

The Auditor-General
Audit Report No.21 2001–2002
Performance Audit

Developing Policy Advice

**Department of Education, Training
and Youth Affairs**

**Department of Employment, Workplace Relations
and Small Business**

Department of Family and Community Services

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Canberra ACT
20 November 2001

Dear Madam President
Dear Mr Speaker

The Australian National Audit Office has undertaken a performance audit in the Departments of Education, Training and Youth Affairs; Employment, Workplace Relations and Small Business and Family and Community Services 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 *Developing Policy Advice*.

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

A handwritten signature in black ink, appearing to read 'P. J. Barrett'.

P. J. Barrett
Auditor-General

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

AUDITING FOR AUSTRALIA

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

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Abbreviations

ABS	Australian Bureau of Statistics
APS	Australian Public Service
ANAO	Australian National Audit Office
DETYA	Department of Education, Training and Youth Affairs
DEWRSB	Department of Employment, Workplace Relations and Small Business
FaCS	Department of Family and Community Services
Finance	Department of Finance and Administration
MAB/MIAC	Management Advisory Board/Management Improvement Advisory Committee
PBS	Portfolio Budget Statements
PM&C	Department of Prime Minister and Cabinet
PMR	Policy Management Review
PSETA	Public Service Education and Training Australia
PSMPC	Public Service and Merit Protection Commission
SSC	New Zealand State Services Commission
Treasury	Department of the Treasury

Summary and Better Practice Principles

Summary

Background

1. The term policy is used in the public sector to cover issues ranging from high order strategic directions to administrative guidance. Government policy is the responsibility of ministers with cabinet as the focal point of the decision-making process. Departments and agencies provide policy advice as an output to ministers to help ensure that government decisions are appropriately supported and informed.

2. Policy advising outputs are briefing documents, submissions and oral briefings provided to ministers and cabinet. This audit focused on these policy advice outputs. The audit did not include examination of the merits of a particular policy position, actual decisions made by ministers or the government, the implementation of any program, event or activity resulting from the response to any advice, or the achievement of outcomes.

3. In recent years, policy advice has increasingly been sought and provided from a range of sources, including the private sector, but policy advising remains a core function of the Australian Public Service (APS). The unique value of the public service is its role in providing policy advice based on promoting the public interest.

4. Within the APS, policy development occurs in a variety of contexts ranging from open public debate to closely guarded proposals for consideration in the Budget context. As well, policy advisers seek to establish a balance among many elements that affect the development process to ensure that the process is appropriate to the circumstances. These elements include:

- the overall direction of government;
- time and resource constraints;
- the complexity of the policy issue;
- availability of information and the range of stakeholders to be consulted; and
- the need to maintain confidentiality of sensitive information.

5. Balancing these elements requires considerable judgement and an appreciation of the various risks to the development of sound policy advice.

Audit objective and scope

6. The objective of the audit was to determine whether departmental quality management systems for policy advising were appropriate and the advice provided met expected standards for policy outputs.

7. The audit's scope included an examination of the policy advising functions in the Departments of Education, Training and Youth Affairs (DETYA); Employment, Workplace Relations and Small Business (DEWRSB); and Family and Community Services (FaCS). The audit focused on policy advising in relation to high order strategic matters undertaken within the selected departments by departmental staff.

Audit approach

8. The ANAO used criteria that were designed to test whether agencies had appropriate quality management systems in place to assist with providing policy advice that met the standards set by departments and met the expectations of the minister(s). A quality management system is a methodical approach to managing a process, such as the development of policy advice. It provides a high level of assurance that responsibilities are clear, standards, policies and the client's requirements are known and met, important issues are not omitted and opportunities to improve are identified and implemented.

9. The ANAO made an assessment against detailed criteria, which are set out in the relevant sections of this report, in each of the following areas:

- planning systems and performance information;
- project management, quality control and client involvement;
- information gathering;
- stakeholder consultation and coordination;
- professional development; and
- review mechanisms.

10. The criteria were drawn from a range of sources including a review of relevant literature; the Department of Finance and Administration (Finance) guidelines; previous ANAO audits; and audits of policy advising undertaken overseas. In relation to the briefing documents provided to the ministers and cabinet submissions in the six policy case studies, the ANAO made its assessment against standards established by the departments themselves or, where agencies did not have explicit standards, against guidelines developed by Finance. The ANAO also consulted closely with agencies included in this audit in developing criteria.

11. The fieldwork for this audit was conducted between January and July 2001 at the national office of each department. The audit was conducted in two main components:

- an examination of the overall agency arrangements for policy advising in DETYA, DEWRSB and FaCS. This involved discussion with departmental employees and review of files and documents concerning planning, performance information, staff training and guidance on procedures for developing policy advice. Relevant ministers were also invited to discuss their experience of the policy advising function in their agency. Where the ministers or their staff were available, the ANAO met with them to obtain their views; and
- an examination of six case studies to assess how quality management arrangements in departments actually worked in practice. This involved extensive discussions with departmental employees, document and file review.

12. While the results of the case studies cannot be generalised, in combination with the examination of the overall policy advising arrangements in the three agencies they illustrate key issues relating to management and quality assurance processes used in policy advising in the APS. The ANAO therefore considers that the conclusions and better practices identified have a degree of relevance to all APS agencies.

13. The audit was in the nature of a learning experience for both the ANAO and the agencies concerned. As such, it will have considerable benefits for future similar audits in an area of 'core' public administration.

Overall conclusion

14. The ANAO concluded that DETYA, DEWRSB and FaCS had appropriate elements of a sound quality management system for developing policy advice for high order strategic issues. However, quality assurance procedures were not used consistently in all the policy advising projects examined.

15. All three agencies had established high level planning frameworks for managing their policy advising functions. As well, policy advising was appropriately considered in risk assessments and business plans. Appropriate performance indicators had also been established, were adequately monitored and were publicly reported against. Consideration was given also to maintaining and developing suitable staff skills for policy advising.

16. In the six policy case studies, agencies used a variety of quality assurance procedures to produce briefing documents that met most of the expected standards for policy outputs. Better practices were evident in cases where responsibility for the policy development project was clearly assigned; information gathered was subject to appropriate quality assurance; and consultation processes with stakeholders were suitably defined and adequate measures taken to support participation.

17. However, appropriate quality assurance procedures were not implemented in all cases all of the time. As a result, there were opportunities to improve, for example, accountability and risk management. Consequently, there is scope for agencies to adopt more consistent approaches to policy advising processes in order to enable officials to demonstrate that they took all reasonable steps to provide the best possible advice. Since there will generally be varying time and resource constraints associated with individual projects, policy advisers need to assess which quality assurance procedures require more attention in each case. This is a good illustration of risk management. However all elements should be considered and, particularly in the case of high order strategic policy projects, applied to the maximum possible extent.

18. The ANAO concluded that the agencies audited could strengthen their management systems for providing policy advice by implementing consistently a range of procedures which were undertaken only implicitly, or with varying degrees of rigour, in the six policy case studies. These procedures are as follows:

- promulgating appropriate guidance on all elements of the policy process and better practices in policy advising;
- conducting and documenting key management activities early in the process, including risk assessments, timetables, information requirements and consultation plans;
- documenting key discussions and decisions, including preserving relevant handwritten and electronic records;
- establishing explicit criteria for evaluating the quality of advice both for obtaining ministerial feedback and assessing the performance of policy advising staff;
- developing a culture of continuous improvement by periodically capturing and applying the feedback of a range of stakeholders and the lessons learned by the policy team;
- conducting periodic external peer reviews of performance; and
- providing suitable information on performance in Annual Reports, commensurate with the importance of the policy advising function in the agency.

19. Making these good practices and approaches more explicit and embedding them into a quality management system would assist agencies to consider all relevant factors and make appropriate trade-offs, particularly when time or other resources are a constraint. Such assessments should be an integral part of risk management within the agency's governance frameworks.

Better practice principles

20. At the end of each chapter in this report, the ANAO has included a section on better practice principles that agencies should assess for relevance to their policy advising function. The principles have been drawn from issues raised during the course of this audit, findings in the case studies, a review of the policy advising literature listed in Appendix 3, and discussions with officials and experts. They are not exhaustive. The aim of the principles is to assist improvement of management and quality assurance of policy advising across the APS.

21. Policy advising is subject to a range of influences. Individual policy projects have many unique characteristics. The relevance and usefulness of individual principles will therefore depend on circumstances. Agencies should examine the report, particularly the issues covered and suggestions for good practice, to determine what mix of approaches best suits their own agency's policy advising function and policy projects.

Agencies' responses

22. The following paragraphs list the overall comments provided by the agencies in response to the audit report.

23. DETYA commented that the audit was successful in focussing on the process of developing policy advice, without venturing into the content of that advice. In drawing conclusions and providing better practice suggestions for the process of developing policy advice, the audit was most helpful and should assist departments in this key function.

24. DEWRSB considered that the report provides a significant contribution to understanding the development of public policy in the APS. The report increases the transparency and accountability of public policy-making. Appropriately, the report focuses upon policy practices and procedures, which are evaluated against agreed criteria, rather than policy outcomes and effectiveness. DEWRSB notes that the report identifies better practice policy procedures in operation in several agencies and that the department is identified in several instances as exhibiting sound performance. The policy development process, by its very nature, can take many forms and vary from agency to agency, minister to minister, involve a range of stakeholders, and sometimes be developed quite quickly and be subject to frequent refinement.

25. FaCS noted that determining what is ‘good’ policy advice has a subjective element and is often a matter of judgement. In the light of such difficulties, the department considered that the audit made a number of helpful suggestions to support continuous improvement in this area. FaCS also agreed with the importance of obtaining feedback on quality and reporting on performance. They will examine the better practice principles to seek opportunities for improvements within the department. The department will also continue to place high priority on ensuring that staff have a good understanding of the total policy process and have the necessary skills.

Key Findings

Agency Management of the Policy Advising Function (Chapter 2)

26. The ANAO found that the corporate planning framework for DETYA, DEWRSB and FaCS appropriately incorporated policy advising as an output. Policy advising was considered in risk assessments and treatments were developed for identified significant risks at the agency and division, branch, group and/or output levels. Business plans at agency and other levels reviewed included policy advising as an output. These plans were linked and took into account the risk assessments. The plans provided strategies that indicated how policy advising would be delivered.

27. The ANAO found that DETYA, DEWRSB and FaCS had included performance information in relation to quality in each level of their business plans and in the Portfolio Budget Statements (PBS). These were assessable by obtaining the views of the minister(s). The performance information could be made more useful if the criteria for quality advice were made explicit as they have been in DEWRSB.

28. The ANAO found that all three agencies had monitoring arrangements in place to gather information against their performance indicators for policy advice. DETYA and DEWRSB's mechanisms obtained and disseminated ministers' views on strengths and opportunities for improvement across the agencies' policy work. As well, all agencies received direct comment on individual briefs and this assisted them with monitoring.

29. DEWRSB had provided a detailed report of actual performance against its quality indicator. In consultation with their minister, agencies may wish to consider the usefulness of DEWRSB's reporting approach.

Managing Policy Projects (Chapter 3)

30. The ANAO found that the management of policy development projects to deliver advice on high order strategic matters was adequate in the six cases assessed, but that there were opportunities for improvement. Responsibility for the policy project was clearly assigned in all six cases examined. However, relevant documentation, particularly of handwritten and electronic records, was not always retained in line with the need to keep appropriate official records.

31. In the six cases examined, quality control was more robust in the preparation and presentation of briefs than in the initial planning stages. Review and approval of briefs was devolved and their presentation to ministers governed by adequate procedures. However, there were opportunities to adopt more aspects of a quality management approach through building quality and managing risk throughout the process. This would include providing more guidance on managing the policy cycle and on better practices, conducting and documenting risk assessments, establishing timetables early in the project, and monitoring against the risk assessments and timetables.

32. The ANAO found that briefs examined met most of the criteria for quality briefing documents. This suggests that the quality control provided by the approval processes and documented procedures for presentation of briefs was usually effective. While at times there may be a balance to be struck between the desirability of addressing several criteria and the requirement that advice be concise, there were opportunities to improve the quality of briefs in the areas of making assumptions explicit, providing all material information, presenting options, anticipating developments and providing information about consultations. As well, departments could explore means to obtain information on their performance in relation to the components of quality policy advice.

Information Gathering (Chapter 4)

33. The ANAO found that information needs were identified for the six policy projects examined. Some of the information needs were determined at the start of the project, but many of the requirements were identified as the process evolved. Regardless of the means of determining information needs, all six projects examined their subject matter in detail and took into account the need for officials to assure the quality of the information gathered.

34. The ANAO also found that, within the constraints of the policy project, officials made significant efforts to obtain information that was not initially available. Limitations on the information available were reported to ministers, but the implications were not always fully explained.

Consultation and Coordination (Chapter 5)

35. In the six policy case studies, agencies consulted with a wide range of stakeholders using a variety of mechanisms. Lists of stakeholders should be reviewed to ensure that all relevant interests, which may include

the general public, are given the opportunity to participate. The ANAO found that ministers were involved in the consultation process in the six policy case studies and their views were taken into account.

36. The ANAO found that two of the criteria for sound consultation practices were met for all six case studies, and that the other four criteria were met in all but one of the cases. Defining roles and responsibilities and taking measures to support stakeholder participation were particular strengths.

37. The ANAO found that officials were aware of the need to manage the risks of disclosure of sensitive information, in accordance with Commonwealth information security policy and principles. Several mechanisms were used to define responsibilities for protecting sensitive information. One result of the requirement to keep certain information confidential was that some planned consultations were not undertaken and the scope of one project was changed.

38. Officials were also aware of the need to manage conflicts of interest in the case studies and took action to do so in some cases. However, where consultations were limited to confidential discussions with small groups there were opportunities to improve transparency by obtaining declarations of potential conflicts of interest and monitoring developments that might affect those conflicts of interest.

39. The ANAO found that coordination efforts within the Commonwealth government in the six policy cases reflected the extent to which issues crossed organisational boundaries. Because officials shared information with relevant APS agencies, coordination practices met better practice expectations.

Professional Development (Chapter 6)

40. The ANAO found that DETYA, DEWRSB and FaCS were well aware that maintaining staff skills was a key risk to their capacity to deliver quality policy advice. However, there was scope to identify those risks more specifically, to ensure greater effectiveness of the treatments that were further developed in business planning.

41. The ANAO also found that, for the case studies reviewed, an appropriate emphasis had been placed on the selection of policy advising staff with relevant skills through recruitment or obtaining particular expertise from outside the agency. More broadly, agencies had identified staff capabilities for policy advising, considered their training needs and taken advantage of courses delivered externally and within each agency by the PSMPC.

42. The three agencies had included reference to policy advising in their performance agreements. These were consistent with other levels of business planning. Performance agreements generally included adequate measures of the performance of policy staff.

Review of the Policy Process (Chapter 7)

43. The ANAO found that, in the six policy cases examined, officials conducted reviews of their policy development work with varying degrees of rigour. The extent of the review should be tailored to the circumstances of the case and reflect the scope of the policy project. However, given the importance of developing experienced policy advisers, it would be a good practice to conduct reviews and capture stakeholder feedback more formally and systematically. Moreover, documenting the conclusions would be likely to increase the value of the exercise as it would allow them to be shared across the agency and for comparisons to be made over time.

44. One mechanism for review of policy advising functions and processes that is currently being encouraged in other jurisdictions is peer review. There is a range of relevant models which departments could, to their advantage, tailor to their policy advising activities.

