

AUDIT AND EVALUATION. A PARTNERSHIP IN IMPROVING PERFORMANCE

In July 1998 the General Manager, Division of Training, Department of Employment Training and Industrial Relations (DETIR) identified the need to ensure that contractors were achieving the outcomes of their contracts to provide training to specified groups and individuals. Simultaneously, a need was identified to ensure that the programs being funded were achieving outcomes and that the Division was managing the risks of funding training programs. The Business Improvement Group that consisted of an evaluation team and an audit team was given the task of conducting projects aimed at responding to these needs. Prior to commencing the Group members needed to clearly identify what the difference was between audit and evaluation and where the functions of review and risk management fitted. It was not difficult to differentiate risk management from audit and evaluation but it was challenging to differentiate between audit, evaluation and review. The clarification was essential if the team was to know where their projects commenced and where they ended. The boundaries needed to be set.

The Business Improvement Group agreed that audit is a process used to check the operation of a process (Callioni:1999:17) whereas evaluation, as defined by Scriven (1991:47) refers to the process of determining the merit, worth or value of something or the product of the process. Review, according to Scriven, is part of the evaluation process. Audit and evaluation are part of a continuum, starting with the simplest form of audit ranging to a careful examination of the effects, intended or not, of particular decisions, programs or initiatives. In the former case, the result is usually process improvement; in the latter case, while process improvement may follow, it is likely that policy will be questioned and, sometimes, changed (Callioni).

The Business Improvement Group adopted the view that risk management was a systemic, disciplined process based on analysis, planning and documentation (Callioni) and it was the Group's role to develop a culture of "risk management" through leadership and mentoring in the Division of Training. Audit and evaluation may be used as the "risk treatments" for risks identified. It could be argued that other definitions are more appropriate but these definitions were agreed upon in relation to the tasks undertaken by the Business Improvement Group.

The projects that the Business Improvement Group has undertaken over the past year have proven that evaluation, review, audit and risk management are processes that link to form a performance evaluation framework. They are all processes that are integral to an organisation and their alliance creates a partnership in improving performance. Figures 1 and 2 highlight the interaction of the Business Improvement Group team, in relation to audit and evaluation, with internal and external stakeholders. To clarify the significance of the partnership the "Performance and outcomes audit of training contract providers" project is described in detail below.

AUDIT PROJECT

Aims of Project

The aim of the project was to ensure that providers of the User choice and Competitive Purchasing Programs were meeting the terms of their contracts. It also aimed to identify whether providers were achieving the desired outcomes of the relevant courses they provided under each contract. The User Choice contract involves the delivery of apprenticeship and traineeship training and the Competitive Purchasing Program contract involves the delivery of general vocational education training programs. The contractors that hold both types of contracts must be Registered Training Organisations (RTOs). The majority of RTOs consist of dedicated people who strive to ensure that quality training is delivered and students achieve training that leads to enhanced employment opportunities.

Audit Process

The audit process used in this project includes the collection and analysis of qualitative and quantitative data from the RTO and its clients benefiting from the services provided under the terms of the contracts. The process entails identifying the contracts to audit, and, once identified, the contracts are examined and discussed by the audit team.

The audit team comprises of Business Improvement Group audit team officers, an officer from the Purchasing team and a regional officer or officers (this is dependent upon the number of regions that the contract covers). The Purchasing team member is usually the officer responsible for the maintenance of the specific contract being audited and their knowledge of the ongoing performance issues of the RTO is shared with other audit team members. The regional officer is part of the audit team to ensure that any ongoing issues may be followed up in the location in which the contract is being performed. The regional officer also brings to the audit process knowledge of the RTO's operations in all training programs it delivers in the specific region.

The Business Improvement Group, to detail the process has developed a flowchart, Figure 3. As part of the process the RTO contracted to provide training by the Department, is provided with 5 working days notice of intention to audit. Prior to the audit, the team prepares by accessing information from the various databases held by the Division of Training. A number of lists containing the names of student files is subsequently prepared so that they may be examined during the audit. Lists of employers and students are also prepared and forwarded to the relevant regional offices. The regional offices allocate training consultants to conduct interviews with the employers and students to ascertain if they have been provided with training in accordance with the contract conditions.

