cost of about $2 million;
- a special preparatory program for survivors of torture and trauma. It comprises a personalised service by specially trained teachers, to help the client make a successful transition to mainstream AMEP classes. The program costs approximately $4 million a year.
3.3 The funding approach employed for these learning arrangements has a focus on enrolments, not on outputs. A consequence of this approach is that DIMA accepted some financial risk to cost effective outputs as part of the judgements it made in developing the overall package for AMEP tuition and funding. This chapter assesses the actual levels of risks incurred, and identifies some aspects of the funding model that warrant reconsideration when the next opportunity occurs for contract renewal or re-tendering (DIMA has extended current contracts which fell due in January 2001 on the basis of an unchanged funding model).

3.4 Some risks arise from the possibility that client and/or provider behaviour differs from assumptions underlying the funding arrangements. These are, to a considerable degree, open-ended within the current arrangements and can arise from:

- tuition hours offered to students varying from funding assumptions;
- clients enrolling for AMEP courses more than once in a year; and
- tuition received and length of stay in the program.

**Tuition hours offered to students**

3.5 DIMA’s payment arrangements for AMEP student enrolments utilise the concept of offered hours for formal and distance learning (payments for the Home Tutor Scheme are made on the basis of a fixed price). Offered hours represents the total of possible contact hours for the course of tuition negotiated with a client at the beginning of the course.

3.6 DIMA advised that the tuition contracts were negotiated on an offered hours basis to take into account the nature of adult education where student availability can be variable, and teaching and accommodation overheads are paid whether or not a student can attend the hours of tuition that have been agreed and made available.

3.7 DIMA pays for tuition on the assumption that 231 hours of tuition are, on average, offered to clients each year in formal tuition and 105 for those in distance learning.\(^{21}\) That is, it pays on the basis of:

\[
\text{number of clients enrolled} \times \text{assumed hours} \times \text{contract hourly rate}
\]

\(^{21}\) These assumptions were derived from historical averages.
3.8 Payments are subject to a guaranteed minimum payment each year. The guarantee is set at 80 per cent of the amount payable for these hours for the number of clients expected by DIMA to register with them during the year.\textsuperscript{22} The purpose is, broadly, to provide guarantees to contractors against the actual number of clients being less than anticipated by DIMA (and planned for by the contractor). The guarantee arrangement presents some risk that DIMA will pay for more service than delivered. In practice this risk has been well contained within the error range in DIMA’s forecast (the amount foregone to date is only $26\ 317\textsuperscript{23}).

3.9 The above formula is also varied where the provider has more enrolments than forecast by DIMA. When this occurs, the client is effectively assumed to have arrived late in the year and the payment assumption is that one term’s tuition was provided for the extra enrolments. For the most recent year’s data—1999—the effect of this adjustment was that DIMA paid on average for 221 hours formal tuition (rather than 231); there were no adjustments affecting the assumed 105 hours for distance learning. Appendix 5 provides a more detailed explanation of payment formulae.

3.10 This practice reflects the contract pricing model set out in DIMA’s request for tender issued in 1997 and is the basis upon which the contractors invoice DIMA. However, the contract payment schedule to the contracts with service providers specifies that fees will be paid as follows:

\[
\textdollar X.xx \text{ per offered hour}
\]

subject to the guarantee and adjustments described above. The contracts further define offered hours as:

\[
\text{the sum of the possible contact hours between a client's assignment start date and end date, for the activities for which they are assigned.}
\]

3.11 There is no reference in the contracts to offered hours being assumed to be 231 hours etc, (other than in the guaranteed minimum payment formula).

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\textsuperscript{22} DIMA has a forecasting model to estimate these numbers from, \textit{inter alia}, visa applications and grantings, and historical trends.

\textsuperscript{23} The only instance of under-performance was in 2000 in one contract in WA where the number of clients in formal tuition was 54 fewer than the annual guaranteed business level, although the guaranteed business levels for other forms of tuition were exceeded. This was due to a policy change affecting temporary protection visas holders’ eligibility for the AMEP.
3.12 DIMA has indicated that current practice of paying for assumed hours of tuition was always its intent and that this was recognised by service providers. It has also advised that its legal advice is that there is no inconsistency between the payment structures set out in the Request For Tender (RFT) and the contract ‘when considered in the context of the whole tender process, contract negotiations, and the executed contracts.’

3.13 However, the ANAO considers that the payment clause is not consistent with DIMA’s stated intent at the time the contract was signed, as the definition of offered hours in the contract itself does not reflect DIMA’s assumption of 231 hours etc, but rather suggests actual time offered. As acknowledged by DIMA, reference is necessary to other material not incorporated into the contract to properly ascertain the payment practice to infer its intent. The purpose of contracts is to evidence the intent of the parties. Payment arrangements are a central aspect of this intent. Uncertainty in key provisions of the contract carries the risk that, at a later time, the parties may not agree with their initial intention. This uncertainty may adversely impact on the performance or administration of the contract. Payments should be clearly articulated within contracts for the benefit of both parties and to protect the interests of the Commonwealth. The ANAO considers that DIMA should ensure that the contracts more clearly articulate these arrangements, and that amendments to the contracts be made in accordance with the mechanisms provided within those contracts.

3.14 Notwithstanding the resolution of this matter, current payment arrangements provide for a fixed amount of tuition, regardless of the amount offered by the provider. There is no provision in the contracts to manage the risk that fewer tuition hours are offered than is assumed by DIMA. The ANAO found that the hours offered by service providers are, on average, less than assumed in these payment arrangements. This is summarised in Figure 11, along with the actual number of hours of tuition delivered (actual hours of tuition are discussed further at 3.17 to 3.20).
3.15 Figure 11 demonstrates that on average, there was more than a 5 per cent difference between the number of hours funded and the number of hours offered to clients by service providers for both formal tuition and distance learning. The ANAO acknowledges that for individuals, there may be a need for some clients to be offered a different number of hours in a year to take account of personal circumstances. However, the lower number of hours offered overall means, in effect, that DIMA purchased approximately 15 offered hours of Formal Tuition per client per year and approximately 13 offered hours of Distance Learning per client per year which was not delivered, representing a cost of some $5 million for the year. Even if this has resulted from service providers becoming more effective in the delivery of programs, the Commonwealth has not shared in the benefits.