Better Practice Principles

The following better practice principles have been drawn from issues raised during the course of this audit, findings in the case studies, a review of the policy advising literature listed in Appendix 3, and discussions with officials and experts. They are not exhaustive. The aim of the principles is to enhance management and quality assurance of the policy advising function across the APS. The ANAO considers that they should be assessed for relevance by all agencies.

Agency management of the policy advising function

- Develop a strategic perspective on policy advising requirements in corporate and business plans by identifying where policy development may be required to meet future needs or to respond to current problems.
- Ensure that business plans and performance information at all levels address the objectives and risks identified in higher level plans and risk assessments.
- Establish a system for obtaining ministerial feedback on performance measures for policy advice that:
 - is designed in consultation with the minister(s);
 - has explicit and defined criteria for the quality of policy advice;
 - captures feedback across the range of policy advice provided; and
 - disseminates feedback to policy staff.
- Ensure that the departmental Annual Report provides a comprehensive and transparent assessment of performance against the indicators listed in the Portfolio Budget Statement.

Managing policy projects

- Manage risk as an integral part of management and quality assurance for policy projects, including conducting and documenting initial risk assessments.
- Make deliberate decisions about the level and quality of official documentation to meet obligations, capture precedents, and to manage risk and decision-making, including the need to preserve handwritten and electronic records of key discussions and of decisions.

- Provide documented guidance to relevant staff on the policy process that:
 - links policy processes to other corporate expectations and procedures; and
 - provides guidance on better practice tools, techniques and management processes.
- Determine, when preparing initial plans for large policy projects, the priorities for additional information gathering, analysis or consultation where more time for policy development becomes available, since decisions on such projects have a tendency to take longer than originally expected.
- Establish key controls for managing policy projects including:
 - a documented statement of the task;
 - mechanisms to monitor against timetables and quality standards;
 - defined and documented responsibility for reviewing and approving policy advice; and
 - a relevant interdepartmental advisory group where significant whole-of-government issues are involved.
- Determine whether the minister prefers to receive the majority of information in writing or orally, and ensure that a knowledgeable contact person is identified on written material and that the outcomes of key oral briefings are recorded.

Information gathering

- Conduct an initial assessment of information needs to set priorities and develop a strategy for acquiring it, but retain sufficient flexibility to respond to new information requirements that may be generated during the policy process.
- Where consultants are engaged, determine the selection criteria and document the evaluation to ensure that the chosen consultants are of appropriate quality and that the process is transparent.
- Report the impact of limitations on information to ensure that decision-makers can accurately assess the risks associated with making a decision on the level of information provided.
- Where it is material to the advice, identify the source of information in briefs and cabinet submissions to:
 - allow ministers to take into account the sources of information;
 - enable others to contest information and its use; and
 - establish a basis for future policy development.

- Conduct research on longer-term trends and coordinate it across agencies, to identify areas for possible future policy work and to provide a knowledge base to respond to emerging issues.
- Strengthen knowledge management and corporate memory by creating ‘knowledge pools’ within or across agencies in policy areas. These pools could include:
 - a directory of subject expertise across agencies;
 - a description of the current policy agenda and/or new policy projects; and
 - information on consultation documents, processes and responses, evidence used, impact assessments, policy evaluations and resources.
- Consider keeping core information and research expertise within the agency to benefit from accessibility, responsiveness and continuity, while using consultants for specialised services, advice and testing of information and policy approaches.

Consultation and coordination

- Identify issues where consultation is required and the risks associated with different consultative mechanisms.
- Ensure that consultation is undertaken with appropriate stakeholders by updating and reviewing existing lists of stakeholders and considering an active direct public consultation mechanism.
- Agree consultation plans and strategies with the minister.
- Provide individuals or organisations consulted with a statement of purpose that includes (where known) a brief and simple statement of purpose, a summary of policy proposals, a proposed implementation date where known, contact details for input, a point of contact for questions, and information on the timeframe for the consultation process and the policy decision process.
- Consider making pre-publication copies of research information available to ensure that individuals or organisations consulted have access to full information.
- Where some individuals or organisations have privileged access to the consultation process:
 - identify who has a need to know, what information is sensitive and actions required to meet Commonwealth information security policy and principles;
 - identify the risks of providing privileged access;

- identify and implement treatment strategies, including documenting obligations, responsibilities, accountabilities and procedures to, for example, manage access to confidential information or potential conflicts of interest; and
- ensure that legal obligations are identified and actions taken to ensure that they are respected.
- Establish knowledge networks of policy advisers across agencies to identify, research and coordinate policy based on themes. The networks could be guided by committees of officials that mirror the committees of cabinet.

Professional development

- Include human resources issues in risk assessments and business planning for policy advising and provide appropriate treatments for identified risks.
- Conduct regular skill assessments of policy staff to identify appropriate individual and agency-wide developmental needs.
- Include formal policy training as a component of policy staff development.
- Ensure that performance agreements for policy staff include:
 - a description of the policy work required that is consistent with other business planning documents;
 - criteria for assessing the policy work that are consistent with the criteria used by stakeholders to assess policy advice; and
 - links between work expectations, formal training and on-the-job training.
- Establish a senior government network in which ministers, senior government officials and other senior policy makers can meet from time to time for focused seminars on top-level management issues.

Review of the policy process

- Conduct a review at the end of, at least, significant policy advising projects, to identify strengths, lessons learned and opportunities for improvement in the policy process. The extent of review should be tailored to the particular circumstances, recognising that there is a range of possible approaches to achieve required effectiveness.
- Document the results of the review; feed them back into the policy advising process; and look for opportunities to share the results more widely.

- Commission periodic external reviews of the policy advising function, which examine the quality of the policy advising processes as well as of the policy advice output documents.
- Collect, assess and record the views of a range of stakeholders on the policy advising process and function as a basis for continuous improvement.

Audit Findings and Conclusions

1. Introduction

This chapter provides background to the audit, the audit objectives and approach, as well as the operating environment in which policy advising occurs.

Background

1.1 The term policy is used in the public sector to cover issues ranging from high order strategic directions to administrative guidance.¹ Policy advising is the process of assisting the government to realise its policy goals by making a wide range of information, proposals and choices available to decision-makers. The process of developing policy advice is iterative rather than linear and does not occur in a vacuum but rather is subject to day-to-day pressures, a range of influences and external factors. It needs to take account of the government's objectives and the broader context in which the government operates and be appropriate to the circumstances. It involves judgements about risk, stakeholder engagement and implementation management, performance assessment, evaluation and resource allocation.

1.2 Policy advising outputs are briefing documents, submissions and oral briefings provided to ministers and cabinet. This audit focused on these policy advice outputs. The audit did not include examination of the merits of a particular policy position, actual decisions made by ministers or the government, the implementation of any program, event or activity resulting from the response to any advice, or the achievement of outcomes.

1.3 The provision of advice to government has been subject to increasing contestability over recent years and is sought and provided from a range of sources including the private sector. The Australian Public Service (APS) is not the only source of policy advice and '*... ministers (and Cabinet) will, increasingly, have received advice from several other sources ...*'.² The distinguishing feature and unique value of the public service is its role in providing policy advice based on promoting the public interest.³

¹ This background information draws on a range of material that is listed in the bibliography.

² Mayne et al (eds) 1997, *Monitoring Performance in the Public Sector*, Transaction Publishers, New Brunswick, p. 249.

³ Kemp, Dr David The Hon MP 1998, *Reforming the Public Service to Meet the Global Challenge*, PSMP, Canberra.

In a speech celebrating the centenary of the Australian Public Service, the Prime Minister stated:

*The quality of any government is dependent, in large part, upon the quality of the advice it receives...Australia must be assured that its governments...will be guided by considered, honest advice based on proper analysis, sound knowledge of administrative practice and sensible precedent.*⁴

1.4 In that context, the Minister Assisting the Prime Minister for the Public Service has stated that the government's objective:

*has been to focus the APS on its core activities of policy development, legislative implementation and the contracting and oversight of service delivery.*⁵

1.5 Policy advising in APS agencies is guided by the values in the *Public Service Act 1999* and related Public Service Commissioner's Directions 1999. These Directions indicate that both agency heads and employees must ensure that advice provided to the Government:

- is frank, honest, comprehensive, accurate and timely; and
- is based on a full understanding of all relevant issues and options, the Government's objectives and the environment in which it operates, taking into account resource and time constraints.⁶

1.6 The process of developing policy advice needs to be robust. While a good process does not necessarily guarantee a good policy outcome, the risks of poor process leading to an unsatisfactory outcome are very much higher. Policy advising is not an exact science. Consequently, any proposals and advice need to recognise the sensitivity of both being responsive to government objectives and fully informing the ministers concerned in a professional manner, to ensure that they are not misled.⁷

⁴ Howard, John The Hon MP 2001, *The Centenary of the APS Oration*, Address to the Centenary Conference of Public Administration Australia, Canberra, 19 June, p. 3.

⁵ Kemp, Dr David The Hon MP 1998, *Building the Momentum of APS Reform*. Address to PSMPC Lunchtime Seminar, Canberra, 3 August, p. 3.

⁶ Public Service and Merit Protection Commission 1999, *Public Service Commissioner's Directions 1999*, PSMPC, Canberra, 5 December, clause 2.7.

⁷ This statement was drawn from Audit Report No.42 1999–2000, *Magnetic Resonance Imaging Services—effectiveness and probity of the policy development processes and implementation*, and was based on:

- (a) Keating, M. 1996, 'Defining the Policy Advising Function' in *Evaluating Policy Advice: Learning from Commonwealth Experience*, edited by John Uhr and Keith Mackay, Australian National University and Department of Finance, Canberra; and
- (b) Department of Family and Community Services 1998, *A Policy Developer's Guide to the Budget Process*, FaCS, Canberra.

1.7 The ANAO acknowledges that assessing policy advising processes and outputs is not easy. In that regard, the Senate Finance and Public Administration Legislation Committee has indicated that there are limitations to current assessment approaches in relation to measuring the quality of policy advice provided to ministers.⁸ However, there are a number of reasons that make it necessary to have a systematic assessment of the policy advising function. These reasons include the fact that:

- assessments are management tools to assist ministers, secretaries and departmental staff to ensure that policy advice fully meets required standards. As the client of the policy advising process, ministers' satisfaction with the advice they receive is a key performance indicator. To meet this indicator and the requirements of the *Public Service Act 1999* and other Acts, agencies need to establish a range of criteria, such as clarity, comprehensiveness, accuracy and timeliness, that need to be taken into account when preparing policy advice. As well as capturing the views of ministers, agency management benefit from explicit assessments of policy against such criteria to identify strengths and opportunities for improvement;
- Parliament and the community are entitled to have assurance about the quality of policy work. A systematic assessment of policy advising processes provides a basis for ensuring that policy advisers are accountable for their work;
- the quality of policy advice can have significant effects on the revenues and expenditures of government agencies and substantial economic and social impacts. Advice therefore needs to be of the best quality possible; and
- policy advising is an output delivered to the minister. As such it should be subject to the same disciplines as other outputs of the government, which include providing meaningful information on performance.

The audit

Objective

1.8 The objective of the audit was to determine whether departmental quality management systems for policy advising were appropriate and the advice provided met expected standards for policy outputs.

⁸ Senate, Finance Public Administration and Legislation Committee 2000, *The Format of the Portfolio Budget Statements, Third Report*, (Senator B. Mason, Chairman), AGPS, Canberra.

Scope and focus

1.9 The audit's scope included an examination of the policy advising functions in the Departments of Education, Training and Youth Affairs (DETYA); Employment, Workplace Relations and Small Business (DEWRSB); and Family and Community Services (FaCS).

1.10 These departments were chosen because they are all involved in the development of policy advice, particularly in relation to social issues such as education, employment, workplace relations and social security. The audit focused on policy advising in relation to high order strategic matters undertaken within the selected departments by departmental staff.

Criteria

1.11 The ANAO used criteria that were designed to test whether agencies had appropriate quality management systems in place to assist with providing advice that met the standards set by departments and met the expectations of the minister(s). A quality management system is a methodical approach to managing a process, such as the development of policy advice. It provides a high level of assurance that responsibilities are clear, standards, policies and the client's requirements are known and met, important issues are not omitted and opportunities to improve are identified and implemented. In the context of policy advising, the Public Service and Merit Protection Commission (PSMPC) has stated that:

*quality management of the policy advice function would include agreed lists of major policy research and development projects and initiatives, documentation of appropriate processes, external and internal review procedures and evidence of a commitment to continuous improvement.*⁹

1.12 To determine, therefore, whether DETYA, DEWRSB and FaCS had appropriate quality management systems for policy advising, the ANAO assessed their policy frameworks and processes against detailed criteria, which are set out in the relevant sections of this report, in each of the following areas:

- planning systems and performance information;
- project management, quality control and client involvement;
- information gathering;
- stakeholder consultation and coordination;
- professional development; and
- review mechanisms.

⁹ Public Service and Merit Protection Commission 2001 'Policy Formulation and Advice: Advanced Course,' lecture notes p. 5.

1.13 The criteria were drawn from a range of sources including a review of relevant literature;¹⁰ the Department of Finance and Administration (Finance) guidelines; previous ANAO audits; and audits of policy advising undertaken overseas. In relation to the briefing documents provided to the ministers and cabinet submissions in the six policy case studies, the ANAO made its assessment against standards established by the departments themselves or, where agencies did not have explicit standards, against guidelines developed by Finance.

1.14 The ANAO consulted closely with agencies included in this audit in developing the criteria. Workshops were held prior to commencing fieldwork for the audit. The main purpose of these workshops was to involve departments from an early stage to ensure a better understanding of performance auditing in general and this audit in particular. Twenty-two agency representatives attended the workshops to provide input on the audit criteria and to discuss the general audit approach.¹¹

1.15 For this audit, the criteria should be viewed as a set of desirable attributes or standards that will not be able to be met to the highest level in every situation. In a 1997 article,¹² John Nicholson noted that it is:

apparent that there is potential for conflicting views on the appropriate balance to be struck between some of these attributes [of quality]. The answer lies in a commonsense approach that recognises that the priority of one attribute over another will be dependent on the circumstances.

¹⁰ See the bibliography at Appendix 3.

¹¹ At the completion of the audit fieldwork, a further workshop was held to discuss audit findings and general issues relating to policy advising prior to the preparation of the audit report.

¹² Nicholson, J. 1997, 'Monitoring the Efficiency, Quality, and Effectiveness of Policy Advice to Government', in *Monitoring Performance in the Public Sector: Future Directions from International Experience*, John Mayne and Eduardo Zapico-Goni, eds, Transaction Publishers, New Brunswick, New Jersey, pp. 237–252.

Audit methodology

1.16 The fieldwork for this audit was conducted between January and July 2001 at the national office of each department. The audit was conducted in two main components:

- an examination of the overall agency arrangements for policy advising in DETYA, DEWRSB and FaCS. This involved discussion with departmental employees and review of files and documents concerning planning, performance information, staff training and guidance on procedures for developing policy advice. Relevant ministers were also invited to discuss their experience of the policy advising function in their agency. Where the ministers or their staff were available, the ANAO met with them to obtain their views; and
- an examination of six case studies to assess how quality management arrangements in departments actually worked in practice. This involved extensive discussions with departmental employees, document and file review.