The audit of records takes place in the RTO's premises. In some cases, this may involve a number of sites as training is often delivered in a number of regions across the State. The site visit involves examining students' files, quality assurance documents, advertising and marketing material, student assessment and accounting systems. The size of the contract, the number of students being trained and the number of courses being delivered determine the number of files examined. Generally 20% of the total number of students being trained, files are examined. Thus, if a RTO is delivering training to 1000 trainees or apprentices, in the case of the User Choice contract, 200 files would be examined.

At the finalisation of the site visit/s the audit team contact the relevant regional officers to obtain feedback on the employer and student interviews. Each team member prepares reports on the issues that they have audited, and on completion a meeting is held and the findings are discussed. All members of the team including the officers from the regions then agree upon the recommendations. The process takes approximately three weeks to complete. The final report is prepared by the audit team leader and is forwarded to the General Manager, Training Quality and Regulation and the Deputy Director-General, Training for their approval.

What to Audit?

The large number of contracts that are entered into between DETIR and RTOs in Queensland has determined the need to adopt a risk management approach to the prioritisation of audits. The risk assessment of RTOs has been categorised predominantly by the monetary size of the contract and past performance. RTOs that have combined contracts with the Department of over \$1 million are audited within three months of this amount being reached or exceeded. While those RTOs with combined contracts between \$500,000 and \$1 million are audited within six months and RTOs with combined contracts between \$200,000 and \$500,000 are audited within 12 months. RTOs that hold contracts under \$200,000 are audited within 18 months.

There are exceptions to the risk prioritisation of RTOs to be audited against contract performance such as those RTOs where significant complaints are lodged against them or where the Purchasing area identifies discrepancies as part of its contract maintenance role.

The contract audit process is time consuming, labour intensive and costly and as a consequence of a review of the delivery of training in Queensland, by the Vocational Education, Training and Employment Commission (1999), has established an integrated audit process. In addition, the Division has scheduled audits against the Australian Recognition Framework (ARF) which aim at improving the quality of RTOs entering into contracts with DETIR.

AUDIT OUTCOMES

Contract Review

The Planning and Purchasing area in the Division of Training manages the development and maintenance of contracts for the purchasing of training. The 1997 and 1998 contracts that were developed reflected the infancy of the process at this point in time and proved difficult to manage for a number of reasons. They were complex and verbose and in some cases failed to provide the Department with an opportunity to audit or evaluate the program/s being delivered under the contract. The nature of the parties to the contract also gave rise to problems in that many stakeholders were unskilled in contract management. There was also an expectation among some RTOs that the Government would never cancel a User Choice or Competitive Purchasing Program contract.

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The overall issue of Government contracts established as part of the Government's contracting out of services is, by nature, complex. Recent case law on the issue of public bodies dealing with a private body, *Hughes Aircraft Systems International v Airservices Australia (1997) 146 ALR 1*, established that public bodies have a duty to act in a high principled way in their commercial dealings. This is a higher duty than that applied to commercial entities.

The terms and conditions of the contracts formed the basis of all contractual audits. As part of the process it became apparent that some RTOs had never read the contract, so it was of little surprise that they were not delivering the services prescribed as part of their contractual obligations. It also became apparent that there were some clauses omitted from the contract and others that were repetitive and served little or no purpose. This information was used to inform the development of the 1999 contracts and the findings of audits during 1999 are being used to inform the development of the 2000 contracts.

The review of contracts on a continuous basis is essential and necessary as policies change to reflect the current Government's priorities and as an outcome of audit findings. The difference between a "good contract" and a "poor contract" becomes apparent during an audit. Often issues arise and it is obvious that the performance of the contractor does not meet the requirements of the Department. However, when an auditor is attempting to find if the action or inaction of the contractor is a breach of a contract it sometimes can become obvious that no clause exists to deal with the matter. This has occurred and is likely to occur when auditing against the terms and conditions of any contract and it is also the reason for audits being used to inform contractual reviews.

In terms of the contracts' review process for 2000, legal advice has been sought and a strong working relationship has been developed between relevant departmental officers and the Department's legal advisers. The review of the contracts has resulted in a refocus of the purpose of contracting for the provision of training delivery and the development of a shared understanding of the intended outcomes of the contracts developed.