3.16 The ANAO considers that DIMA should review provisions specified in the contracts at the first available opportunity, to ensure payment methods for tuition are well aligned with tuition hours offered by providers to clients.
Tuition received and length of stay in the program

3.17 The AMEP has been funded on the basis of offered hours for many years. Figure 12 shows that the actual hours of tuition undertaken by clients were well below the hours of tuition offered, for example at about two thirds of the hours offered for formal tuition. DIMA’s view is that adult students are not able to attend every class that is scheduled for them since other commitments such as work or family often takes priority.

3.18 DIMA has advised that the pattern of client participation has changed from the historical assumptions upon which the funding formula was based and other aspects of the program have changed in ways not foreseen at the time of contract formulation. A consequence of this is that clients are on average, choosing lower intensity classes. Clients continuing in the program are on average completing a greater number of terms of enrolment, in 1999–2000 the average was 2.94 enrolments an increase over the previous year of 2.66 enrolments.

3.19 The result is that the average client will potentially remain in the program for a longer period, as it will take a greater number of enrolments before the full entitlement is depleted. The cost per output from the program would rise under these circumstances.

3.20 The ANAO concludes that this is one aspect of the funding arrangements, which DIMA should consider at the next available opportunity. In the meantime, this emphasises the need for DIMA to monitor and review the extent to which service providers vary from its assumed approach and to consider any appropriate actions to ensure value for money in the achievement of outcomes under the current contracts.

Clients enrolling for AMEP courses more than once in a year

3.21 Current funding arrangements permit more than one annual payment for tuition for the same client. This situation can occur in two ways, as discussed below.

Parallel enrolments

3.22 A parallel enrolment occurs between service providers and is brought about largely by movement of the clients between regions. The delivery of AMEP tuition is divided into regions and an AMEP service provider covers each region. In Tasmania, the Australian Capital Territory and Northern Territory there is a sole provider. In other States there is more than one provider rendering services to clients in specific regions, (in Victoria there is a consortium of five providers under the umbrella of a prime contractor).
3.23 A parallel enrolment generally occurs if a client commences the AMEP with one service provider in, for example, central Sydney and then moves during the year to, say, regional NSW and continues their tuition in the same year with another service provider. In this situation, both providers are paid an annual tuition fee in accord with the funding formula (Appendix 5). This occurs notwithstanding the actual number of hours of tuition completed with each provider during the year. In addition, in Victoria, this situation arises if a client moves between any of the five consortium providers.

3.24 The percentage of parallel enrolments occurring within each State is shown in Figure 12.

**Figure 12**
Parallel enrolments in AMEP formal tuition within State

<table>
<thead>
<tr>
<th>State</th>
<th>1999</th>
<th>1998</th>
</tr>
</thead>
<tbody>
<tr>
<td>QLD</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NSW</td>
<td></td>
<td></td>
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<tr>
<td>WA</td>
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<tr>
<td>SA</td>
<td></td>
<td></td>
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<tr>
<td>VIC</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: DIMA

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24 In addition there is a small number of interstate parallel enrolments—about 75 clients per year.
3.25 The proportion of parallel enrolments overall is not large, representing around two per cent of enrolments; in terms of contract funding this is about $1 million per year. DIMA has advised that this may not represent potential savings because provider bid prices would have taken account of factors such as this. Further, it is important that contractual arrangements facilitate relocation of clients where this is in support of settlement outcomes. However, these payment arrangements do result in an additional tuition payment for each parallel enrolment, with no compensating control mechanism in the contracts. The ANAO found that this aspect of the contractual arrangements was not routinely monitored; it would be prudent financial management to do so to inform contract management meetings (for example, Victoria has a relatively large proportion of parallel enrolments between its five consortium partners) and to assess whether different contractual arrangements might be more cost-effective.

**Concurrent learning**

3.26 As previously discussed, the AMEP provides the flexibility of three main means of providing English tuition—formal tuition, distance learning and the home tutor scheme. A feature of this is that some clients may enrol for two different types of tuition with the same service provider. This is specifically the case for the home tutor scheme, which is intended as a bridge for some clients to the more mainstream tuition options and which is designed to supplement tuition in courses with few tuition hours. Accordingly the terms of tuition contracts require service providers to seek to also enrol students enrolled in distance learning or who have less than seven offered hours of formal tuition per week into the home tutor scheme.

3.27 The level of concurrent learning activity across all contracts in 1999–2000 is shown in Figure 13.

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25 The amount for 1999 was $1,003,863, taking into account reduced rates of funding at higher levels of achievement. See Appendix 5 for detailed explanation of method of calculating reduced rates.
3.28 Figure 13 shows that there is concurrent enrolment in the home tutor scheme and distance learning and the home tutor scheme and formal tuition that is in accordance with the contractual provisions. However, some clients are also concurrently enrolled in formal tuition and distance learning and a few in all three tuition modes, a financial risk to the Commonwealth given that it pays providers on an enrolment type basis for individual clients rather than a client basis. The additional payments to providers for concurrent enrolments in formal and distance tuition and those enrolled in all three learning modes (shaded areas of Figure 13) is approximately $1.3 million.

3.29 DIMA has advised that this occurs because service providers employ a range of strategies and use the funding available to them in a range of ways to maximise reach, participation and outcomes from the program. These strategies are discussed and analysed in contract management meetings. However, the ANAO found that there was, in practice, wide variation in the amount of concurrent learning activity between different providers, suggesting that monitoring arrangements are not focused on delivering a consistent approach in support of educational outcomes nor on the risks of inappropriate levels of concurrent learning for some providers. Figure 14 illustrates the variation between providers in the States/Territories.
3.30 The ANAO found that existing contract monitoring arrangements provide limited assurance that concurrent learning activity is being managed to achieve cost-effective educational outcomes. The ANAO recognises that flexibility in provider’s tuition strategies is desirable; for example where a client may wish to change mode of learning. However, under current arrangements the provider will be paid for the majority of enrolments for such clients. Paradoxically, in these cases the clients are less likely to utilise the hours of tuition assumed in the funding model and therefore paid by the Commonwealth. Uneven or ineffective application of these arrangements exposes the Commonwealth to the financial risk of concurrent enrolments taking place without a concomitant increase in educational outcomes.