1.17 To identify appropriate case studies, the ANAO requested each department to nominate two cases for review on the basis that they were large projects and advice had been provided relatively recently. For each case study, policy development processes and a selection of briefings were assessed against agreed criteria to identify both areas in need of improvement and better practices. The six cases were:

- revision of non-government schools funding for the 2001 to 2004 Quadrennium (DETYA);
- the Australian Universities Quality Agency (DETYA);
- the Safety Net Review—Wages 2000–2001 (DEWRSB);
- the Corporations Power Project (DEWRSB);
- the National Families Strategy component of the Stronger Families and Communities Strategy (FaCS); and
- means test treatment of private trusts and private companies (FaCS).

1.18 These case studies were chosen to illuminate the process of policy making rather than the merit or success of the policies themselves. While the results of the case studies cannot be generalised, in combination with the examination of the overall policy advising arrangements in the three agencies they illustrate key issues relating to management and quality assurance processes used in policy advising in the APS. The ANAO therefore considers that the conclusions and better practices identified have a degree of relevance to all APS agencies.

1.19 The audit was in the nature of a learning experience for both the ANAO and the agencies concerned. As such, it will have considerable benefits for future similar audits in an area of ‘core’ public administration.

Assistance to the audit

1.20 The ANAO sought the assistance of technical experts to assist in assessing the policy case studies.

1.21 A team of consultants¹³ from the National Institute for Governance, University of Canberra was chosen because of their skills and experience in relation to policy development. Their contribution to the audit included assisting with the assessment of the specific policy outputs chosen for review and more general advice during the audit.

1.22 In working with the ANAO audit team, the consultants were authorised under the *Auditor-General Act 1997* and conducted their analysis in accordance with the ANAO Auditing Standards.

Audit reference group

1.23 The ANAO established an Audit Reference Group to provide input to the audit, particularly in relation to current issues in policy advising and quality management mechanisms. The members of the reference group were:

- Mr A Blunn, AO, former Secretary of a number of APS departments;
- Dr Glyn Davis, Director-General, Department of Premier and Cabinet, Queensland;
- Mr Michael Whitehouse, National Audit Office, United Kingdom; and
- Mr James Olson, Office of the Controller and Auditor-General, New Zealand.

1.24 The last two members were included because of their experience in audits of policy advising in their own countries. Consultations were undertaken by email.

1.25 The Audit Reference Group provided advice on such matters as audit criteria and approaches, and the current situation and future direction of policy advising in the public sector in their jurisdictions.

¹³ The consultants were Dr Meredith Edwards, AM, Mr Russell Ayres and Dr Jenny Stewart.

1.26 The ANAO also consulted the Department of Prime Minister and Cabinet (PM&C) and the PSMPC because of their responsibilities for public service-wide issues; including in relation to guidelines and training for policy advising.

Operating environment

1.27 Government policy is the responsibility of ministers with cabinet as the focal point of the decision-making process.¹⁴ In this context:

*The public service is an instrument of the government of the day and is accountable to it. Ministers accept and try to fulfil a range of accountability responsibilities to the Parliament. Public servants, as instruments of the executive, are duty-bound to assist ministers in carrying out those responsibilities. It is important to emphasise that the obligations of public servants in this regard are established and defined by ministers.*¹⁵

1.28 APS departments and agencies provide policy advice as an output to ministers to help ensure that government decisions are appropriately supported and informed. Within the APS, policy development occurs in a variety of contexts ranging from open public debate to closely guarded proposals for consideration in the Budget context.

1.29 Policy advisers seek to establish a balance among many elements that affect the development process to ensure that the process is appropriate to the circumstances. These elements include:

- the overall direction of government;
- time and resource constraints;
- the complexity of the policy issue;
- availability of information and the range of stakeholders to be consulted; and
- the need to maintain confidentiality of sensitive information.

¹⁴ From Audit Report No.42 1999–2000, *Magnetic Resonance Imaging Services—effectiveness and probity of the policy development processes and implementation*. House of Representatives Practice (3rd Edition) 1997 acknowledges that the cabinet is not specifically provided for in the Constitution nor by any other law. It is in basic terms an administrative mechanism to facilitate the decision-making process of the executive government. The Expenditure Review Committee (ERC) is a major coordinating committee with a particular role in advising cabinet on budget expenditure priorities. (L M Barlin, Clerk of the House of Representatives, 1997, House of Representatives, Commonwealth of Australia. See also Cabinet Handbook, 1994).

¹⁵ Blick, B. 1992, *Accountability, the Parliament and the Executive*, Occasional Lecture Series, Senate Department, Canberra.

1.30 Balancing these elements requires considerable judgement and an appreciation of the various risks to the development of sound policy advice. The ANAO considered the above factors and the need to make realistic judgements about priorities in policy advising during the conduct of this audit.

Previous reviews of policy advising

1.31 The ANAO has undertaken a recent audit that directly examined the issue of policy development, Audit Report No.42 1999–2000, *Magnetic Resonance Imaging Services—effectiveness and probity of the policy development processes and implementation*. A key finding of this audit was the inadequacy of the documentation of the policy development process. This audit paid particular attention to issues raised in the Magnetic Resonance Imaging services audit.

1.32 As well, the ANAO has undertaken an audit that examined the efficiency and effectiveness of the management of parliamentary workflow by agencies—Audit Report No.32 1998–99, *Agency Management of Parliamentary Workflow*. Similar to this audit, the parliamentary workflow audit focussed on client service, governance framework and accountability arrangements.

1.33 Related issues such as risk assessment, planning and performance information have been examined across a range of recent ANAO audits.

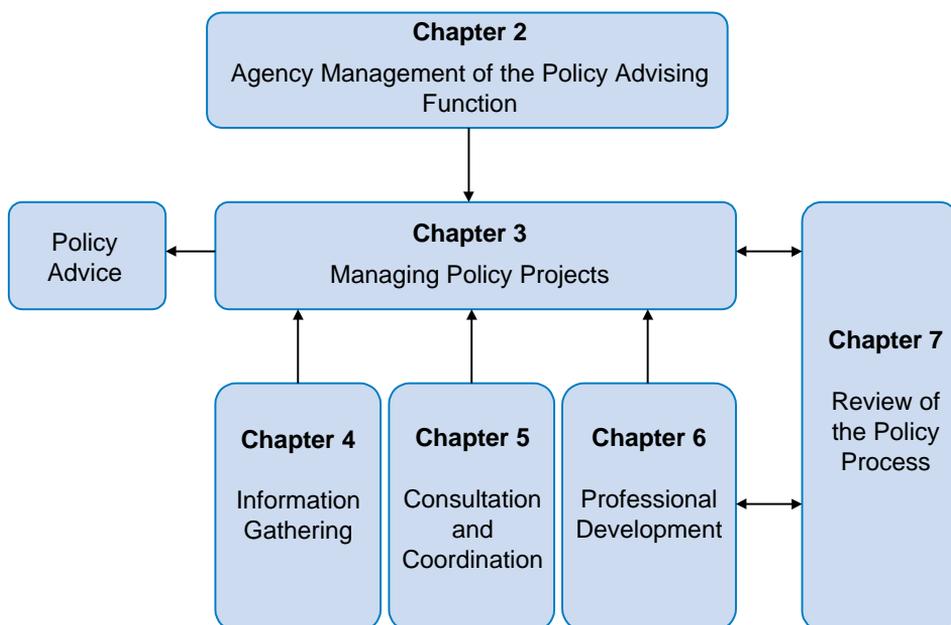
Report structure

1.34 Following this introductory chapter, Chapter 2 provides an analysis of the management of the policy advising function in the three departments reviewed during the audit. The chapter outlines arrangements for policy advising in relation to risk assessment, planning, performance information, monitoring and reporting. Arrangements for managing policy projects are assessed in Chapter 3, which outlines management and quality assurance practices in the areas of accountability, planning and oversight, review of the process and the relationship with the minister. The following three chapters discuss inputs into the policy advising function. Chapter 4 examines information gathering techniques employed in the development of policy. Chapter 5 provides an analysis of consultation and coordination practices. Chapter 6 examines professional development of policy staff. Chapter 7 discusses practices for reviewing the policy development process.

1.35 At the end of each chapter of this report, the ANAO has included a section on better practice principles that agencies should assess for relevance to their policy advising function. Their aim is to assist improvement of management and quality assurance of policy advising across the APS. The principles have been drawn from the work undertaken in this audit, from a review of the policy advising literature listed in Appendix 3 and from discussions with officials and experts. They are not necessarily exhaustive.

1.36 The structure of the remainder of the report is outlined in Figure 1.

Figure 1
Report Structure



2. Agency Management of the Policy Advising Function

This chapter examines the management of the policy advising function in DETYA, DEWRSB and FaCS. The chapter outlines arrangements for policy advising in relation to risk assessment, business planning, performance information, monitoring arrangements and reporting.

Introduction

2.1 One of the elements of sound corporate governance is the establishment of an effective planning framework within which an agency operates to achieve government objectives. Such a framework should include the conduct of a risk assessment and associated business planning. Business planning should take account of the risk assessment and outline the outcomes, outputs and related performance information (in line with Finance guidelines). Well considered performance information should include performance indicators and/or measures and monitoring arrangements, including reporting.

2.2 Policy advising is an output (that is, a service provided by agencies to ministers) and, as with any output, should be considered when establishing an effective planning framework. Since the scope and nature of the policy function will vary among agencies, and across organisations within each agency, the extent to which policy will be addressed in risk assessments and business plans will vary.

2.3 The ANAO therefore examined arrangements for policy advising in relation to:

- risk assessment;
- planning;
- performance information;
- monitoring arrangements; and
- reporting.

2.4 Each of these is discussed under separate headings below.

Risk assessment

2.5 The primary objective of a risk assessment is to identify and analyse risks so that the most critical among them can be reduced or controlled by using appropriate treatment strategies.

2.6 Since policy advice is a departmental output of all three agencies examined, the ANAO examined risk assessments undertaken by DETYA, DEWRSB and FaCS to determine whether:

- the assessments identified significant risks to policy advising processes and outputs, and developed risk treatments; and
- there were clear links between risk assessments at the agency level and at the division, branch, group and/or output levels (collectively referred to as other levels).

2.7 The ANAO also sought to determine whether risk assessments considered risks relating to coordinating across government agencies. The ANAO acknowledges that, across the broad area of interests covered by APS agencies, there will be competing objectives on some issues that make pursuing a coordinated whole-of-government approach more difficult. However, in order to develop the best possible policy approaches, agencies should aim to take account of coordination issues across government wherever possible and relevant. Better practice risk assessments also considered risks relating to coordinating within the agency.

Policy advising in risk assessments

2.8 In examining risk assessments, the ANAO found that all three agencies had undertaken risk assessments at the agency level and for other levels in the organisation. Agency and other level risk assessments are discussed separately below. Risk assessments relating more to individual policy case studies or at the project level are discussed in Chapter 3.

Agency level risk assessments

2.9 DETYA's agency level risk assessment, entitled *Corporate Level Risk Management Plan*, takes account of the high priority risks and risk minimisation strategies identified by the business lines. At the agency level, DEWRSB has a *Risk Framework* that lists risks for consideration by its business lines. The *Risk Framework* includes 16 defined risks. FaCS sets out its key risks on an annual basis. These risks are to be considered by the relevant business lines in conducting their own risk assessments.

2.10 Table 1 outlines the policy advising risks identified by the agencies in their risk assessments.

Table 1**Policy advising in agency level risk assessments**

Department	Risks
DETYA <i>Corporate Level Risk Management Plan</i>	Risks affecting the minister's reputation, ability to perform, or trust in DETYA particularly in regard to the quality of policy advice.
DEWRSB <i>Risk Framework</i>	Stakeholder relations including with the minister and minister's office. Environmental scan capability (relates to information for decision making).
FaCS <i>Key Risks</i>	FaCS fails to respond adequately to the Government's and portfolio ministers' policy agenda. FaCS develops what are considered to be inappropriate policies or programs.

2.11 As well as these risks which were most directly related to policy advice, agencies also listed risks to research (important to policy advising) and staffing. This latter point is discussed in Chapter 6.

2.12 Approaches at agency level had appropriately considered the risks to policy advising. Management and treatment of these agency level risks are generally expected to occur at the business line management level.

Other level risk assessments

2.13 The ANAO also examined risk assessments in the business areas from which the policy advising case studies were drawn. Table 2 outlines the ANAO's findings in relation to these risk assessments, providing examples of identified risks and treatment strategies. The table also indicates whether these lower level risk assessments were linked to agency risk assessments and whether risks to coordinating across government agencies were considered.

Table 2**Other level risk assessments**

<i>Agency</i>	<i>Business level</i>	<i>Risk</i>	<i>Treatment</i>	<i>Links to higher and lower level plans</i>	<i>Includes risks relating to coordinating across agencies</i>
DETYA	Schools Division	Breakdown of the division's relationship with the minister.	Institute regular meetings with the minister and minister's office. Encourage staff to respond promptly to requests for information by the minister's office.	✓	x
	Higher Education Division	Policy advice is considered ill-conceived or inappropriate by the minister.	Ensure policy advice is based on evidence-based research, supported by Higher Education Division Research and Development Plan and is sensitive to the broader government policy environment.	✓	✓ Risk of other departments creating obstacles.
DEWRSB	Labour Market Policy Group	Stakeholder risk.	Regular meetings with the minister, formal cross functional meetings within the agency.	✓	✓ Stakeholders are many and varied for example, other areas of DEWRSB and related departments.
	Workplace Relations Policy and Legal Group	Stakeholder risk.	Constant formal and informal contact with the minister's office. A 'no surprises policy' with the minister's office. Share knowledge within DEWRSB.	✓	✓ Included as a communication risk the need for effective communication between the department and external agencies.

<i>Agency</i>	<i>Business level</i>	<i>Risk</i>	<i>Treatment</i>	<i>Links to higher and lower level plans</i>	<i>Includes risks relating to coordinating across agencies</i>
FaCS	Family Relationships Branch	Failure to develop the right balance in providing leadership on emerging policy issues.	Continued monitoring of council work, reviewing current research, participation in communities, involvement in social coalition.	✓	✓ Lack of adequate coordination across departments.
	Seniors and Means Test Branch	Does not separately mention policy advising but in listing consequences of various risks indicates the issues such as sub-optimal policy and research outcomes and policy intent not reflected in service delivery.	Lists existing controls to risks and comments on their adequacy. These include keeping across major strategic developments, for example tax reform, collaborative research and policy development, formal controls such as coordination comments.	✓	✓ Not exploiting potential synergy within FaCS and the government.

✓ = Meets the criterion

x = Does not meet the criterion

Links between agency level risk assessments and other level risk assessments

2.14 It is important to have a clear link between agency risk assessments and business line management levels. This assists in ensuring that overall departmental risks are not neglected at the business level and that business level risks are also reflected at the agency level.

2.15 Table 2 shows that DETYA, DEWRSB and FaCS had each identified their own risks and that these were considered in undertaking and formally documenting risk assessments at other levels in the organisation.

Risk relating to coordinating across government agencies

2.16 Most risk assessments at agency and other levels made some reference to the need to coordinate across government agencies as shown in Table 2. For example, the Workplace Relations Policy and Legal Group risk assessment included the possible need for more effective communication between the department and external agencies as a communication risk.

Conclusion

2.17 The ANAO concluded that policy advising was considered in risk assessments and treatments were developed for identified significant risks at the agency and other levels (that is division, branch, group and/or output levels). There were clear links between the different level assessments and some consideration had been given to coordinated approaches within the agency and across government.