Tender Evaluation Process Review

The Planning and Purchasing area of the Division of Training is also responsible for the evaluation of tenders. The audit process has been able to inform this process through several findings. Namely it has led to the audit team having a responsibility for reviewing those RTOs that are shortlisted for the awarding of contracts.

The reviewing of the shortlisted RTOs involves reading the "training proposals" put forward as part of the tender process. The services each RTO states it will offer are examined and using the knowledge acquired from auditing previous contracts, the audit team is able to identify if further information is required. For example, some RTOs state that they have facilities such as restaurants and bars, which are required, if the RTO is tendering for the delivery of Hospitality Operations courses. If the Department has not already inspected those sites, the audit team informs the Planning and Purchasing area that documentary evidence is required to prove the existence of these facilities.

The requirement to request further documentary evidence as part of the tender evaluation process is necessary as the audits to date have identified that some RTOs tender first and then consider the ramifications of their tender later. Some RTOs have been found to state in their training proposal that they have facilities in several regional locations, when in fact they intend to hire or lease premises when or if they are awarded a contract. In order to deal with misleading information such as this, the

Department has also included a clause dealing with the issue in the 2000 contracts. The clause sets out that should an RTO be found at any time during the term of its contract, to have provided misleading information, this is default of the contract. Consequently, the contract could be cancelled.

The audit team also provides advice to the tender evaluation process by documenting the past performance of an RTO that held a previous contract. A database has been developed and is constantly updated recording all outcomes of investigations and audits relating to the delivery of training by RTOs in Queensland. Should an RTO be shortlisted for a contract, the audit team provides details to the Planning and Purchasing area from this database.

The past performance of an RTO includes information such as previous contract cancellations, previous breaches of contract and details on the manner in which the RTO rectified those breaches. If an RTO has at any time been found to have breached conditions of a contract with the Department, this does not immediately disqualify it from being granted a new contract. In fact an RTO that had rectified breaches in a suitable time and in a professional manner has demonstrated to the Department that it has abided by the rectification clause contained in the contract. However, an organisation that has a contract cancelled is immediately classified as a high-risk contractor.

Program Funding Review

In order to inform the review of program funding the audit team commenced documenting the trends of the findings of all contractual audits undertaken. These were disseminated to the appropriate areas of the Division such as Planning and Purchasing, Policy, Apprenticeship Operations and the evaluation team. The evaluation team commenced analysing the findings of the audits that included an analysis of qualitative and quantitative data collected during the audits.

The analysis of qualitative and quantitative data collected as part of the audit process was used as a catalyst for a number of evaluation projects. These projects have included: an evaluation of apprenticeship and traineeship trends; a review of the Adult Community Education (ACE) in Vocational Education and Training (VET) program and funding arrangements; a review of Apprenticeship Operations; a review of the "Tradeswoman on the Move" program and funding arrangements ;and a review of the Correctional Services literacy program and funding arrangements.

The outcomes of some of the evaluation projects have subsequently led to the review and establishment of policies and procedures that underpin the contracts. In addition major reviews requested by the Director General and the Deputy Director General –Training, that have been conducted by external consultants and internal areas of the Division of Training, have utilised the findings of both the contractual audits conducted and the apprenticeship and traineeship trends evaluation project.

SUMMARY

The approach undertaken by the Division of Training to create a performance evaluation and audit process is in itself a risk management strategy. The relationship between these functions is based on a shared understanding of the benefits of each process. An evaluation can subsume an audit, but an audit, while it may lead to, accompany, follow or precede an evaluation, cannot subsume an evaluation (Callioni).

The lessons that have been learnt from the implementation of the audit project have been and will continue to be shared between various areas of DETIR, the Division of Training, the Department's legal advisers, RTOs and other States and Territories. The commitment to learn from each audit and to adopt an action research approach has ensured that Queensland is recognised as leading the way in training contract partnerships.