Conclusion—funding of tuition contracts

3.31 With the passage of time, some behaviours now differ from assumptions underlying the tuition contract funding arrangements. The balance of risks that DIMA has accepted from these funding arrangements warrants reconsideration in a risk management context at the next

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 Administrative rules are applied to ensure only one payment is made where clients are concurrently enrolled in formal tuition and the home tutor scheme provided the formal tuition load is less than seven hours per week. These cases are not included in the costing above.
opportunity for contract renegotiation or renewal. Matters for consideration include the extent to which current funding arrangements permit more than one annual payment for the same client.

3.32 Of immediate concern, the ANAO considers that intended payment arrangements for the tuition contracts should be more clearly articulated in the contracts. There is also a matter of value for money for the Commonwealth as the hours offered by service providers is, on average, less than the hours assumed in the payment arrangements.

3.33 Pending any contractual changes, improved monitoring and financial control arrangements would strengthen management of these risks.

Recommendation No.3

3.34 The ANAO recommends that DIMA better manage its financial risks by:

• ensuring that tuition contracts more clearly articulate intended payment arrangements;

• assessing, when DIMA next renegotiates the contracts, financial risks to the Commonwealth of the current financial arrangements, and ensuring that future funding arrangements provide an appropriate balance between risk and achievement of value for money for the Commonwealth; and

• developing appropriate monitoring and controls for existing contracts with regard to tuition hours and multiple enrolments.

DIMA response

3.35 DIMA agrees to the recommendation. In relation to the wording of tuition contracts, while DIMA’s experience has been that the payment arrangements under the tuition contracts have worked to the satisfaction of all parties, the Department will further clarify the payment arrangements as recommended. In relation to the funding formula, DIMA notes that both it and the Service providers have accepted certain risks and DIMA is satisfied that it receives the capacities and services contracted for. In planning the requirements and funding arrangements for the next tender round, DIMA will take into account the ANAO’s analyses and findings in establishing an appropriate balance between risk and ensuring value for money. DIMA will extend existing monitoring and control processes to ensure that enrolment patterns are consistent with contractual arrangements and delivery of best educational outcomes for clients.
**Funding arrangements for the Research Centre**

3.36 DIMA’s contract with the AMEP Research Centre (see paragraph 2.19) was for $1.15 million in 2000. Under the terms of the contract, the Research Centre must itself also contribute $1.15 million towards the cost of providing the contracted services.

3.37 The contract provides that $115 000 of its in-kind contribution is to be internally generated goodwill. Australian Accounting Standards\(^{27}\) do not permit recognition of internally generated goodwill. It would be better financial management practice to cease recognising goodwill in this way and come to alternative arrangements with the Research Centre.

3.38 The AMEP Research Centre generates some $65 000 a year from the sale of publications, which it treats as income to itself. DIMA has advised that it considers that sales of publications, and therefore the dissemination of results, would fall if the Research Centre did not retain the proceeds of sales. However, current practice is not consistent with the contract provisions that all such intellectual property rights\(^{28}\) are vested with the Commonwealth, and no arrangement has been made to grant these monies to the Research Centre.

\(^{27}\) Australian Accounting Standard 18.

\(^{28}\) Includes copyright, trademark, design, patent or circuit layout rights, trade, business or company names or other property rights or any rights to registration of such rights existing in Australia, whether created before, on or after the commencement date of the contract.
4. Contract Monitoring and Performance Assessment

This chapter reviews the systems and procedures DIMA has in place to measure and monitor the AMEP contracts. Although a great deal of effort is devoted to contract monitoring, there is a need to strengthen and streamline the performance information and contract-monitoring framework.

Introduction

4.1 Contract monitoring is critical to the effective management of a contract and is central to agency accountability. This includes monitoring the performance of service providers against pre-determined, clear and agreed criteria set out in the contract to:

- determine if the provider is delivering in accordance with the terms and conditions of the contract;
- assess the quality, cost and timeliness of the service and the extent to which the user’s needs are met; and
- provide early warning when problems arise.

4.2 The AMEP contract monitoring arrangements are comprehensive and involve:

- monitoring of tuition provider performance;
- quality assurance through the accreditation of providers, which is mainly focused on program inputs, and a benchmarking process, which is focused on the awarding of competencies, or program outputs;
- a client survey to determine the extent of user satisfaction;
- an information system to support the management of the program; and
- the potential for independent auditing.

Monitoring against key program performance indicators

4.3 Key performance indicators should preferably be measurable statements describing actions or events related to cost, time, quality and service with attributes that are verifiable, relevant and unambiguous.29

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4.4 The AMEP tuition contracts employ a wide range, number and type of performance indicators (Figure 15). Although many of the indicators are attempting to measure similar activities and contain similar phrases, there are differences between contracts. As discussed in paragraph 1.4, DIMA’s management of AMEP output has focused on reach, retention and results, as intermediate outcomes. However, the ANAO found that most contract performance indicators do not address these and were of little relevance in managing the program and unrelated to program outputs and outcomes. Many of these performance indicators arose from negotiations with individual service providers, and may hold little relevance to DIMA in managing contract performance.

**Figure 15**
Number of performance indicators contained in AMEP tuition contracts.

Source: DIMA

4.5 DIMA recognised shortly after the contracts became operational that performance information contained within the contracts was not sufficiently aligned with key AMEP performance measures. DIMA therefore undertook a review to assess the possibility of including the objectives of reach, retention and results in the contracts in a formal way. The review established that contract variations would be required, and negotiations with service providers commenced to achieve this.

4.6 Accordingly, the inclusion in contracts of key performance indicators relating to reach, retention and results is now at varying stages of development across the 20 tuition contracts, resulting in a wide range in both the number and content of performance indicators.
4.7 The ANAO acknowledges that some of the AMEP service providers
operate on a relatively small scale, and that others do not provide all
three types of tuition services (formal, distance learning and home tutor
scheme). However, the larger service providers are represented at both
ends of the scale in Figure 15.

4.8 As a result of these differences, DIMA has few indicators with
which it can compare performance across service providers; set achievable
targets based on best practice performance; and report cumulative results.
The ANAO also found that, notwithstanding the status of current
performance indicators, there were few meaningful performance targets
set that service providers were required to achieve. Such targets (or
standards)\(^{30}\) are an important element of better practice contractual
arrangements and contract performance management.