Agency planning

2.18 Business planning provides the framework within which an agency can achieve government objectives and ensure unity of purpose among teams and individuals working towards the agency's goals.

2.19 The ANAO examined business planning in DETYA, DEWRSB and FaCS to determine whether:

- business plans included policy advising as an output;
- there were clear links between corporate level plans and other level plans;
- business plans showed how the policy advising output would be developed; and
- business plans had taken into account policy advising risk assessments.

Policy advising in business plans

Agency level business planning

2.20 Specific reference was made to policy advising in each agency level plan. Table 3 sets out how policy advising was considered in the current agency level plans for the three departments included in the audit.

Table 3

Policy advising in agency level plans

Department	References to policy advising
DETYA	Corporate Plan promulgated in January 1999 ¹⁶ The plan states DETYA's purpose as to be the minister's first choice for impartial, innovative and comprehensive solutions for policy, services and achievement of outcomes. One of the associated strategic priorities includes reference to well-based policy advice. Strategies relating to policy advising include to provide timely, reliable advice, accurate data and high quality analysis. DETYA's corporate plan also includes success factors which are discussed in the performance information section of this chapter.
DEWRSB	Our Directions 2001–2002 This plan indicates that DEWRSB strongly supports the minister by being responsive and providing creative and robust advice. This Directions statement includes a relevant service standard and this is discussed in the section of this chapter on performance information.
FaCS	Strategic Plan June 1999 The plan sets out FaCS' purpose as delivering social policy outcomes for Australian families, communities and individuals. The purpose is supported by key FaCS objectives, one of which is 'serving our minister'. To do this the strategy recognises the pressures on ministers and the need to provide them with advice which is timely, accurate, credible and objective.

Other level business planning

2.21 As with risk assessments agencies had developed business plans at the division, branch, group and/or output levels (other levels). Some areas within the departments also developed unit or section plans or specific plans for policy advising projects. Where relevant, these are discussed in Chapter 3.

2.22 Policy advising was listed as a specific output in all plans reviewed by the ANAO. Table 4 provides examples of the way the output was specified, related strategies and whether there were links to higher level plans and to risk assessments in these other level plans.

¹⁶ While DETYA's Corporate Plan was promulgated in 1999, the ANAO notes that its strategic priorities are updated annually. The latest priorities are contained in *Celebrate Our Success and Create Our Future* released 14 February 2001.

Table 4**Policy advising in other level plans**

<i>Department</i>	<i>Business level</i>	<i>Output</i>	<i>Strategies</i>	<i>Links to agency level plan</i>	<i>Links to risk assessment</i>
DETYA	Schools Division	Policy advising is a departmental output.	Provide high quality and timely advice to meet requirements of the minister.	✓	✓ Discusses business environment.
	Higher Education Division	Policy advising is a departmental output.	Provide high quality and timely advice to meet requirements of the minister.	✓	✓ Discusses business environment.
DEWRB	Labour Market Policy Group	Provision of wage policy advice.	Research, policy analysis, policy development and advice on all aspects of the labour market.	✓	✓ Lists relevant risks such as stakeholder relations and environment scan capability.
	Workplace Relations Policy and Legal Group	Management of and contribution to policy development and provision of policy and legal advice. Also includes separate output for policy advice.	Assisting minister to progress the Corporations Power project with the public discussion phase.	✓	✓ Lists relevant risks such as stakeholder relations and environment scan capability.
FaCS	Family Relationships Branch	Policy advice to ministers.	For example, develop child inclusive practices policy.	✓	✓ Risk assessment included as part of business plan.
	Seniors and Means Test Branch	Provide excellent policy advice is listed as a deliverable.	Undertake research and analysis on, for example, work to retirement transitions.	✓	✓ Risk assessment included reference to environmental scan.

✓ = Meets the criterion

x = Does not meet the criterion

2.23 Table 4 indicates that policy advising was separately specified in other level plans in all cases and that these were linked to the agency level plan and took account of risk assessments.

Conclusion

2.24 The ANAO concluded that business plans at agency and other levels reviewed included policy advising as an output. These plans were linked and took into account the risk assessments. The plans provided strategies that indicated how policy advising would be delivered.

Performance information

2.25 Performance information is important because it provides a basis for improving program management and is critical to accountability. However, identifying valid and robust indicators of the quality, quantity and price of policy advice is problematic because policy work does not follow a predictable path or process and the challenges and criteria for success may well change quite significantly from case to case. Despite these limitations, many core issues of good management in policy development lend themselves to measurement and assessment.¹⁷

2.26 The ANAO therefore examined whether agencies:

- had included performance information in relation to the policy advising output in each level of their plans and in their Portfolio Budget Statements (PBS) for 2000–01;
- had linked the performance information so that different data were not being collected separately at each level without building up an overall picture of performance;
- indicators were specified in terms of quality, quantity and price; and
- indicators were assessable and measurable.

Performance information in plans

Agency level plans

2.27 In agency-level plans, each department made reference to performance information for policy advising. DETYA listed the following success factor:

Feedback from the minister indicates that he has been well supported in terms of progressing Government policy.

¹⁷ Drawn from Department of Finance and Administration, 2000, *The Outcomes and Outputs Framework Guidance Document*, Finance, Canberra.

2.28 In the DEWRSB plan, *Our Directions 2000–2001*, in the Performance and Accountability section, the department indicated that:

Planned outputs are published each financial year in our Portfolio Budget Statements together with relevant performance standards.

2.29 FaCS included a range of key objectives related to its purpose of delivering excellent social policy advice. These statements provided performance information in that they stated that policy advice should be timely, accurate, credible and objective.

*Portfolio Budget Statements 2000–01*¹⁸

2.30 Table 5 sets out the performance information relating to policy advising in the PBS for each agency.

Table 5

Policy advising as an output in Portfolio Budget Statements

<i>Department</i>	<i>Output</i>	<i>Performance Indicator</i>	<i>Linked to agency plan</i>	<i>Linked to other plans</i>
DETYA	Policy advising	High quality and timely policy advice to meet the requirements of the minister. Included an estimated price.	✓	✓ Identical indicators and target included in Higher Education Division and Schools Division plans.
DEWRSB	Policy advising	Level of satisfaction of ministers with the provision of policy advice. Price is also included as an indicator.	✓ Agency level plan refers reader to PBS.	✓ Identical indicators used in Labour Market Policy Group and Workplace Relations Policy and Legal Group plans.
FaCS	Policy advising	Minister and ministers office satisfied with quality of policy advice and department meets relevant departmental standards. Cost and quantity also included as indicators.	✓	✓ Identical indicators used in Family Relationships Branch and Seniors and Means Test Branch plans.

✓ = Meets the criterion

x = Does not meet the criterion

¹⁸ This year was chosen because it relates to the situation at the time of the audit fieldwork.

Indicators are assessable and/or measurable

2.31 As Table 5 indicates, all three agencies audited include measures of the quality of policy advice as performance indicators. In the case of policy advising (as with some other outputs) measuring quality can be subjective and relies on obtaining feedback from ministers. Each department had arrangements in place to capture ministerial feedback and hence could assess the quality of the advice they provided based on their minister's opinion. Ministerial feedback mechanisms are discussed further in the monitoring section below.

2.32 In discussions with the ANAO, ministers made clear that they relied on officials to establish mechanisms to ensure the quality of policy advice provided. These mechanisms included determining criteria for policy advice that met the minister's expectations and addressed legislated requirements. These requirements include the obligation under the *Public Service Act 1999* for public servants to provide frank, honest, comprehensive, accurate and timely advice.

2.33 Making such criteria explicit allows ministers to provide more meaningful performance information and is useful in clarifying for staff what is required. DEWRSB has defined the criteria considered by its ministers in providing feedback on the department's policy advising function. They are set out in Table 6.

Table 6
Criteria for evaluation of briefs

Criteria	Sub-criteria	Definition
Timeliness		Meet agreed timeframes.
Presentation	Purpose	Contain a clear statement of purpose.
	Logic	Contain a logical argument.
	Accuracy	Be factually accurate and comprehensive.
	Conciseness	Be presented in a clear and concise manner.
	Style	Meet ministerial standards for presentation.
	Consultation	Contain evidence of appropriate consultation with other government agencies and affected interests.

continued next page

<i>Criteria</i>	<i>Sub-criteria</i>	<i>Definition</i>
Quality of advice	Robustness	Provide a frank and honest assessment of policy options.
	Creativity	Present an innovative range of options which meet the directions set by government.
	Responsiveness	Show awareness of the government's policy agenda and identify anticipated developments.
	Practicality and relevance	Consider practical issues, including implementation, technical feasibility, timing and consistency with related government policies.

2.34 Explicit criteria also provide a basis for obtaining complementary and more detailed assessments of the quality of policy advice from, for example, other stakeholders, peers and experts, which is useful for management to identify particular strengths and weaknesses. This is discussed in more detail in Chapters 3 and 7.

2.35 Of the three agencies examined, only FaCS listed a quantitative measure as a performance indicator. The indicator was the number of briefs and other policy advising products provided in the previous year and is therefore easily measured. However, even though FaCS included this measure in its PBS, none of the agencies considered the number of 'pieces' of policy advice to be a particularly useful indicator of performance. The reasoning was that departments need to provide the number of briefs required for ministers to perform their jobs effectively. However, discussions with agency staff raised the following issues in relation to quantitative measures:

- the quantity of policy advising required may have an adverse impact on quality and on the time and resources required to provide effective advice;
- measures of quantity which can be related to the capacity of policy staff to undertake policy work, for example by estimating job size, may be useful management information; and
- an understanding of whether the quantity required is increasing could provide the basis for a discussion of priorities with ministers, if necessary.

2.36 To assist in addressing the above issues, DETYA's electronic ministerial document system provides management reports weekly on the quantity of briefs provided to the minister and on timeliness. These reports are circulated to division heads for management purposes.

Targets

2.37 Targets should be included for performance information to provide a basis for performance assessment. The agencies audited had not set targets for policy advising indicators. In relation to quality, DETYA had listed an expected level of performance: ‘*the minister will be satisfied with the timeliness and quality of advice provided by the department*’. However, it should be noted that, in discussions with DETYA staff, they indicated that they considered the aim was for their minister to be completely satisfied with the policy advice provided to them—making the target 100 per cent. DEWRSB and FaCS advised that they also considered that the objective was for the relevant minister to be completely (that is 100 per cent) satisfied.

Conclusion

2.38 The ANAO found that the three agencies had included performance information in relation to quality in each level of their business plans and in the PBS. These were assessable by obtaining the views of the minister(s). The performance information could be made more useful if the criteria for quality advice were made explicit as they have been in DEWRSB. Only one agency had included a quantitative indicator because the number of briefs and other policy advising products was not generally considered to be a useful performance indicator. Measures of quantity in relation to policy advising could, however, have value as management information.

Monitoring arrangements

2.39 Each department had arrangements in place for monitoring ministerial feedback using the performance indicator that measured the quality of the policy advice provided.

2.40 In DETYA, the secretary meets biannually with the minister, to discuss the quality of policy advice provided. The secretary takes a sample of significant briefs prepared over the preceding six months so that the feedback does not focus on briefing material provided recently. The secretary prepares a record of the meeting which is agreed with the minister before the feedback is discussed more broadly within DETYA. This meeting record is short but clearly indicates whether the minister has been satisfied (or not) with the policy work delivered and highlights areas where improvement is needed. General issues arising from the meetings are discussed at the Corporate Leadership Group.¹⁹

¹⁹ The Corporate Leadership Group consists of the Secretary, Deputy Secretary, First Assistant Secretaries, the Chief Information Officer, a State Manager, Assistant Secretary Strategic Planning and Performance Management, Assistant Secretary Finance (Chief Financial Officer) and Assistant Secretary People Management and Facilities.

2.41 In turn, the feedback is disseminated more broadly to DETYA staff so that the minister's level of satisfaction with briefing material is clearly understood throughout the department. Where necessary, specific issues relating to the material provided are raised with individual staff members.

2.42 DEWRSB uses a system to monitor against the quality performance indicator whereby all briefs are ranked by its ministers. This approach was agreed with the minister and uses a five point scale from ① poor through ③ satisfactory to ⑤ excellent in relation to timeliness, presentation and quality of each brief. The characteristics which go to make up timeliness, presentation and quality are defined by the criteria set out in Table 6. DEWRSB collates the ratings on all briefs on a quarterly basis for the agency as a whole and for each group. This information is then discussed within the groups.

2.43 In FaCS, a brief report is prepared weekly to capture the views of the departmental liaison officers and advisers on portfolio support to the minister's office. These reports comment tersely on performance for:

- question time briefs;
- ministerial correspondence;
- ministerial briefs;
- other briefings;
- accessibility of departmental staff; and
- general comments.

2.44 The reports do not provide any information on expected performance. Nor does FaCS have defined standards for quality. However, the department does have timeliness standards for briefs and has identified and documented the current minister's style preferences.

2.45 As well as these more formal ways of obtaining feedback, staff in the three agencies took note of written comments provided by ministers (and their offices) on individual briefs—this ranged from commenting on the work being good, asking for clarification or further information, to requests for meetings to discuss issues further. Staff also indicated that any dissatisfaction on the part of ministers with the quality of material provided to them was made plain.

Conclusion

2.46 The ANAO concluded that all three agencies had monitoring arrangements in place to gather information against their performance indicators for policy advice. DETYA and DEWRSB's mechanisms obtained and disseminated ministers' views on strengths and opportunities for

improvement across the agencies' policy work. As well, all agencies received direct comment on individual briefs and this assisted them with monitoring.

Reporting

2.47 The ANAO sought to determine what arrangements the three agencies had in place to record results against their performance indicators and whether appropriate reporting against these indicators in the PBS had occurred in their Annual Reports.

2.48 DETYA noted, in an appendix to its 1999–2000 Annual Report, that the indicator for policy advising in each output group had been met. As well, the Secretary's Review discussed achievements which were the result of significant policy advising work, that is, quality assurance for higher education and the funding model for non-government schools.

2.49 The FaCS Annual Report for 1999–2000 indicated that the department maintained a commitment to continuous improvement on all aspects of briefing and policy advice. Further, it noted that 2445 briefing submissions were provided to ministers (505 requested by ministers or their staff and 1940 initiated by the department). This does not provide a report of actual performance in relation to quality.

2.50 DEWRSB provided the most comprehensive report in relation to performance in delivering policy advice as the following extract from its Annual Report for 1999–2000 illustrates.

SERVICE TO OUR MINISTERS

One of the most important tasks undertaken by the department is the provision of advice to our ministers on policy options, the development of legislation and the delivery of government programs. In order to ensure ongoing feedback from ministers and to progressively improve a key component of the client service provided by the department, a system of grading briefs was introduced during the year.

The layout of ministerial briefing material was expanded to allow ministerial evaluation, on a scale of 1 (poor), 3 (satisfactory) to 5 (excellent) for the quality, timeliness and presentation of briefs. A digest of these statistics is provided to all areas of the department and the executive on a quarterly basis.