The major points that have been made in this paper are:

- Evaluation, review, audit and risk management are processes that link to form a performance evaluation framework.
- The contract audit process is time consuming, labour intensive and costly.
- The overall issue of Government contracts established as part of the Government's contracting out of services is, by nature, complex.
- Public bodies have a duty to act in a high principled way in their commercial dealings. This is a higher duty than that applied to commercial entities.
- The review of contracts on a continuous basis is essential and necessary as policies change to reflect the current Government's priorities and as an outcome of audit findings.
- The requirement to request further documentary evidence, as part of the tender evaluation process, is necessary as some organisations tender first and then consider the ramifications of their tender later.
- Both auditing and evaluation are essential components of a successful contract management process (Callioni).

REFERENCES

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Relationship between the Training Quality and Regulation Group and the Division of Training

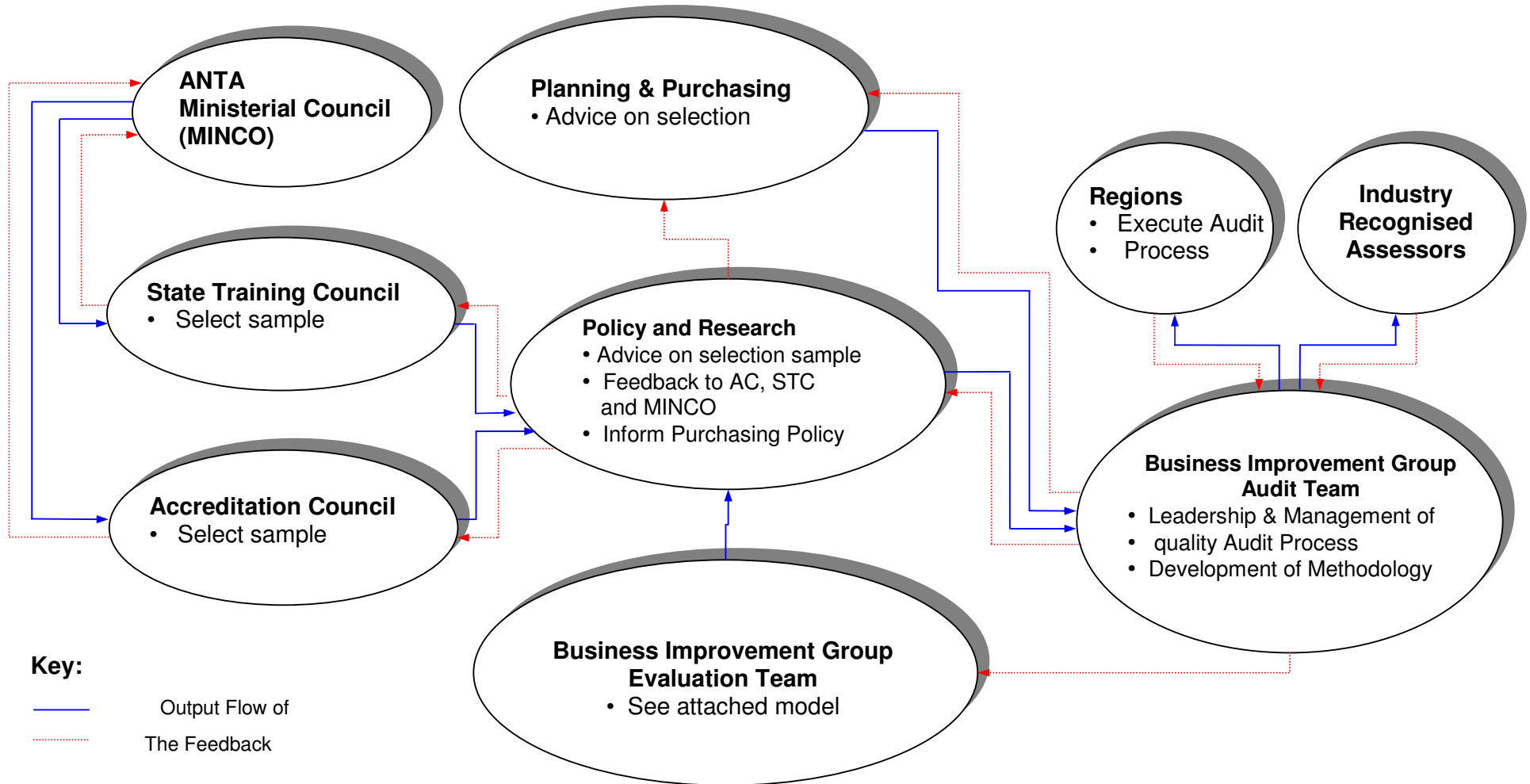


Figure 1

Evaluation Team

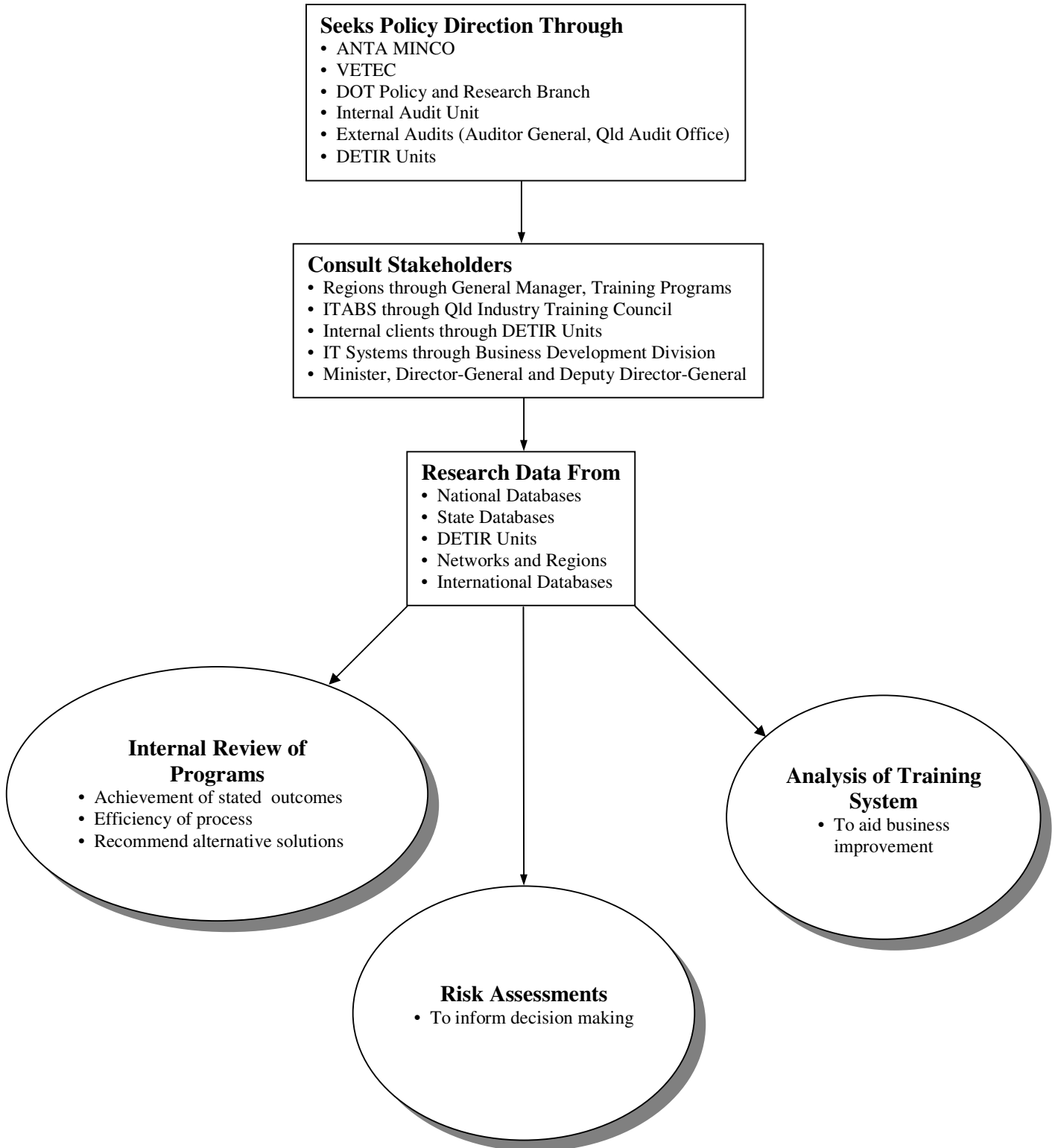


Figure 2

**Training Contract Compliance Audit
 Driver and Process**

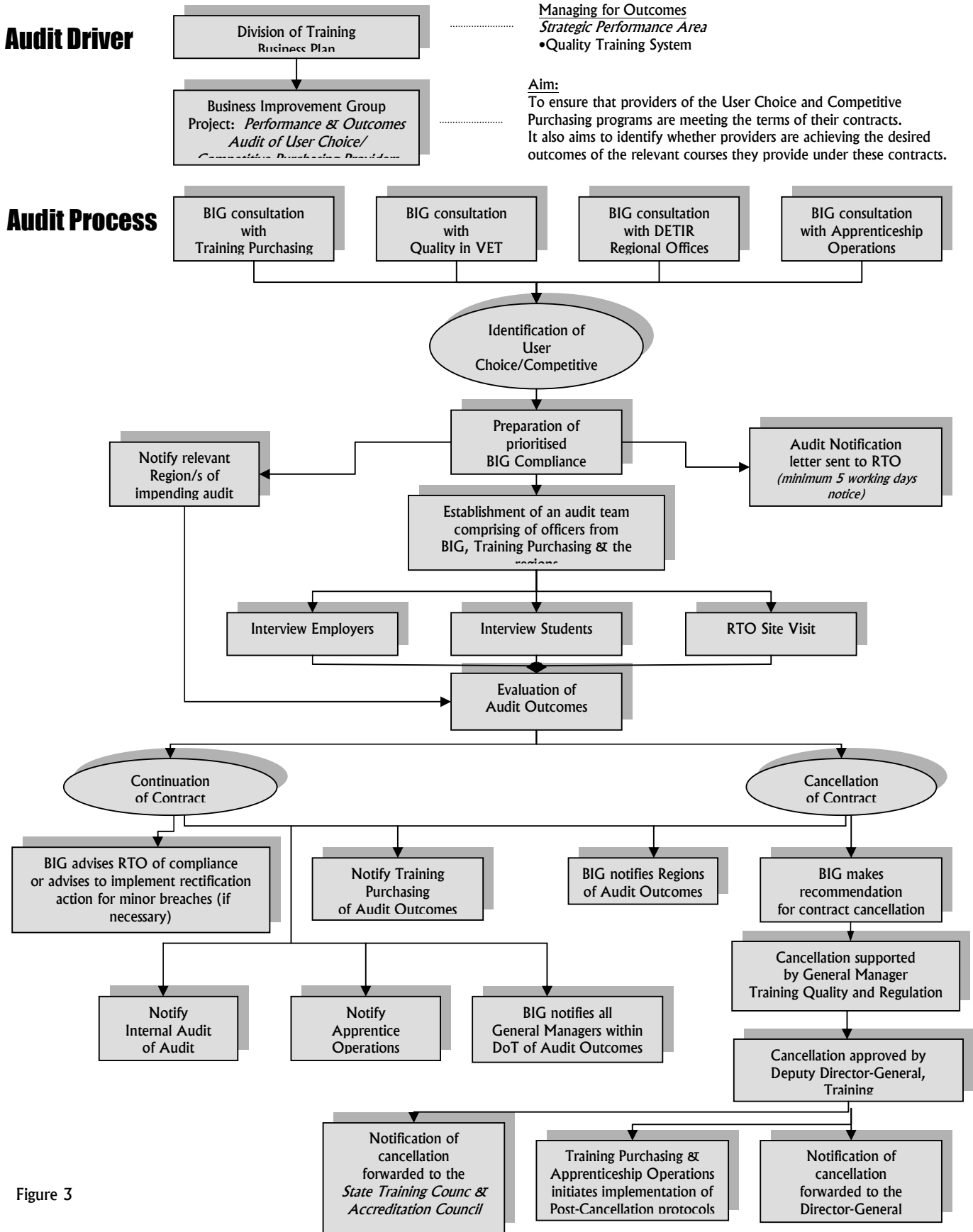


Figure 3