4.9 The implementation of targets would assist in focusing on those
areas of contract performance that require priority attention, and would
reinforce to contractors and contract managers the importance of
delivering prompt and responsive service to clients. Service targets
would provide clear benchmarks for accountability on AMEP service
performance. Implementation of such targets will be facilitated by greater
standardisation of performance indicators across contracts.

4.10 The ANAO concludes that reporting by service providers currently
has a substantial focus on listing activities and on performance indicators
that are not well aligned with key program performance measures.

**The accreditation of providers**

4.11 The accreditation of AMEP tuition providers was introduced by
DIMA to address concerns that service providers may have been using
different interpretations of contract requirements with respect to the
provision of some of the elements of acceptable service provision, for
example classrooms, class sizes and teacher qualification.

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\(^{30}\) Targets express quantifiable performance levels or changes of level to be attained at a future
date. Standards relate to pre-defined performance specifications. By implication, they are the
minimum levels of performance. ANAO Performance Information Principles, Better Practice Guide,
4.12 The accreditation process is managed through a separate contract with the National English Language Teaching Accreditation Scheme (NEAS), an independent accreditation service. Accreditation assessments are based on a set of agreed quality standards, jointly developed by DIMA and NEAS, underpinned by a rolling program of inspections. The terms of the NEAS contract provide for a visit to each service provider premises at least once a year. Areas to be monitored under this contract include:

- assessment of client English language skills and placement in appropriate learning activities;
- the facilities, resources and practices involved in the provision of tuition to clients, including:
  - standard of classroom and other accommodation;
  - quality and accessibility of teaching and learning resources; and
  - allocation of teachers to learning arrangements;
- provision of a counselling and referral service;
- provision of a process for hearing and resolving client grievances;
- provision of childcare;
- promotion of the AMEP;
- policies and programs for professional development for staff; and
- monitoring of client satisfaction.

4.13 The contract requires the NEAS to report annually against its contract and obligations. DIMA can determine the content for this report. At the time of the audit, DIMA had not specified the content for the NEAS annual report. In the absence of any specifications, the NEAS annual report generally discusses provider performance in very broad terms and does not provide specific management information on the contract deliverables above.

4.14 In the absence of this information, DIMA may not be aware of the broader message that might be received concerning common problems or emerging themes against the contract deliverables. Further, if some providers are just meeting the standard in some key areas, DIMA may not be aware of this information, which would be important for managing the contracts for optimum service delivery.

4.15 The ANAO concludes that, while the arrangements for the accreditation of providers are comprehensive, the reporting arrangements are not structured to provide management information against contract deliverables. Specifying suitable reporting requirements would enable DIMA to obtain sufficient information for review and assessment within a contract monitoring framework.
Monitoring of the award of competencies

4.16 AMEP tuition contracts require service providers to teach and assess students against the CSWE (Certificate in Spoken and Written English) Curriculum. CSWE is designed to assist adult learners of non-English speaking backgrounds to develop language and literacy skills. The curriculum has three Certificate levels and students are placed within a level according to their assessed language abilities. Student progress is monitored according to the achievement of competencies against nationally recognised assessment criteria.

4.17 DIMA, through the AMEP Research Centre, has developed statistical benchmarks for the CSWE competencies; that is, for each certificate level achieved, there are competency benchmarks. These benchmarks are intended to facilitate assessment of service providers with respect to the consistency and appropriateness of awarding competencies under the CSWE curriculum. The original benchmarks were formulated in 1996, and service provider performance was tested against them in 2000, as part of the evaluation process at year 3 of the contracts, to assist in consideration of whether to extend or re-tender existing contracts.

4.18 Preliminary analysis of the benchmarking data has identified one issue for program management—that ‘stage jumping’ occurs when students undertake competencies at a higher level than the certificate level in which they were initially enrolled. This occurs for example, where students may be relatively more advanced in speaking skills than writing. Whilst there are legitimate reasons for this to occur in support of program outcomes, there is also the risk that some of this may be due to clients being advised to, in effect, manoeuvre around competencies which they find difficult to achieve, with potential implications for program outputs. DIMA is aware of this practice and intends to undertake further refinement and development of the benchmarks.

Complaints handling

4.19 Each of the tuition contracts requires providers to have a complaint handling procedure and to resolve client complaints. (Where complaints cannot be resolved the contract requires they be referred to DIMA, although in practice this has rarely occurred). Compliance with complaints process requirement is checked through the AMEP accreditation process.

31 See paragraphs 1.26–1.28 and Appendix 6 for further details.
4.20 However, there is no requirement or administrative system for the routine forwarding of complaint data from the service providers to DIMA. DIMA does not monitor complaints to service providers as an indicator of individual provider’s performance nor to identify systemic issues which might be addressed to improve service delivery. Such a review mechanism is an important element of better practice in complaints handling.\(^{32}\)

4.21 The need to better manage the complaints handling mechanisms was emphasised in the results from DIMA’s Client Satisfaction Survey. In particular, the survey reported that only 54 per cent of the respondents knew that they were allowed to make a complaint about the services provided by the contractor. Of these, 16 per cent said that they had felt they wanted to make a complaint and 30 per cent of those that knew they were allowed to make a complaint had actually done so. Of those that made a complaint, only 48 per cent gave a rating of satisfied or highly satisfied in relation to the complaint process.

4.22 A more prominent contract management role for DIMA would provide greater assurance that individual complaints are satisfactorily resolved, that issues impacting on an individual contractor’s performance are brought to DIMA’s attention and that systemic issues are identified and taken into account in broader contract management when renegotiating or re-tendering the contracts.

---

\(^{32}\) The Commonwealth Ombudsman’s guide identifies the essential elements for an effective complaint handling system:

- there must be strong commitment for the complaints system throughout the organisation;
- it must be fair and appear to be fair to both clients and agency staff;
- it must be accessible to clients and well publicised;
- it must be responsive to clients in that it is able to provide a timely service that is also comprehensive;
- it must be effective at two levels, firstly as a means of addressing individual complaints and secondly as a review mechanism for identifying systemic faults or improving service delivery in general; and
- there must be accountability for the system. This is typically achieved by publishing information about the system and reporting on complaint information received.
Information management

4.23 Management of a national program of adult education, where there is a need to track an individual’s eligibility for, and academic progress through, a system which has a 510 hour legislated entitlement, requires sound supporting information management. At any one time there can be up to 36 000 active students and each ‘contact’ hour must be recorded, together with academic progress, to ensure legislated entitlements are not exceeded. This information is therefore important both to contract management and to inform the service providers on a range of issues such as eligibility of individuals and progress of clients in achieving competencies.