Ratings, which were collected on a quarterly basis, are shown in the following table.

continued next page

TABLE 23
AVERAGE OVERALL RATINGS

	<i>July– September</i>	<i>October– December</i>	<i>January– March</i>	<i>April– June</i>
Timeliness (T)	3.0	3.1	3.1	3.2
Presentation (P)	3.1	3.1	3.1	3.2
Quality (Q)	3.1	3.1	3.1	3.2

The basis for ratings, agreed upon by ministers, emphasises the relevance and value of policy advice. The criteria are set out below.²⁰

Ratings

On average, over the year 84 per cent of briefs were returned with rating boxes completed. While most ratings indicated that briefing was of a ‘satisfactory’ quality (that is, fulfilling all requirements of the minister), 12-14 per cent were deemed to be of a higher quality. Only 1-3 per cent were less than satisfactory, mostly on grounds of timeliness.

In relation to the Output tables and output indicator, Policy advice—Level of satisfaction of ministers with the provision of policy advice—a summary of the ratings are found below.

The rating results, by criteria, were:

- Timeliness—on average 85 per cent of briefs had satisfactory ratings (3), 12 per cent rated above satisfactory (4 or 5) and three per cent rated below satisfactory (1 or 2).
- Presentation—on average 86 per cent of briefs had satisfactory ratings, 13 per cent rated above satisfactory and only one per cent rated below satisfactory.
- Quality—on average 85 per cent of briefs had satisfactory ratings, 14 per cent rated above satisfactory and only one percent rated below satisfactory.

Ratings have proved to be a useful vehicle to provide employees engaged in briefing ministers with regular evaluation of performance. They are complemented by written and oral feedback. Together these comments help the department to improve the timeliness, presentation and quality of policy advice provided.

²⁰ The criteria for the evaluation of briefs are included in the DEWRSB Annual Report and were provided in table 6 above.

Conclusion

2.51 The ANAO concluded that DEWRSB had provided a detailed report of actual performance against its quality indicator. DETYA had stated that for the quality of policy advice the indicator had been met. FaCS indicated the need for continuous improvement and noted the number of briefs provided to the ministers. In consultation with their minister, agencies may wish to consider the usefulness of DEWRSB's reporting approach.

Better practice principles

The following better practice principles have been drawn from issues raised during the course of this audit, findings in the case studies, a review of the policy advising literature listed in Appendix 3, and discussions with officials and experts. They are not exhaustive. The aim of the principles is to enhance management and quality assurance of the policy advising function across the APS. The ANAO considers that they should be assessed for relevance by all agencies.

Agency management of the policy advising function

- Develop a strategic perspective on policy advising requirements in corporate and business plans by identifying where policy development may be required to meet future needs or to respond to current problems.
- Ensure that business plans and performance information at all levels address the objectives and risks identified in higher level plans and risk assessments.
- Establish a system for obtaining ministerial feedback on performance measures for policy advice that:
 - is designed in consultation with the minister(s);
 - has explicit and defined criteria for the quality of policy advice;
 - captures feedback across the range of policy advice provided; and
 - disseminates feedback to policy staff.
- Ensure that the departmental Annual Report provides a comprehensive and transparent assessment of performance against the indicators listed in the Portfolio Budget Statement.

3. Managing Policy Projects

This chapter describes the arrangements for managing policy projects in DETYA, DEWRSB and FaCS. It also examines management and quality assurance practices in the areas of accountability, planning and oversight and the relationship with the minister.

Introduction

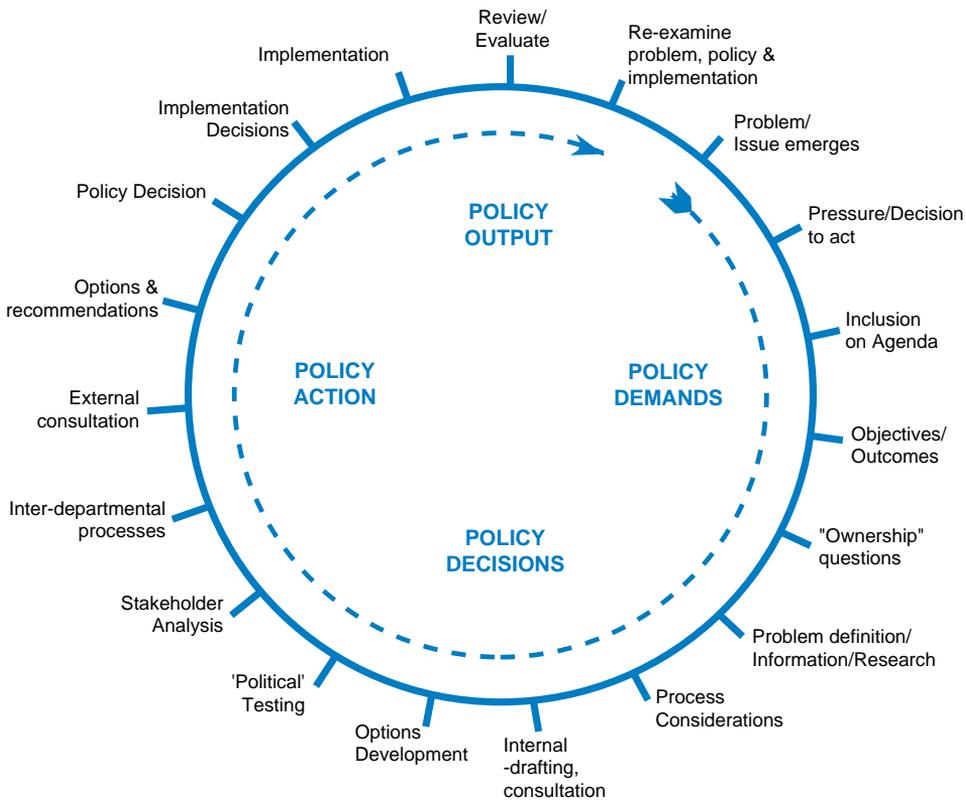
3.1 A core function of public sector agencies is to deliver quality policy advice for decision makers, usually the minister or cabinet. As with any project, there are key management and quality assurance practices that will help agencies to develop the best possible policy advice.

3.2 The ANAO's findings in this chapter are based on a sample of six policy development projects. As with most policy projects, there was generally not a very clear-cut start or finish point. Each of the six cases developed out of previous policy decisions (the policy history) and had specific characteristics that reflected the subject matter, the resources devoted to the project, and the attitudes and expectations of key players. As well, while an examination of developments following the policy decision was outside the scope of this audit, presentation of the advice to ministers was usually not the end of policy work on the issue. Implementation and evaluation processes that occurred after the decision also required policy support.

3.3 While each case study looked at different issues, there were many similarities in processes used to manage the six projects. These processes resembled the theoretical frameworks for policy development presented in the academic literature. To assist understanding, these frameworks are based on a number of orderly steps. The PSMPC presents such a model in courses it offers²¹, which is set out in Figure 2 below.

²¹ More information on these courses is provided in Chapter 6.

Figure 2
Policy Life Cycle



Source: Public Service and Merit Protection Commission

3.4 In actual practice, there can be many iterations, alterations to timetables, shifts in direction, unanticipated events and other factors that prevent policy projects from following the path set out in the model. As well, each of the policy case studies examined in this audit was significant and therefore was provided with appropriate resources including personnel, funds and time on a scale that will not always be available or necessary.

3.5 While acknowledging all these issues and their considerable impact on policy advising, the ANAO assessed whether the six policy projects examined had appropriate management and quality assurance practices in the broad areas of:

- accountability;
- planning and oversight; and
- the relationship with the minister (client).

3.6 Each of these is discussed under separate headings below.

Accountability

3.7 Accountability is an important element of the underlying foundations of sound governance and management. As noted in paragraph 1.27, public servants are accountable to ministers and, through ministers, to Parliament. In the context of policy development projects in the APS, this means that it should be clear which individual or group was responsible for undertaking the work within the framework of devolved authority. It also means that officials should be able to demonstrate to the minister that an appropriate process was followed, which he or she can then demonstrate to Parliament, as necessary.

3.8 The ANAO therefore examined the six case studies to determine whether:

- responsibility for the policy project was clearly assigned; and
- policy processes were adequately documented.

Responsibility

3.9 Responsibility for the policy development process was clearly assigned in all six cases, generally to an assistant secretary under the supervision of a first assistant secretary. The task that they were responsible for was clearly defined, at least initially, in all six cases. In four of the six cases, a team was formed outside the normal departmental structure to work full-time on developing the policy. Chapter 6 discusses drawing together expert teams. Specific terms of reference were established for one team.

Documentation

3.10 Up-to-date, accessible, relevant and accurate records of administrative processes allow those responsible to demonstrate that:

- legislative requirements are met; and
- actions and proposals are consistent, based on accurate information, and cost-effective.

3.11 Adequate documentation also contributes to the transfer of knowledge and experience and is an important risk management tool, for example against the risk of loss of key personnel during the course of the policy development. There should be a sufficient record to allow replacement personnel to continue the project with a minimum of disruption.

3.12 Documentation was not always adequate across the six cases examined. In general, the stages and processes in developing the policy could be discerned from the documents available. However, on occasion,

information was not available on key discussions or decisions. For example, in one case a brief was provided to the minister asking which among a range of options should be subjected to further analysis. There was no indication in the documents made available to the ANAO what the minister's response was and officials could not recall what decision was made.

3.13 Transparency of the policy development process tended to be greater where the minister was more directly involved, since this resulted in briefing documents summarising developments and providing information on progress. The outcomes of formal consultations, particularly with representatives of more than one group or interest, were generally well-documented. Less effort tended to be devoted to documenting the outcomes of meetings with individual groups or intra-governmental working groups.

3.14 Opportunities to improve documentation are also discussed in the sections on risk management and project monitoring and approval later in this chapter. They are addressed as well in Chapters 4 and 7.

3.15 One contributory factor to gaps in documentation was the fact that hand-written notes were rarely included in files, and with movement of staff, could quickly become difficult to locate. Another factor was that information in electronic information systems, particularly email used to organise and record discussions, was not preserved. However, one team was diligent about maintaining copies of significant electronic mail messages on file, including where they recorded the views of the minister's office.

3.16 In 1995, the National Archives of Australia promulgated a policy statement under the *Archives Act 1983* that electronic records have the same status as paper records. The current policy statement is that:

All digital data created or received in the conduct of Commonwealth business are Commonwealth records under the Archives Act 1983 and need to be managed in accordance with the Act. Commonwealth Government agencies must manage electronic records with the same care as they manage paper records. Agencies must not dispose of electronic records except under an appropriate disposal authority issued by the National Archives of Australia.²²

²² National Archives Australia 2001, 'Electronic Records', [online], Available: www.naa.gov.au/recordkeeping/er/summary.html [18 July 2001].

3.17 This includes email:

*Email is part of the official business communication of a Commonwealth agency. Email sent or received contains information about business activities and therefore can function as evidence of business transactions which are part of the official records of an agency. All email messages created using Commonwealth government systems are Commonwealth records and must be managed in accordance with the Archives Act 1983.*²³

3.18 The objective is to retain sufficient records cost effectively to meet agencies' accountability obligations and good business practices.²⁴ Decisions about documentation are a matter of judgment and should be practical, but they should also be deliberate.

3.19 At the same time, appropriate documentation need not be elaborate. It will not be necessary always to formally document every step of the policy process. Previous ANAO reports have noted that:

*Briefings and records maintained need not be lengthy but should be fit for their purpose.*²⁵

3.20 For example, transacting business or discussing issues through email automatically creates a record that can be preserved by saving key messages, either on paper files or through electronic document management systems with adequate archiving facilities. Also, particularly with briefing documents to ministers, marginal or other handwritten notes record decisions and should be preserved. It will usually be desirable to record decisions from meetings, including with ministers.

²³ National Archives Australia 2001, *Email is a record!*, Archives Advice 20, February 2001, [online], Available: www.naa.gov.au/recordkeeping/rkpubs/advices/advice20.html [18 July 2001]. The National Archives of Australia has published new guidance on record keeping. The guidance includes strategies, advice, standards, guidelines and manuals, including for electronic records, and can be found on the agency's website at www.naa.gov.au/recordkeeping/default.html.

²⁴ The National Archives of Australia has endorsed Australian Standard AS4390–1996 *Records Management* for use within the Commonwealth Government. The standard states that full and accurate records are those necessary to:

- facilitate action by employees, at any level, and by their successors;
- make possible a proper scrutiny of the conduct of business by anyone authorised to undertake such scrutiny; and
- protect the financial, legal and other rights of the organisation, its clients and any other people affected by its actions and decisions.

To be full and accurate, records must be compliant, adequate, complete, meaningful, comprehensive, accurate, authentic and inviolate. The standard defines these terms and provides case examples of appropriate documenting of specific types of business activity.

²⁵ Audit Report No.42, 1999–2000, *Magnetic Resonance Imaging Services—effectiveness and probity of the policy development processes and implementation*, p. 25.

Conclusion

3.21 The ANAO concluded that responsibility for the policy project was clearly assigned in all six cases examined. The use of a dedicated team with a clear and documented definition of the task was a good practice used, where resources permitted, on four cases.

3.22 The ANAO also concluded that relevant documentation, particularly of handwritten and electronic records, was not always retained in line with the need to keep appropriate official records. While maintaining paper or electronic records may appear burdensome, particularly where there are resource and time constraints, it is often such constrained environments that require adequate documentation for accountability purposes. Sound public administration requires key deliberations, decisions and resolutions to be adequately recorded.

Planning and oversight

3.23 Effective quality management depends on appropriate control mechanisms. These mechanisms need not be elaborate, but they should still include key elements, including guidance on procedures to follow, risk management, and ongoing monitoring of progress.

3.24 The ANAO therefore examined the planning and oversight of the policy case studies to determine whether:

- departments provided guidance on conducting policy projects;
- risks were identified and managed; and
- progress was monitored and approved by appropriate levels of management.

Departmental guidance on policy development

3.25 Documenting practices in, for example, manuals and guidelines, is not always necessary for effective quality management, but it does help to ensure that activities are implemented consistently over time. Documented practices are also useful for staff unfamiliar with the policy process and to capture, preserve and transfer knowledge and experience to maintain and enhance capability.

3.26 Documenting policy practices is complicated by the fact that policy projects vary in significance and resources, and may not follow the development path described in policy cycle models. The ANAO found that departments documented guidance for the stages of presenting advice to ministers and cabinet, where a consistent approach is essential, but only DETYA provided guidance on the policy cycle as a whole.

3.27 All three of the departments audited have ministerial liaison areas responsible for managing the flow of briefing documents and information to the minister. These areas provide information on presentation formats and timing on departmental intranets. PM&C publishes a Cabinet Handbook and associated Drafter's Guide which provide detailed information for presenting submissions and information to cabinet.

3.28 FaCS has gone a step further by preparing a guide on managing the later stages of policy development projects through the department's annual budget cycle. The budget cycle is a structured process through which the department's budget for the following year is prepared for presentation to Parliament. Since policy projects often require changes to funding arrangements, many must eventually be considered in this cycle. This is itself a valuable quality management mechanism for policy development because the budget cycle involves review and scrutiny by several internal and external bodies. *The Policy Developer's Guide to the Budget Process* helps officials to navigate this process in the later stages of their policy project. It is, however, less useful in guiding the earlier stages of a strategic project.

3.29 Officials from all three agencies commented that they would benefit from more guidance on the policy cycle, particularly on better practices throughout the policy development process.

3.30 The ANAO found only one example of a policy guide that addressed an entire policy development process. The Higher Education Division in DETYA had prepared a document on the characteristics of good policy-making that included a series of questions linked to the phases of the policy cycle. It also linked the policy cycle to the department's corporate capabilities. This document was helpful in informing policy makers about the issues they should consider and capabilities they should have available at each stage, but provided little detailed guidance on tools, techniques or management processes.