4.24 The AMEP information system relies on a key database, known as the AMEP Reporting and Management System (ARMS). The ARMS database draws information on eligibility from DIMA’s settlement database. Service providers access ARMS to determine client eligibility and update the system as required (for example, as clients deplete their entitlement and achieve competencies). Both contract managers and service providers download standard reports from ARMS for performance monitoring and contract management purposes to verify, for example, payments required to providers.

4.25 In addition, DIMA also has established internally the National Management Information Unit (NMIU). This unit undertakes a range of analysis and interpretation of ARMS data, and produces ad-hoc reports from the database at the request of both service providers and DIMA’s contract managers. NMIU also is responsible for the data quality of ARMS, which it ensures through data audits as well as provides training to service providers and contract managers on ARMS. Appendix 7 describes the relationships and processes in more detail.

4.26 The ANAO found that the overall performance of the information system was adequate. Available reports are appropriate for use by DIMA’s officers and service providers. The system administrator is able to produce reports to suit the special needs of the user base in a timely fashion and users also have the ability to produce their own reports. The online manual is of a professional standard, is easy to use, comprehensive and detailed.

4.27 The ANAO concludes that the information system has the necessary elements and functionality to support contract monitoring and contribute to the achievement of DIMA’s objectives for the AMEP.
Access clauses

4.28 One element of effective control and performance monitoring of contractual arrangements between the Commonwealth and third parties is ensuring the arrangements provide the agency with sufficient access to records, information and assets directly relevant to contract performance. The ANAO found that all AMEP contracts did appropriately contain a clause permitting a person authorised in writing by DIMA to examine contractor records and facilities. However, of the 27 contracts, only three specifically referred to access by the ANAO; it would be better practice to also include explicit model clauses for external auditing access for future contracts.

Conclusion

4.29 Contract management is supported by contract performance indicators and monitoring of results, and by quality assurance procedures including accreditation of tuition providers and benchmarking the awarding of competencies by service providers.

4.30 However, some of the contract performance management and monitoring arrangements and practices do not sufficiently support cost effective delivery of Program outputs and related outcomes, some of which require changed contractual arrangements. In particular:

- key result areas for Program management of reach, retention and results are not well reflected in contract performance indicators;
- there are few standards and targets contained in the contracts, which would be better practice contract management in support of outcomes;
- there is insufficient information from the accreditation process to support review and assessment within a contract monitoring framework; and
- DIMA does not monitor complaints to service providers, to inform upon contract management and service quality.

Recommendation No.4

4.31 To enable DIMA to evaluate AMEP performance, the ANAO recommends that, at the first available opportunity, DIMA align performance indicators in AMEP tuition contracts with key program performance measures, and include performance targets in the contracts.
DIMA response

4.32 DIMA agrees to the recommendation. As a result of negotiations with Service Providers leading up to the 3rd year evaluation of contracts in 2000–01, all contractors now report against the program outcomes of reach, retention and results. In the next tender round, a uniform set of performance indicators will be included in the contracts, which will be better aligned with key program performance measures.

Recommendation No.5

4.33 The ANAO recommends that DIMA specify its expected requirements from the NEAS to provide it with suitable information on assessments of provider skills, facilities, resources and practices.

DIMA response

4.34 DIMA agrees to the recommendation. DIMA will develop with NEAS a more substantial reporting framework.

Recommendation No.6

4.35 The ANAO recommends that DIMA collect, monitor and review complaints data to inform and improve service delivery.

DIMA response

4.36 DIMA agrees to the recommendation. As part of the follow up to the department’s recent survey of AMEP clients, arrangements will be put in place to collect, monitor and review complaints data.

Canberra   ACT   P. J. Barrett
28 May 2001   Auditor-General
Appendices
Appendix 1

Audit Criteria and Methodology

The audit criteria addressed four contract management and performance measurement principles which were drawn from the ANAO Better Practice Guide on Contract Management and other recognised better practice publications:

- there is a performance framework which links contract performance to program outcomes;
- strategic and planning arrangements support successful management of contract performance;
- there is an adequate process for the arrangements that are necessary at the end of the contract term(s); and
- monitoring and review ensures tuition is being delivered according to desired time, cost, quality and throughput.

The audit methodology consisted of:

- file and document review;
- with the assistance of an expert consultant, analysis and review of the information systems including the data and assumptions used in funding AMEP contracts;
- interviews with DIMA staff; and
- discussions with a selection of service providers and other stakeholders with responsibilities for the delivery of AMEP services.

33 Principally the MAB–MIAC Report No.23, Before you sign on the dotted line…ensuring contracts can be managed. May 1997 and other publications appropriately referenced in relevant Chapters.
Appendix 2
 Eligibility Flowchart for the AMEP

Obligation to provide English language tuition

4C. Subject to section 4D, the Commonwealth is obliged to provide, or arrange, the provisions of 510 hours of tuition in an approved English course to a person if the person:

- has made an application for a permanent visa; and
- was at least 18 at the time the permanent visa came into force; and
- does not have functional English; and
- is not excluded from being provided with English tuition by the regulations; and
- has not previously been entitled under this Act to 510 hours of tuition in an approved English course.

Provision of English language tuition under the discretionary provisions

4 The Minister may arrange for English courses and citizenship courses to be provided. In Australia and the Territory of Cocos (Keeling Islands) or in the Territory of Christmas Island for persons who:

- hold a permanent visa;
- hold a temporary visa of a class specified by the Minister by notice published in the Gazette;
- previously held a permanent entry permit or a permanent visa and have become Australian citizens;
- are citizens of New Zealand who hold a special category of visa.

Cessation of obligation to provide English language tuition

4D. Cessation of obligation to provide English tuition

(1) Subject to this section, the obligation of the Commonwealth to a person under section 4C ceases:

- if the provider of an approved English course determines, in writing, in accordance with procedures approved in writing by the Secretary, that the person has functional English; or
- if the person fails to register with the provider of an approved English course within the period of 3 months starting on the visa commencement date; or
- if the person fails to commence an approved English course within the period of 12 months starting on the visa commencement date; or
- at the end of the period of 36 months starting on the visa commencement date.

Source: ANAO from DIMA Information
Appendix 3

Cost Recovery in the AMEP

Prior to 1 May 1997 the migrants of some visa categories (chiefly skilled migrants) without functional English were subject to the English Education Charge (EEC) before they could undertake the AMEP.

From 1 May 1997, the EEC was removed and replaced by the Visa Application Charge (VAC) and the former EEC is now collected (where applicable) in the second instalment of the VAC.

A consequence of this change has been that the charge is no longer technically a fee for service but is defined as a tax, calculated to match full cost recovery. Migrants in the following categories are ineligible to undertake the AMEP unless they have paid the second instalment of the VAC:

Business Skills (Principals and Dependents)
There are five categories in the area of Business Skills migration and they are as follows:

- Business Owners—for owners or part owners of a business.
- Senior Executive—for senior executives of major businesses.
- Established Business in Australia—for those with an ownership interest in a business in Australia.
- Regional Established Business in Australia—for those with an ownership interest in a business in a designated area in Australia.
- Investment Linked—for those willing to make a substantial investment in a government approved, designated investment for three years.

Employer Nomination Sponsored (ENS) (Principals and Dependents)

- The ENS allows Australian employers to fill highly skilled positions in Australia with a non-Australian citizen or resident. The ENS has been developed for Australian employers to recruit, on a permanent basis, highly skilled staff from overseas or temporary residents currently in Australia, when they have been unable to fill a vacancy from within the Australian labour market or through their own training programs.
Labour Agreements (LA) (Principals and Dependents)

- Labour Agreements cover both permanent and temporary entry visa subclasses. A Labour Agreement is a formal arrangement negotiated between the Commonwealth Government and an employer or industrial association. Other interested parties, for example, a union, may also be party to a Labour Agreement. Labour Agreements enable Australian employers to recruit a specified number of workers from overseas in response to identified or emerging labour market (or skill) shortages in the Australian labour market.

Distinguished Talent (Principals and Dependents)

- For those that have an exceptional or outstanding record of achievement in their chosen field or profession, the arts or sport.

Special Eligibility: Migrant ( Former Resident) and Residence (Close Ties) (Principals and Dependents)

- For applicants (fulfilling special eligibility criteria) who are resident or were formerly resident in Australia.

Regional Sponsored Migration Scheme (Principals and Dependents)

- The RSMS is designed to help employers in regional or low population growth areas of Australia who are unable to fill skilled vacancies from the local labour market.

Skilled Australian-Sponsored (formerly Concessional or Skilled—Australian Linked) (Principals and Dependents)

- Applicants in this category must be sponsored by a relative already living in Australia.

Independent (Principals and Dependents)

- For those skilled migrants who do not have a sponsor.
Appendix 4

The National Integrated Settlement Strategy (NISS)

DIMA delivers settlement services to migrants, including refugee and eligible humanitarian entrants, within the framework of the NISS. The NISS is a joint Federal/State initiative and seeks to link and integrate services available to migrants and refugees in Australia at the local, regional, State/Territory and National levels. It aims to clarify which agencies have responsibility for providing specific settlement services, encouraging the agencies to coordinate delivery of settlement services and targeting resources to avoid gaps and duplications. A summary of major settlement services delivered by DIMA under the NISS framework is provided in Figure 16.

Figure 16
Summary of settlement services provided by DIMA

<table>
<thead>
<tr>
<th>Name of Scheme</th>
<th>Description</th>
<th>Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Settlement Services (CSS) Scheme</td>
<td>The CSS Scheme seeks to provide funding for community organisations to initiate and manage services to help successful settlement of migrants, recently arrived and humanitarian entrants.</td>
<td>$14.164 million</td>
</tr>
<tr>
<td>Migrant Resource Centres (MRCs) outreach services that</td>
<td>A national network of 30 MRC’s plus three provide multilingual information, advice and referral services and develop specific services for migrants to meet local needs.</td>
<td>$8.745 million</td>
</tr>
<tr>
<td>Adult Migrant English Program</td>
<td>Ensures that migrants have access to English language education soon after their arrival in Australia.</td>
<td>$92.9 million</td>
</tr>
<tr>
<td>Translating and Interpreting Service</td>
<td>Helps migrants with limited English skills to access services provided by government and community agencies.</td>
<td>$13.2 million</td>
</tr>
</tbody>
</table>

continued next page
<table>
<thead>
<tr>
<th>Name of Scheme</th>
<th>Description</th>
<th>Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Refugee Settlement Scheme (CRSS)</td>
<td>Refugees and humanitarian entrants are assessed at overseas posts for referral to either CRSS or OAA. Volunteer groups under the CRSS are provided with a grant to expend on household formation for refugees or humanitarian entrants.</td>
<td>$1.9 million</td>
</tr>
<tr>
<td>On-Arrival Accommodation (OAA)</td>
<td>Refugees and humanitarian entrants identified as in need of this service are provided initial short term accommodation in self contained units for up to 13 weeks (or 26 weeks in cases of hardship).</td>
<td>$4 million</td>
</tr>
<tr>
<td>CSS Scheme grants funded under the IHSS</td>
<td>Additional funds were provided over 4 years, from 1997–98, for improving humanitarian settlement services mainly through CSS Scheme grants.</td>
<td>$2.5 million</td>
</tr>
</tbody>
</table>

Source: DIMA
Appendix 5

The AMEP Funding Model

The AMEP funding model was established in the tender documents in the period leading up to the contract negotiations, where DIMA conducted analysis to determine a contract funding method which would be acceptable for the service providers and also provide best value for money for the Commonwealth.

In planning the new arrangements for AMEP management, DIMA considered the Competitive Tendering and Contracting (CTC) experience of DIMA of Education, Employment, Training and Youth Affairs (DEETYA) who had tendered out the Special Intervention Program, a labour-market English as a Second Language (ESL) program, in 1992–93. One of the major issues encountered by DEETYA in early tender rounds was provider difficulty in managing their business in the absence of any guarantees of work levels.