Project risk assessment

3.31 It was noted in Chapter 2 that effective planning of the departmental policy function requires appropriate risk assessment to identify and analyse risks so that the most critical among them can be reduced or controlled by appropriate treatment strategies. This also applies to policy development projects to ensure that events that may prevent the project achieving its objectives are identified, assessed and, where possible and appropriate, treated. Regardless of whether they have been assessed, risks will need to be managed appropriately. This is likely to be more effective if a risk assessment is undertaken.

3.32 Two of the policy case studies conducted explicit risk assessments, but only one documented it. Examples of risks and treatments in the documented risk assessment are listed in Table 7.

Table 7

Risks and treatments for a policy development project

Risk	Treatment strategy
Potential stakeholder opposition.	Development of ministerial briefing on issues raised during the public debate phase.
Difficulty of managing and coordinating different streams of reform, which may at times be conflicting.	Close management/planning of policy development work. Emphasis on communications within the Team.
Unable to do enough under [the proposed change with regard to certain organisations].	Develop alternative approaches where [the proposed change] is unavailable.
Skills of team do not match phase of project.	Need to forward plan and anticipate when skill requirements are expected to change.

3.33 The treatments above aim at reducing the likelihood or consequence (or both) of the risks. Options for treating risks also include avoiding the risk, transferring it to another party and accepting it. Risks over which the project team may not have direct influence may have to be accepted, even if their consequences are serious, but they should still be monitored to reduce their impact wherever possible.

3.34 At the time of initiation of some of the case studies, risk management requirements and procedures were not fully embedded at all levels in all three departments. However, there was extensive guidance on risk management in the APS available from the mid-1990s in the form of, for example, the Australia/New Zealand Standard for Risk Management and the Management Advisory Board/Management Improvement Advisory Committee (MAB/MIAC) guidelines on risk management.²⁶ The ANAO considers that it would have been good management practice to undertake a risk assessment early in the life of the projects.

²⁶ Standards Australia 1995, *Australia/New Zealand Standard for Risk Management* and Management Advisory Board/Management Improvement Advisory Committee 1996, 'Guidelines for Managing Risk in the Australian Public Service', *MAB/MIAC Report No.22*.

3.35 Comprehensive risk management processes are now a requirement in all three departments and therefore documentation of these risk assessments could be expected for high order strategic policy development projects on the scale of the six cases considered in this audit. For example, DEWRSB's Chief Executive Instructions on risk management state:

Prudent risk management is to be a commonplace and continuing activity across the Department because all decisions involve management of risk—whether at the department, programme, team or individual level. Staff are to be able to demonstrate, and to document where practicable, that they have made appropriate decisions about management of risks based on a careful consideration of the likelihood and consequences of risk exposures and the benefits and costs of particular courses of action.

Monitoring and approval

3.36 Once risks are identified and the project initiated, those staff identified as responsible and accountable should manage the risks, timetable and outputs through to delivery of quality policy advice. The ANAO therefore examined whether the six policy case studies had:

- a timetable against which progress could be monitored;
- monitoring arrangements; and
- quality control arrangements using review and approval by management.

Establishing a timetable

3.37 All six policy case studies developed a timetable against which progress could be monitored. These varied significantly in form, detail and completeness. For example, one case did not prepare a plan linking activities to a schedule until approximately half way through the policy development project. The plan consisted of a concise description of upcoming events in a brief to the minister. In another case the project team prepared a plan that linked several streams of consultation, following discussions with the minister's office and included relevant non-departmental activities taking place at the same time.

3.38 While the level of detail required would depend to some extent on the circumstances, it would be better practice wherever possible to prepare a timetable early in the process. The key is to include enough information so that the timetable is a useful management tool without creating an additional administrative burden. An important issue to consider is the steps that need to be included to ensure that any problems with progress being made can be identified in time to take appropriate action to deal with the issue.

3.39 Developing a timetable may be complicated by factors outside the control of the policy project team. In four of the six cases, the final decision was eventually made several months later than originally anticipated. Part of the reason for the delays was that early elements of the analysis identified additional issues that required further examination. Another cause of delay was the need to wait for the right time to bring an issue forward, given political circumstances and other priorities of government.

3.40 Changes to the time available for the policy development project generate risks. For example, options, research or information gathering activities may be discarded early because it is not expected that there will be enough time to complete them. There were instances of information gathering activities within the cases examined that were not as comprehensive as desired because of time constraints that later turned out to have been artificial.

3.41 The timeframe on large projects is likely to be changed but it may not be possible to anticipate this. However, where time constraints have an impact on project plans this should be made explicit and some thought given early on to how additional time might best be used, if it becomes available.

Monitoring of policy projects

3.42 Project teams used a variety of mechanisms to monitor against their timetables. In three of the policy case studies, the team explicitly reviewed timetables and revised and adjusted them as needed. One branch in DEWRSB created a Gantt chart that listed the activities required in considerable detail, along with start and finish dates, and a listing of other important dates. Another branch in DETYA created task lists that were updated every few weeks. The lists identified and defined tasks, and assigned an action officer and due date.

3.43 In three of the policy case studies, the team provided frequent briefs to the minister. Differences in the number of briefing documents provided to ministers in the course of the policy project reflected a number of factors, including the preferences of the minister. However, where there were relatively frequent briefs, their preparation and review could serve a second purpose as a tool for managers to monitor progress.

3.44 Discussions with relevant officials in all the policy case studies included in the audit made it clear that the main project management and monitoring method was the ongoing attention of management. This included the continuing attention of the project manager, which in most of the cases was an assistant secretary, and oversight by more senior levels of management. As might be expected, this work consisted mainly of informal meetings and communication with staff and with higher levels of management to discuss progress with the specific policy project.

Approval of policy advice

3.45 A key quality control measure in the six policy cases was that managers signed briefing documents sent to the minister. By signing the briefs, officials acknowledged that they had reviewed them and were taking responsibility for them. A contact person was also usually identified on the brief and ministers sometimes had a preference for discussing the document directly with them.

3.46 However, of the three agencies examined only DEWRSB had documented the responsibility for signing briefs. According to DEWRSB's protocol, directors can sign information briefs, while assistant secretaries remain responsible for policy briefs and speeches, though judgement can be exercised. The protocol also notes that, '*There needs to be active questioning of the "need for approval" up the line.*' The ANAO noted that briefs prepared in the department were signed off in accordance with this documented protocol.

3.47 In DETYA and FaCS, more senior managers, such as first assistant secretaries, tended to sign (or co-sign with the project manager) some of the earlier briefs in the policy case studies audited. As the project progressed and the project manager demonstrated that they had a grasp of the issue, senior management devolved signing responsibility to the project manager. Senior management would continue to oversee finalisation of the briefs, and in some cases they would continue to sign the more important or strategic ones. Senior management would also usually be given copies of all briefs so that they could remain up-to-date on the progress of the project.

3.48 In three of the six cases, a higher level advisory group was established including participants from different divisions within the lead department. In two cases the group also included representation from more than one department. In two cases the group met approximately weekly, while in the third it met approximately monthly. As well as providing higher-level management oversight and quality assurance, these were useful mechanisms for ensuring that issues crossing organisational boundaries and whole-of-government considerations were addressed.

Conclusion

3.49 The ANAO concluded that, in the six cases examined, quality control was more robust in the preparation and presentation of briefs than in the initial planning stages. Review and approval of briefs was devolved and their presentation to ministers governed by adequate procedures.

3.50 While processes adopted should be appropriate to the circumstances, there were opportunities to adopt more aspects of a quality management approach through building quality and managing risk throughout the process. This would include providing more guidance on managing the policy cycle and on better practices, conducting and documenting risk assessments, establishing timetables early in the project, and monitoring against the risk assessments and timetables.

Managing the relationship with the minister

3.51 The purpose of the management and quality assurance processes for policy development is to produce quality policy advice for the minister, who is the client of the process. At the same time, the minister may play an active role in the policy advising process. His or her views, presented personally or by their ministerial staff, determine what advice is required and can also influence how the advice is developed.

3.52 As discussed in Chapter 2, the key performance indicator of the quality of policy advice is the ministers' opinion of it. In order for departments to meet the indicator's requirements, they should establish criteria for the quality of policy advice that meet ministers' expectations and legislated requirements. Finance notes that there is value in assessing policy advice against such criteria:

The quality of policy advice can be viewed from at least three particular perspectives:

- i. that of the minister (or other decision maker relying on the advice);*
- ii. that of peers (professionals who work in or understand the policy environment in question); or*
- iii. that of the intrinsic characteristics of the policy work (as assessed against benchmarks or standards such as timeliness, accuracy, consultation, practicality etc.)*

Each of these perspectives is legitimate and it is open to the agency to determine where the emphasis should lie in its particular circumstances.²⁷

²⁷ Department of Finance and Administration 2001, *The Outcomes and Outputs Framework: The case of policy advice*, [Online], Available: http://www.finance.gov.au/budgetgroup/Commonwealth_Budget_-_Overview/the_case_of_policy_advice.htm [6 August 2001]

3.53 It will be possible to obtain some detailed information on strengths and opportunities for improvement against individual criteria through mechanisms used for monitoring ministerial satisfaction. However, as Finance notes, the opinions of other experts obtained through, for example peer reviews (discussed in Chapter 7) would also be useful.

3.54 In that context, the ANAO assessed the quality of written briefings provided to ministers for the six case studies. The amount of information that ministers want to receive before making decisions can differ, as can whether they want to receive the information mainly through written briefing documents or through oral presentations or discussion at meetings. The frequency with which updates are required can also vary. As well, some of the more common criteria for quality policy advice can require trade-offs. For example, criteria that aim to ensure that briefings are comprehensive should be balanced with criteria that aim to ensure that briefings are succinct.

3.55 DEWRSB had developed its own criteria for assessing the quality of policy advice, which were listed in Table 6, and its briefing documents were therefore assessed against those criteria. Briefings for DETYA and FaCS were assessed against criteria based on generic guidelines developed by Finance.²⁸ The ANAO discussed the Finance guidelines extensively with officials and as a result the audit criteria included some minor differences from the Finance guidelines. The ANAO also met, where they were available, with ministers or their offices for the departments audited and their comments about the requirements for a quality brief were consistent with these modified criteria. The modified audit criteria based on Finance guidelines (listed in paragraphs 3.57 to 3.59 below) were consistent with the DEWRSB criteria.

3.56 It was difficult to specify precisely how many briefing documents were prepared for each case study because some briefs discussed the issue directly while others included it in a more general discussion of

²⁸ Department of Finance and Administration 2001, *The Outcomes and Outputs Framework: The case of policy advice*, [Online], Available: http://www.finance.gov.au/budgetgroup/Commonwealth_Budget_-_Overview/the_case_of_policy_advice.htm [6 August 2001]. Under the devolved environment within the Commonwealth that is legislated by the *Financial Management and Accountability Act 1997* and the *Commonwealth Authorities and Companies Act 1997*, Chief Executive Officers and boards, respectively, are responsible for the management of their respective bodies, including the compliance with the Outputs and Outcomes management and reporting framework. Finance provides guidance to assist agencies in this regard, although the guidance is not intended to represent specific rules or criteria. It represents guidance only and is not necessarily comprehensive or compulsory.

related issues. The number of briefing documents that mainly dealt with each case ranged from fewer than 10 to almost 30. Of these, the ANAO selected for detailed analysis the 32 briefs, across the six cases, which it considered were most important to the development of the cases.

3.57 On the basis of the assessment of the criteria against the briefs,²⁹ the criteria can be broadly considered in three groups. For eight criteria, a high proportion of briefs fully met the standard and almost all of the remaining briefs partly met it. Fewer than 5 per cent of cases did not meet the criteria. These criteria were:

- the aim of the advice is clear and addresses the question set;
- the argument is supported by evidence;
- the evidence used is accurate and reliable;
- advice is aware of current realities;
- the format meets with specified presentation standards;
- the advice is presented in a clear and concise manner;
- the recommendations take account of anticipated problems of implementation, feasibility, timing and consistency with related government policies; and
- the advice complied with deadlines or response times specified by the government.

3.58 For five criteria, a lower proportion of briefs fully met them, and a higher proportion of briefs partly met them. The proportion of briefs that did not meet individual criteria remained low. The criteria were:

- the assumptions on which the advice is based were stated clearly;
- all material facts are included;
- the benefits, costs and consequences of each option to both the government and the community are identified;
- advice anticipates developments; and
- there is evidence of appropriate consultation with other government agencies and affected interests.

²⁹ Individual criteria were not applicable to some policy outputs. For example, some briefs were prepared early in the policy advising process and would not therefore necessarily report on consultation processes. Outputs for DEWRBS were assessed against the department's own criteria rather than the criteria based on Finance guidelines. Where the DEWRBS criteria did not address a guidelines-based criterion, the criterion was considered not applicable. Where a DEWRBS criterion addressed two related guidelines-based criteria, the DEWRBS results were included in the assessment for one criterion, and the other was considered not applicable.

3.59 One criterion, '*an appropriate range of options is presented*', was fully met in a high proportion of cases, but was also not met in almost one-fifth of the 32 briefs examined. The range of options that is appropriate can depend on the circumstances of the case and the environment in which policy advice is provided. However, given that the six cases examined in the audit were high order strategic policy development projects developed over a period of time, there were opportunities to improve the presentation of options.

3.60 An important factor contributing to the lower proportions of fully met results for these criteria is the fact that, as one former departmental Secretary observed, '*ministers are wide but officials are deep*'.³⁰ Ministers must cover a wide range of obligations both within their portfolio but also in Parliament and in the community. As a result, they rely on officials to contribute depth of knowledge on particular issues, such as policy projects. However, it can be difficult for policy advisers, particularly where analysis of the issue was their main or sole responsibility as it was in several of the cases audited, to step back from the detail and assumptions in which they are immersed from day-to-day when presenting their case in a written brief.

3.61 For example, some briefs were highly technical and assumed significant knowledge on the part of the minister. This may be appropriate where the minister has a strong grasp of technical issues, is dealing with the issue frequently, or requested further information as the initial brief required clarification. In other instances, officials appeared to select a preferred option before the minister was ready to choose.

3.62 In most cases, the written briefings will be only part of the story. During the ANAO's meetings with ministers in the departments audited, the ministers confirmed that they liked to have direct discussions with officials on the issues raised in briefing documents. In a number of cases, ministers met regularly with the senior departmental officials and advanced issues through these meetings. Options and developments not anticipated in documents can be addressed in these forums.

³⁰ Hollway, S. 1992, *Where do Governments get their Advice?*, Address to Royal Institute of Public Administration Australia (ACT Division) seminar, Lakeside Hotel.

Conclusion

3.63 The ANAO concluded that briefs examined met most of the criteria for quality briefing documents. This suggests that the quality control provided by the approval processes and documented procedures for presentation of briefs noted in the previous section was usually effective. Ministers had opportunities to fill any gaps in the quality of briefing documents through direct contact with policy staff. While at times there may be a balance to be struck between the desirability of addressing several criteria and the requirement that advice be concise, there were opportunities to improve the quality of briefs in the areas of making assumptions explicit, providing all material information, presenting options, anticipating developments and providing information about consultations. As well, departments could explore means to obtain information on their performance in relation to the components of quality policy advice.