The first part of the tender pricing model deals with the expected number of clients per year. Three levels were set:

- level A—the guaranteed business level. This represents the minimum number of clients per year to be funded over the life of the contract. Calculated as a percentage of clients expected in the first year of the contract;
- level B—the agreed annual business level. This equals 80 per cent of expected business for the year, negotiated annually to determine expected number of clients to be enrolled under the contract in that year. Level A is contained within level B; and
- level C—any additional business over and above the expected business level. This takes into consideration that adjustments may be necessary for providers who achieve greater than 100 per cent of the target set for the year.

A distinct exercise was also undertaken which involved counting the number of ‘enrolment events’ per year, (based on a four-term year and assuming a constant rate of enrolment over the four terms) and then dividing this by the number of participants in the year. This analysis was checked against average AMEP performance since 1992–93 but prior to the development of the Statement of Requirements and Requests for Tender. The examination found that the average client participates in the AMEP for an average of 2.1 terms per year for two years.
The tender pricing model is also based on a concept of ‘offered hours’ and this was written into the contracts as the driver for all methods of tuition payment. Offered hours is the total of possible contact hours, based on the course of tuition negotiated with a client at the beginning of the course.

Offered hours can and does differ from actual hours of teaching in situations where a client and the service provider agree to a course of instruction which might involve for example, 10 possible contact hours (i.e. offered hours) per week but for reasons of ill-health or employment opportunities, the client may only be able to attend for five actual hours of instruction.

DIMA has advised that the contracts were negotiated on the basis of offered hours to take into account the nature of adult education where student availability can be variable and that resources needed to be made available whether or not a student could attend a particular class.

The average number of offered hours for clients in formal tuition per term is 110. This average was also developed from historical averages, in the same way that the average number of terms of enrolment was calculated.

Thus, the formula for calculating the average number of hours required by the average AMEP client in formal tuition is derived as follows:

\[ 2.1 \text{ Average terms of enrolment per client per year} \]
\[ @ 110 \text{ offered hours per term} \]
\[ = 231 \text{ Average offered hours per enrolled client per year.} \]

For distance learning, the average number of offered hours per term is 50. The calculation for distance learning becomes:

\[ 2.1 \text{ Average terms of enrolment per client per year} \]
\[ @ 50 \text{ Offered hours per term} \]
\[ = 105 \text{ Average offered hours per enrolled client per year.} \]

As part of the tendering process, each service provider bid an hourly rate at which they would provide the tuition per average client, per year. The contracts provide for this rate to be adjusted by the Consumer Price Index (CPI) each year.

The bid price contains an amount needed to cover the costs of providing suitable accommodation, teachers and other overheads as well as childcare to those clients that require this service. However due to changes in Government childcare policy, the provision of this service has proven to be administratively difficult.
The bulk of service providers are thus paid to provide tuition, accommodation and childcare where applicable, according to the number of eligible clients registering with them during the year, multiplied by the average offered hours per enrolled client per year, multiplied by the bid price. For example:

- In financial year 2000–01, service provider A has an expectation of:
  - 6250 clients in formal tuition. The calculation would be:
    \[(80\% \times 6250) = 5000 \text{ clients as the expected level of business (level B)};\]
    \[5000 \text{ clients} \times 231 \text{ offered hours} \times $8.00^{34} \text{ per hour (bid price)} = $9,240,000\]
  - 1250 clients in distance learning. The calculation would be:
    \[(80\% \times 1250) = 1000 \text{ clients as the expected level of business for the year};\]
    \[1000 \text{ clients} \times 105 \text{ offered hours} \times $9.00^{35} \text{ per hour} = $840,000\]
  - 500 clients in the home tutor scheme. The calculation would be:
    \[(80\% \times 500 \text{ clients}) \times $500^{36} \text{ per client} = $200,000\]

For the majority of the service providers, the amount of funding is set at the beginning of the financial year according to the formulae above. From the example, service provider A would receive \((9,240,000 + 840,000 + 200,000)/12 = $856,667 \text{ per month}.\) Adjustments are generally made at end of year, but can be made up to twice per year should the provider reach more than the expected number of clients.

For example, an adjustment would be made if service provider A reached 104 per cent of the expected business level in formal tuition, the adjustments would be as follows:

- achievement up to 100\% \((6250 - 5000) = 1250\) the standard formula applies:
  \[= 1250 \times 231 \text{ offered hours} \times $8.00 \text{ per hour} = $2,310,000\]
- achievement beyond 100\% (i.e. level C) the formula is modified:
  \[104\% \text{ of 6250} = 6500 \text{ \ number of additional clients} = 250\]
  \[250 \times 110 \text{ offered hours} \times $8.00 \text{ per hour} = $220,000\]
- The tender pricing model pays for a reduced number of hours for any business activity at level C. This is to reflect that level C clients would not be present in the program for the whole year.

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34 Fictitious figure, provided for the purposes of exposition.
35 Also a fictitious figure, for the purposes of exposition.
36 Paid as a flat rate per client. Also a fictitious figure.
The rationale behind the level A and B provisions is to ensure that service providers retain a core level of expertise in Teaching English as a Second Language (TESOL) as well as to recognise the significant investment in teachers, technology and classroom accommodation needed to conduct courses of this type.

Reduced funding at level C was to protect the Commonwealth from unexpected ‘surges’ in demand, particularly where there may be large fluctuations in migrant intakes late in the financial year. DIMA also recognised that there needed to be some mechanism for the Commonwealth to share in any gains, where the contractors were able to achieve higher than expected reach results.
Appendix 6