Better practice principles

The following better practice principles have been drawn from issues raised during the course of this audit, findings in the case studies, a review of the policy advising literature listed in Appendix 3, and discussions with officials and experts. They are not exhaustive. The aim of the principles is to enhance management and quality assurance of the policy advising function across the APS. While the extent of the action taken to implement these principles may vary with the scope of each policy project, the ANAO considers that they should be assessed for relevance by all agencies.

Managing policy projects

- Manage risk as an integral part of management and quality assurance for policy projects, including conducting and documenting initial risk assessments.
- Make deliberate decisions about the level and quality of official documentation to meet obligations, capture precedents, and to manage risk and decision-making, including the need to preserve handwritten and electronic records of key discussions and of decisions.
- Provide documented guidance to relevant staff on the policy process that:
 - links policy processes to other corporate expectations and procedures; and
 - provides guidance on better practice tools, techniques and management processes.
- Determine, when preparing initial plans for large policy projects, the priorities for additional information gathering, analysis or consultation where more time for policy development becomes available, since decisions on such projects have a tendency to take longer than originally expected.
- Establish key controls for managing policy projects including:
 - a documented statement of the task;
 - mechanisms to monitor against timetables and quality standards;
 - defined and documented responsibility for reviewing and approving policy advice; and
 - a relevant interdepartmental advisory group where significant whole-of-government issues are involved.
- Determine whether the minister prefers to receive the majority of information in writing or orally, and ensure that a knowledgeable contact person is identified on written material and that the outcomes of key oral briefings are recorded.

4. Information Gathering

This chapter examines managing information gathering in the development of policy advice. The chapter discusses determining information needs, ensuring the quality of the information and managing constraints and limitations to information gathering.

Introduction

4.1 Ideally, policy advice would be based on full, high quality information, which is derived from a range of sources. However, this will rarely be possible because it would take too long to gather the information, the information required may be too expensive to gather, or the information is unobtainable (for example, it may belong to another organisation which is unwilling to allow access). As well, increasingly officials can find that there is more data than they are able to analyse into useable information in the time available. It is therefore important that policy advisers assess their information requirements and ensure that the information they are able to obtain is of the highest quality. It is equally important that they are clear about the information they cannot obtain and its implications for the advice they are providing.

4.2 The ANAO therefore assessed the management of the quality of information in the six policy case studies in the broad areas of:

- determining information needs;
- ensuring the quality of information gathered;
- managing constraints or limitations on the ability to gather necessary information.

4.3 Each of these is discussed under separate headings below.

Determining information needs

4.4 The ANAO examined whether agencies determined their information needs and established cost-effective strategies to meet them in the six policy projects.

4.5 Conducting an initial assessment of information needs is useful because it allows strategies for gathering information to be identified, priorities to be set and choices made among competing information gathering approaches. Such an assessment, however, is unlikely to identify all the information that will be gathered during the course of the policy development project. Previous chapters have noted that policy development is often an iterative process. Information gathering is therefore also likely to be iterative. An initial range of issues or options will be identified and relevant information gathered. Based on that information and decisions, the options are refined, generating further requirements for information.

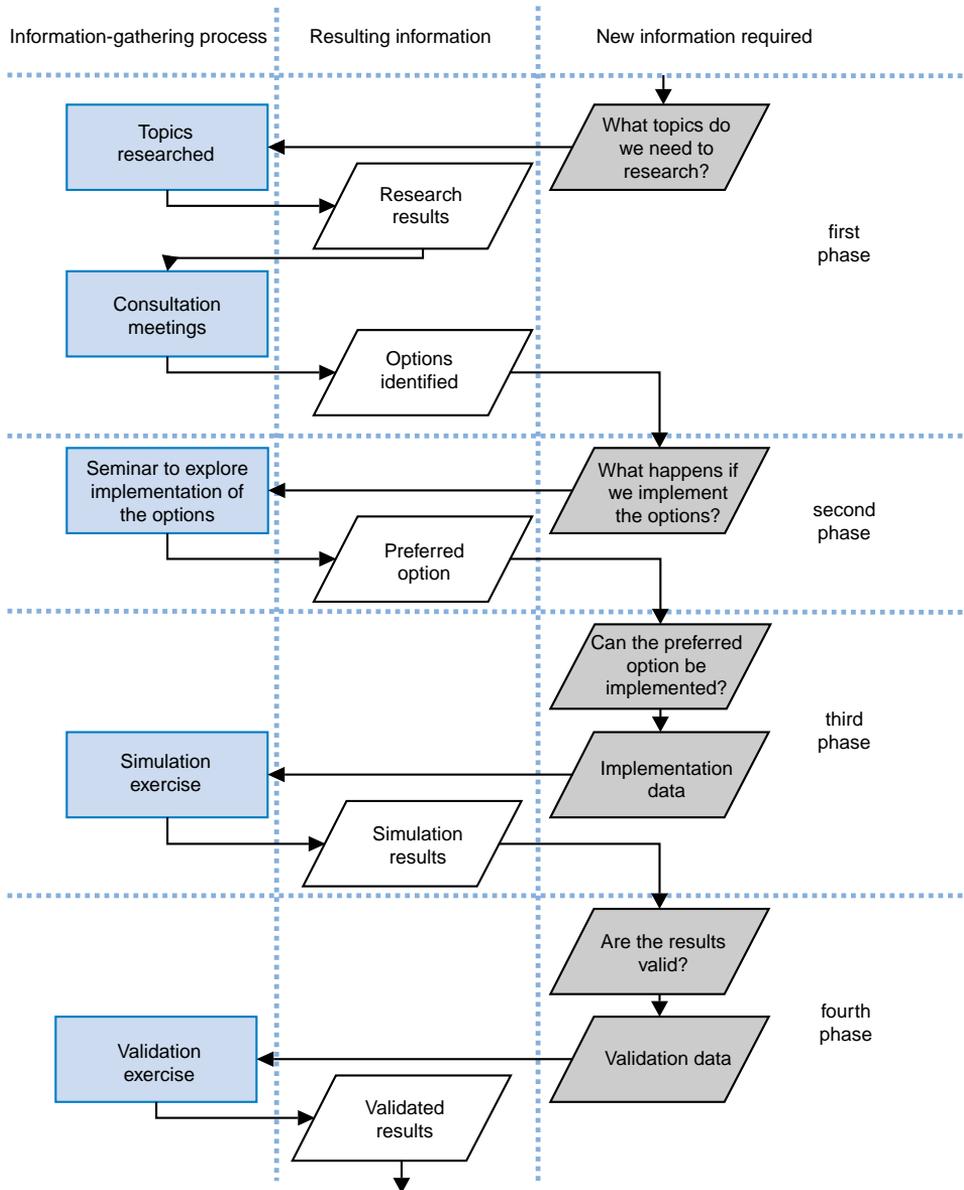
4.6 Among the six policy projects examined only three documented an initial assessment of information needs. For all six projects, whether a starting point was documented or not, information needs were assessed to some extent in a series of phases, where information generated in one phase determined the information gathering activities required for the next. Consultation processes often revealed information or options that required further research or analysis that had not been anticipated in the initial assessment.

4.7 This process of interaction between information gathering and consultation processes through a series of phases is illustrated in Figure 3, which is based on the experience of one case study.

4.8 The six policy development cases included in the audit were examined in detail by the relevant agency. The department derived its information from a variety of sources using a range of methods, including:

- literature searches;
- expert knowledge;
- State or local government experience;
- overseas experiences;
- existing data sets;
- stakeholder consultation; and
- primary research.

Figure 3
Phased information gathering process



Source: ANAO analysis

Conclusion

4.9 The ANAO concluded that information needs were identified for the six policy projects examined. Some of the information needs were determined at the start of the project, but many of the requirements were identified as the process evolved. Regardless of the means of determining information needs, all six projects examined their subject matter in detail.

Ensuring the quality of information

4.10 The ANAO examined the information gathering processes for the six case projects to determine whether quality assurance arrangements existed to ensure that information used was of the appropriate quality.

4.11 All of the information gathered in the case studies was subject to quality assurance techniques. The various techniques used are listed in Table 8. Among the more commonly used techniques were:

- use of authoritative sources for information and analysis, such as the Australian Bureau of Statistics (ABS), Department of the Treasury (for economic forecasting information) and the National Centre for Social and Economic Modelling;
- use of experts under contract to identify and analyse large quantities of information; and
- subjecting information and analysis to independent review.

Table 8

Techniques to assure the quality of information

<i>Information gathering undertaken by</i>	<i>Techniques</i>
Officials	<p>Prepare a project brief or strategy document explaining the purpose of the information and how it will be obtained.</p> <p>Obtain information and analysis from reputable or authoritative sources (for example the ABS or recognised legal experts).</p> <p>Commission a second, independent and expert party to review information gathered.</p> <p>Commission two parties to gather and/or analyse similar information.</p> <p>Present information for comment in a public forum, such as a seminar, conference or discussion paper.</p> <p>Costings undertaken by a separate branch and reviewed by the policy project team.</p> <p>Validation checks on data, including double checks and verification of random samples.</p> <p>Sensitivity analysis using the same or comparable data sets.</p> <p>Include in the responsibilities of staff that they remain up-to-date on relevant academic and other literature.</p>
Contracts	<p>Conduct a tendering process.</p> <p>Conduct formal assessment of bids for information contracts against predefined criteria using more than one assessor.</p> <p>Establish a steering committee for the contractor, potentially including third party experts.</p> <p>Divide the project into separately assessable milestones.</p> <p>Request presentation (either orally or in a short brief) of results prior to finalising of the report.</p> <p>Conduct a post project evaluation against standard criteria.</p> <p>Publish the report results.</p>

4.12 Experts were frequently contracted to obtain and analyse information. The scope of the audit did not include evaluating the selection and management of consultants against procurement guidelines. However, the ANAO did observe that most of the consultancies were selected on the basis of sole source or limited tenders because of the specialised nature of the information required, the relatively small value of the contract and the limited time available. Selection criteria and evaluations for the selection of the consultants were rarely documented and therefore the extent to which the consultants were of appropriate quality was not transparent.

4.13 One important information gathering task often given to consultants was to conduct a survey of the existing state of knowledge on a subject. In the six policy case studies, information from this commissioned research was usually made public after the policy advice was presented to the minister. In some instances, arrangements were made to make unpublished versions available to individuals or organisations participating in the consultation process, but this was not the universal practice. To ensure consultation processes are adequately informed, there would be benefit in making information available to those consulted before key decisions are taken.

Conclusion

4.14 The ANAO concluded that the six policy case studies took into account the need for officials to assure the quality of the information gathered.

4.15 Most of the contracts for information gathering tasks were let on a sole source basis. In such circumstances, it is better practice to document selection criteria and evaluations of contractors to demonstrate that they meet appropriate quality standards.

Managing limitations on information

4.16 Managing the risks associated with limited information is perhaps one of the most important tasks officials must undertake when developing policy advice. Dealing with limitations on information is primarily a risk management exercise. Officials must determine how best to treat the risks associated with what is unknown; whether to attempt to create data if it does not exist, whether to spend time and other resources to obtain it if it is not immediately available (and whether to do so immediately or later), or whether to accept the risk and manage without the information.

4.17 Ultimately, however, decisions about the degree of risk that can be accepted rest with ministers. They must therefore not only be told what is known, but also what is not known and the potential impact this is likely to have on the advice.

4.18 The ANAO examined information gathering in the six cases to determine whether:

- the policy advice included efforts to generate important information that was initially unavailable; and
- limitations on the information were acknowledged.

4.19 While the cases examined generally had significant resources and were able to research issues extensively, there were some instances where information was constrained. For example, there was a small number of instances where consultants reported that the time constraints on their project meant that they could not review all potentially relevant information. However, the risks in these cases were clearly small and the ANAO found that, in most cases, officials were able to conduct some additional analysis that helped fill the gaps.

4.20 In a few cases, officials were faced with a need for information that could not be easily or quickly filled within the original parameters of the project. The problem was addressed in different ways, described in the following paragraphs, depending on how much flexibility there was in the timeframe for the project.

4.21 In one case, the government was planning to make the policy announcement in one year, but was in a position to delay the announcement until (but no later than) the following year. As the time approached when ministers would have to decide when the policy would be announced, it became evident that the preferred option represented an approach with which the department and stakeholders had only limited experience. It was therefore decided to delay the announcement to the following year, and use the time to conduct a simulation exercise. The exercise allowed the department to determine exactly what data would be needed to implement the policy, if it was decided to pursue that option, and how best to analyse it. The simulation exercise also had the benefit of involving all the major stakeholders, who therefore understood the implications of the new policy. As a result, some of the stakeholders became more supportive of the policy approach.

4.22 In a second case, officials were required to provide some advice on an issue, but knew that they would have to revisit it the following year. For the first period, therefore, having determined that standard data from the ABS did not meet their needs, officials developed their

own survey. On the basis of that experience and before revisiting the issue, the department then helped the ABS to revise one of its regular surveys to obtain the data more systematically.

4.23 In the third case, the minister had made a commitment to announce a new policy within a specific timeframe. However, while there was good information about how to approach the policy issue in general terms, there was a lack of information about which mechanisms were most effective. Furthermore, and appropriately in the circumstances, officials had committed themselves to an evidence-based approach. Since the shortage of information could not be filled in the time available, officials decided to structure elements of the policy around expanding the evidence base in the field. The policy advice therefore included measures to improve research and information on the subject, and was structured to expand and further develop the policy over time on the basis of the new information. New projects would draw on the experience of others over time.

4.24 Limitations on the information available were acknowledged in briefing documents to ministers. However, on some occasions, the impact of these limitations on the advice was not made explicit. For example, on one occasion a brief was provided on the financial circumstances of certain stakeholders. The brief noted that certain assets of the stakeholders were excluded because of the way the data was collected. Since part of the issue under examination was how best to look at the financial health of stakeholders, it would have been relevant for officials to at least comment on the potential impact of this lack of information.

Conclusion

4.25 The ANAO concluded that, within the constraints of the policy project, officials made significant efforts to obtain information that was not initially available. Limitations on the information available were reported to ministers, but the implications were not always fully explained.

Better practice principles

The following better practice principles have been drawn from issues raised during the course of this audit, findings in the case studies, a review of the policy advising literature listed in Appendix 3, and discussions with officials and experts. They are not exhaustive. The aim of the principles is to enhance management and quality assurance of the policy advising function across the APS. The ANAO considers that they should be assessed for relevance by all agencies.

Information gathering

- Conduct an initial assessment of information needs to set priorities and develop a strategy for acquiring it, but retain sufficient flexibility to respond to new information requirements that may be generated during the policy process.
- Where consultants are engaged, determine the selection criteria and document the evaluation to ensure that the chosen consultants are of appropriate quality and that the process is transparent.
- Report the impact of limitations on information to ensure that decision-makers can accurately assess the risks associated with making a decision on the level of information provided.
- Where it is material to the advice, identify the source of information in briefs and cabinet submissions to:
 - allow ministers to take into account the sources of information;
 - enable others to contest information and its use; and
 - establish a basis for future policy development.
- Conduct research on longer-term trends and coordinate it across agencies, to identify areas for possible future policy work and to provide a knowledge base to respond to emerging issues.
- Strengthen knowledge management and corporate memory by creating ‘knowledge pools’ within or across agencies in policy areas. These pools could include:
 - a directory of subject expertise across agencies;
 - a description of the current policy agenda and/or new policy projects; and
 - information on consultation documents, processes and responses, evidence used, impact assessments, policy evaluations and resources.
- Consider keeping core information and research expertise within the agency to benefit from accessibility, responsiveness and continuity, while using consultants for specialised services, advice and testing of information and policy approaches.