The CSWE Curriculum Level Details

Figure 17
AMEP client learning groupings

<table>
<thead>
<tr>
<th>Australian Second Language Proficiency Rating (ASLPR)</th>
<th>Certificate Level and Context</th>
<th>Modules</th>
<th>Features of Delivery</th>
</tr>
</thead>
</table>
| Beginner                                             | Level I                        | Orientation to learning | Community Setting
  • Health, Shopping, Transport, Welfare, Accommodation, Sport and Recreation, Financial Services, Child care, Civics, Multiculturalism, The environment, Aboriginal issues |
  • Educational Setting
  • Local schools, Adult and community education, Education providers, Library services |
  • Employment Setting
  • Centrelink, Orientation to work in Australia, Categories of work, Basic expectations, Previous work experiences |
|                                                      | General contexts for language learning | Speaking and listening |                        |
|                                                      | Students may be grouped by learning pace (A, B or C) | Reading and writing |                        |
|                                                      |                                   | Mixed language skills |                        |
|                                                      |                                   | Optional numeracy |                        |
| Post Beginner                                        | Level II                        | Orientation to learning | Community Setting
  • As for level 1 |
  • Educational Setting
  • As for level 1 plus Comparison of the School System with other countries, educational pathways, Vocational training, Modes of learning |
  • Employment Setting
  • As for level 1 plus, Culture of work in Australia, Employee rights and responsibilities, comparisons with other cultures, Relationships at work, OH&S, EEO |
|                                                      | General contexts for language learning | Speaking and listening |                        |
|                                                      | Students may be grouped by learning pace (A, B or C) | Reading and writing |                        |
|                                                      |                                   | Mixed language skills |                        |
|                                                      |                                   | Optional numeracy |                        |

continued next page
The table below shows the features of delivery for the AMEP contracts:

<table>
<thead>
<tr>
<th>Australian Second Language Proficiency Rating (ASLPR)</th>
<th>Certificate Level and Context</th>
<th>Modules</th>
<th>Features of Delivery</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intermediate</td>
<td>Level III Vocational English</td>
<td>Mixed focus</td>
<td>Successful Completion of the Required Number of Vocational Competencies indicates English Functional English. • Adaptable to a number of further study contexts such as job inquiries, job interviews and workplace relations. • Successful completion at this level would indicate that the student could negotiate a complex/problematic-spoken exchange.</td>
</tr>
<tr>
<td></td>
<td>Further study Students may be grouped by learning pace (A, B or C)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: DIMA

Clients undergoing the AMEP are further sub-categorised into learning bands according to various factors, including the amount of prior education undertaken in their native language and use of Roman or non-Roman script. Figure 18 lists the learning bands and provides a brief description.

**Figure 18**

**Learning bands for AMEP clients**

<table>
<thead>
<tr>
<th>Bands</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Slower pace. Learners with limited learning experience in formal settings. Generally characterised by low levels of formal education, low levels of literacy in first language and possibly non-Roman script first language.</td>
</tr>
<tr>
<td>B</td>
<td>Standard pace. Learners with some learning strategies and/or resources. Learners have generally accessed secondary education in their home country and are literate in their first language.</td>
</tr>
<tr>
<td>C</td>
<td>Fast pace. Learners with a high level of learning resources and some post-secondary education and/or technical skills training. Literate in their first language.</td>
</tr>
</tbody>
</table>

Source: DIMA

For example, clients entering the AMEP at CSWE Certificate IA would have a low ASLPR score and are likely to be illiterate in their own language. Those entering at Certificate IIIC would have scored well in their ASLPR test and are likely to have significant academic achievement in their own language.
Required competencies for the award of CSWE level I, II and III

Certificates awarded under the CSWE are competency based, nationally registered and accredited and are based on criterion referenced assessment principles to assess achievement. A summary of the competencies required before the award of a certificate is provided in Figure 19.

**Figure 19**
CSWE competencies

<table>
<thead>
<tr>
<th>Credential</th>
<th>Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CSWE level I</strong></td>
<td>Students must achieve 12 out of 13 competencies:</td>
</tr>
<tr>
<td></td>
<td>2 out of 2 learning skills</td>
</tr>
<tr>
<td></td>
<td>4 out of 4 spoken language</td>
</tr>
<tr>
<td></td>
<td>4 out of 4 reading or</td>
</tr>
<tr>
<td></td>
<td>3 out of 4 reading plus 1 numeracy competency</td>
</tr>
<tr>
<td></td>
<td>2 out of 3 writing competencies.</td>
</tr>
<tr>
<td><strong>CSWE level II</strong></td>
<td>Students must achieve 12 out of 16 competencies:</td>
</tr>
<tr>
<td></td>
<td>2 out of 2 learning skills</td>
</tr>
<tr>
<td></td>
<td>4 out of 6 spoken language, with 1 compulsory listening competency,</td>
</tr>
<tr>
<td></td>
<td>3 out of 4 reading or</td>
</tr>
<tr>
<td></td>
<td>2 out of 4 reading plus 1 numeracy competency</td>
</tr>
<tr>
<td></td>
<td>3 out of 4 writing competencies.</td>
</tr>
<tr>
<td><strong>CSWE level III</strong></td>
<td>• Can undertake the roles and responsibilities of a learner in a formal learning environment.</td>
</tr>
<tr>
<td>(Functional English)</td>
<td>• Can use a range of learning strategies and resources.</td>
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<td></td>
<td>• Can demonstrate understanding of an oral presentation.</td>
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<td></td>
<td>• Can respond to complex spoken instructions.</td>
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<td></td>
<td>• Can obtain information through a telephone inquiry.</td>
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<td></td>
<td>• Can negotiate a complex/problematic-spoken exchange.</td>
</tr>
<tr>
<td></td>
<td>• Can participate in a casual conversation.</td>
</tr>
<tr>
<td></td>
<td>• Can read a procedural text.</td>
</tr>
<tr>
<td></td>
<td>• Can read an information text.</td>
</tr>
<tr>
<td></td>
<td>• Can write a procedural text.</td>
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<tr>
<td></td>
<td>• Can prepare relevant documents for employment.</td>
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<td></td>
<td>• Can write a report.</td>
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<td>• Can complete a formatted text.</td>
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Source: DIMA
Appendix 7

AMEP Information Management Arrangements

Service Providers
- Check Eligibility
- Register and Enrol
- Track Attendance
- Assess Clients

Database/Helpdesk Manager
- Contractor
- Based on DIMA (Head Office)

Database Technician
- In-House Support
- Based in DIMA Sydney Office

Settlement Database
- Visa Class

ARMS
- Contract Managers
  - Program Management
  - Performance Management

NMIU
- Service Providers
  - Performance Monitoring

Data Systems Analysis
- Private Contract

Data Audit

Ad Hoc Reports

Benchmarking Data

Predictive Modelling

Training and System Support

Source: ANAO from DIMA Document
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