5. Consultation and Coordination

This chapter assesses consultation and coordination practices for the development of policy advice. It also examines the involvement of relevant stakeholders, consultation processes, conflict-of-interest and confidentiality arrangements and the use of coordination mechanisms.

Introduction

5.1 Consultation³¹ with a range of stakeholders both inside and outside APS agencies is a key, if not essential, input to much policy development work. Undertaking consultation is important because it assists in developing legitimate and workable solutions to policy problems. It may also generate a sense of ownership by stakeholders. Increasingly, it is not only organisations and peak bodies that want to be involved in consultation on policy issues, but the broader public also want a say in choices that affect them and their community. While acknowledging the usefulness of consultation, approaches can face a number of obstacles such as short time frames, the cost of wide consultation and issues of conflict of interest and confidentiality.

5.2 As well as undertaking consultation externally to the APS, agencies should strive to work in a coordinated way. The main purpose of coordination in relation to policy advising is to ensure that, to the extent possible, government programs work together and priority can be assigned among competing proposals. Coordination generally occurs through structures and routines within the APS and supports a whole-of-government approach.

5.3 The ANAO examined consultation and coordination in the six policy case studies to assess:

- the extent of the consultation;
- the purpose of, and process for, the consultation;
- issues of confidentiality and conflict-of-interest; and
- the use of coordination mechanisms.

³¹ Material drawn from Bridgman P. & Davis, G. 2000, *The Australian Policy Handbook*, Allen and Unwin, St Leonards, pp. 76–102.

5.4 Each of these is discussed under separate headings below.

5.5 The ANAO did not discuss with stakeholders their views on the consultation and coordination processes undertaken on the six case studies.

Extent of consultation

5.6 The ANAO examined whether agencies had taken into account the views and priorities of the minister as the client of policy advising and consulted appropriate stakeholders.

Ministers

5.7 The decisions about, and responsibility for, policy ultimately rests with ministers. Consideration of ministers' views and priorities by policy analysts is necessary throughout the policy cycle, including in relation to the extent of consultation. Discussions by the ANAO with departmental staff, with ministers and/or their advisers and an examination of the six case studies showed that ministers were involved in consultation processes in the following ways:

- participating directly through attending and speaking at conferences, seminars and focus groups. Forums of Commonwealth and State/Territory ministers also provided an opportunity to discuss policy positions;
- meetings between ministers and ministerial staff and stakeholders during the policy development process. This provides the opportunity for an exchange of views which can clarify the policy direction and can engage, for example, peak bodies in the process to assist with communication and acceptance of the policy position; and
- making his or her views regarding who should be consulted known. In many cases, the minister's views and preferences were well known and plans for consultation took these into account.

5.8 Even where the minister's preferences are well known, it is good practice to review consultation plans with him or her. In one case study, ministers directed that broader public consultation be undertaken and this highlighted some unintended consequences of the proposed policy position. By identifying these issues, policy advisers were able to provide further advice and appropriately adjust the planned legislation.

External stakeholders

5.9 There are many reasons for undertaking consultation with stakeholders including to obtain or provide information, gather support and a broad range of views, develop a sense of ownership, test reactions

and avoid unintended consequences. However, consultation also has risks and costs, which include expenses, delays, unrealistic expectations on the part of groups consulted, unrepresentative stakeholders dominating the process or stakeholders manipulating the process to obtain an unfair advantage. Deciding how to consult requires analysing the costs and benefits, but is also a matter of judgement.

5.10 The ANAO found, in the case studies included in this audit, that agencies had identified and consulted a wide range of stakeholders using a variety of techniques that are listed in Table 9. Not all these individuals or groups listed were involved in each policy case.

Table 9
Consultation mechanisms

<i>Consulting with</i>	<i>Mechanisms used</i>
Members of parliament	<ul style="list-style-type: none"> • Individual meetings with government members. • Information briefings for government members.
State and Territory governments	<ul style="list-style-type: none"> • Committee of ministers. • Committee of officials. • Visits by Commonwealth officials to State and Territory government offices for bilateral meetings. • Direct and informal communication by telephone, facsimile or email.
Experts	<ul style="list-style-type: none"> • Individual or small group meetings. • Circulation of draft documents for comment.
Organised interest groups, including peak bodies	<ul style="list-style-type: none"> • Meeting with minister. • Ministerial advisory group. • Conference or seminar sponsored or co-sponsored by the Commonwealth government. • Participation of Commonwealth ministers or officials at conferences or seminars organised by others. • Share responsibility for a process between the department and interest groups through a steering committee. • Reference group. • Workshop. • Circulation of draft documents for comment. • Discussion paper or report distributed to a mailing list of interest groups, for comment. • Review of unsolicited submissions. • Individual and informal communication through meeting, telephone, facsimile or email.
The interested public	<ul style="list-style-type: none"> • Focus group. • Discussion paper or report available on request by mail, phone, facsimile or email. • Identified point of contact. • Discussion paper or report posted on website.

5.11 For some of the policy case studies, the department had existing contact lists of stakeholders that they would consult regularly on policy issues. For some issues, it may be appropriate to consult only with a small number of stakeholders included on such contact lists. However, it is important that such lists are updated or reviewed regularly, and that consideration is given to actively seeking the views of the general public. Otherwise, there is the risk that discussions will take place only with the same individuals and organisations each time and that the views of all relevant interests are not considered. Conducting a fair and appropriate consultation process is already difficult since, *'access to the consultation process and capacity to state a case are seldom distributed evenly.'*³² The risks of consulting only the usual interest groups must be carefully managed.

5.12 Four of the cases provided opportunities for individuals, in particular clients of the department, to make a contribution. However, in three of the four cases, the means chosen was mainly reactive.

5.13 In these three cases, members of the public had the opportunity to comment on a discussion paper. In all three, the discussion paper was initially distributed to mailing lists of known interested organisations and placed on the department's Internet website. Individuals who became aware of it as a result of this dissemination had several channels through which they could request copies, such as telephone, facsimile and electronic mail.

5.14 In the fourth case, a more proactive mechanism was used, though only for a limited sample of departmental clients. In this instance, focus groups on the issue were organised around Australia with randomly selected customers.

Conclusion

5.15 The ANAO concluded that ministers were involved in the consultation process in the six policy case studies and their views were taken into account. Agencies consulted with a wide range of stakeholders using a variety of mechanisms. Lists of stakeholders should be reviewed to ensure that all relevant interests, which may include the general public, are given the opportunity to participate.

³² Bridgman, P. & Davis, G. 2000, *The Australian Policy Handbook*, Allen & Unwin, St Leonards, p. 77.

Purpose and process

5.16 Regardless of the consultation mechanism used, there are some key characteristics of a better practice consultation process. These include clearly communicating the purpose of the consultation to ensure that participants have appropriate expectations and to establish the benchmark against which to assess the success of the process.³³

5.17 The ANAO examined the purpose and process of the consultations undertaken in the six case studies against the criteria listed in Table 10.

³³ Walters, L., Aydelotte, J. & Miller, J. 2000, *Putting More Public in Policy Analysis*, Public Administration Review vol. 60 no.4, p. 350.

Table 10**Assessment of case studies against criteria for purpose and process**

<i>Criteria</i>	<i>Number out of six cases which met the criterion</i>		<i>Comments on practices</i>
	<i>Fully</i>	<i>Partly</i>	
The purpose of the consultation process was clearly defined and understood.	5	1	<ul style="list-style-type: none"> The most complete statement of purpose for a discussion paper included a concise and simple statement of purpose, a summary of proposed changes, a proposed implementation date, contact details for responses and a closing date for receipt of responses. In the case that did not fully meet the criterion, there was no clear statement of the purpose of consultation with non-governmental stakeholders. As a result, a major stakeholder's initial contribution did not fully address the issue. However, there were later opportunities for the stakeholder to clarify requirements and make further contributions.
Roles and responsibilities were defined and understood.	6	0	<ul style="list-style-type: none"> The departments organised and led the consultation processes. They also made it clear in communications with stakeholders that final decisions would be taken by the Commonwealth Government.
A timeframe for the process was established. ^a	4	1	<ul style="list-style-type: none"> Two cases with time-sensitive consultation processes issued discussions papers. Their experience suggests that a minimum of six weeks should be provided for responses to such papers.^b In the case that did not fully meet the criterion, information about when the decision would most likely be implemented was not provided to stakeholders. The reason given for not providing this information was that to do so would inappropriately anticipate actions of cabinet. However, other cases provided information on planned implementation well in advance of cabinet decisions.
The process was linked to when and how decisions are made. ^a	4	1	<ul style="list-style-type: none"> In the case that did not fully meet the criterion, the consultation process was discontinued before it was completed but this was not made known outside the department. As a result, organisations continued to expect that broad consultations would be undertaken.

continued next page

Criteria	Number out of six cases which met the criterion		Comments on practices
	Fully	Partly	
Appropriate measures were in place to support stakeholder participation.	6	0	<ul style="list-style-type: none"> • Where a public consultation process was provided for, telephone, facsimile and email points of contact were established. • Where a policy would have a public impact across Australia, officials travelled extensively to meet with their State and Territory counterparts, with regional stakeholder groups, and in one case with departmental clients. • To manage a dominant interest group, one team used a workshop format for consultation meetings and invited representatives of each interest group. As a result, the leading interest group could have its voice heard, but did not overwhelm the other groups, and could learn about other perspectives. At the same time, each interest group could arrange individual meetings with the department.
All relevant information was accessible to stakeholders in a timely and understandable manner.	5	1	<ul style="list-style-type: none"> • Results from commissioned research were frequently presented to consultation meetings, conferences or seminars prior to publication to ensure that information was available to stakeholders as early as possible. • One team in FaCS provided drafts of its discussion paper to the department's media relations section so that they could help make the text more readable. The same team also prepared a video of its main proposals to assist key stakeholders to understand the policy. • In the case that did not fully meet the criterion, information from commissioned research was made available to stakeholders at an invitation-only seminar after major decisions concerning the policy had been taken.

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- a. For one case study, conclusions had not yet been reached on how and when the decision would be taken. The criteria concerning timeframe and decision are therefore not applicable.
- b. The Cabinet Office in the United Kingdom has issued guidance that those being consulted should be given eight weeks to respond. Cabinet Office, Strategic Policy Making Team 1999, *Professional Policy Making for the Twenty first Century*, [Online], Available: <http://www.cabinet-office.gov.uk>.

Conclusion

5.18 The ANAO concluded that two of the criteria for sound consultation practices were met for all six case studies, and that the other four criteria were met in all but one of the cases. The instances where the criteria were not met occurred on separate cases. Defining roles and responsibilities and taking measures to support stakeholder participation were particular strengths.

Confidentiality and conflict-of-interest

Confidentiality

5.19 To conduct effective consultation with stakeholder organisations outside the APS, departments may have to provide them with access to information and opinions that the agencies do not want disseminated more widely. For example, information about the deliberations leading up to the annual Commonwealth budget is particularly sensitive. In some instances, private sector organisations may also provide information that they consider confidential to government during consultations. Information developed or collected by the Commonwealth is official information, which must be handled in accordance with government information security policy and principles. Among other things, these require that anyone with access to agency information must be made aware of the agency's expectations about the use and care of that information.³⁴

5.20 The ANAO examined whether the integrity of sensitive information was risk managed and understanding achieved on what information was to be treated in confidence.

5.21 There were consultation activities involving confidential information in several cases. A number of mechanisms were used to clarify responsibilities in relation to the treatment of this information. These are listed in Table 11.

³⁴ Attorney General's Department, Protective Security Coordination Centre 2000, *Protective Security Manual*, PSCC, Canberra, p. C9.

Table 11**Management of confidential information**

<i>Circumstances requiring management of confidential information</i>	<i>Number of cases out of six where the circumstances occurred</i>	<i>Practices used to manage confidential information</i>
Discussions with a small group of experts or interest groups.	3	<ul style="list-style-type: none"> Letters or emails confirming arrangements for the consultation stated that documents provided and the content of the discussion were to be kept confidential. Confidentiality requirements transmitted in oral communications.
Implementation test requiring stakeholder participation and collection of sensitive information.	1	<ul style="list-style-type: none"> Confidential information was required for the project from both the government and stakeholders. A steering group was formed of stakeholders and the department that determined the principles of confidentiality for the project by consensus.
Contractors potentially requiring access to confidential official information.	3	<ul style="list-style-type: none"> Clauses requiring that the contractor not disclose confidential information. Provisions that the above clauses survive the expiration of the contract.
Personnel seconded from the private sector to the policy team.	1	<ul style="list-style-type: none"> Individual required to sign an agreement that they would be governed by the usual rules of the department, which include normal public service requirements to protect official information.

5.22 In two cases, the main strategy adopted to manage the risk that sensitive information might not be kept confidential was to limit the extent of consultation. In one case this had only a minor impact because the change under examination was incremental and the positions of stakeholders were well known.

5.23 In the second case, the result was a major reduction in planned consultations. In this case, the policy under development would affect a broad spectrum of the Australian public. Consultation with the business and community sectors was therefore considered crucial to its success and was publicly announced. The new policy also had the potential to better integrate several areas of Commonwealth activity. The project team therefore developed a consultation strategy that included a wide-ranging process of community consultations, seminars, workshops, meetings with experts and a high-level interdepartmental committee.

5.24 Both the public and the interdepartmental consultation processes were, however, discontinued. This was done when it was decided to finalise the policy as part of the following year's budget process, rather than as a separate cabinet submission. Because budget deliberations had to be kept confidential, the planned external consultation process was reduced. As well, discontinuing the interdepartmental coordination changed the scope of the policy project.

Conclusion

5.25 The ANAO concluded that officials were aware of the need to manage the risks of disclosure of sensitive information, in accordance with Commonwealth information security policy and principles. Several mechanisms were used to define responsibilities for protecting sensitive information. One result of the requirement to keep certain information confidential was that some planned consultations were not undertaken and the scope of one project was changed.

Conflict of interest

5.26 Providing stakeholders with confidential information in the course of policy development carries risks that parties consulted may gain an unfair advantage over others in the community. There may also be circumstances where the interests of the government and stakeholders conflict, but the government still has an interest in discussing or negotiating the policy with them.³⁵ The ANAO therefore examined whether action was taken to identify and manage conflicts of interest.

5.27 For the six cases reviewed, the ANAO found that there were only a few instances where there was a potential conflict of interest.

5.28 Good practices were observed in the two cases that included establishing a council or board as part of the policy development process. In both cases the potential for conflicts of interest was recognised and mechanisms established. In one case, members of the council were required to provide assurances that there would be no conflict of interest. In the other case, where conflict of interest was to some extent unavoidable, it was considered sufficient for members to declare any conflicts of interest.

³⁵ This was the case with development of the Commonwealth's policy on funding improved access to Magnetic Resonance Imaging services which is extensively discussed in Audit Report No.42, 1999–2000, *Magnetic Resonance Imaging Services—effectiveness and probity of the policy development processes and implementation*.

5.29 Contracts reviewed contained clauses requiring the contractor to notify departments of any conflicts of interest. The departments did not indicate that any such notifications were made. The key factor in these and the above instances was that the potential for conflict of interest was recognised and explicit measures were taken to ensure transparency.

5.30 There were opportunities to improve the management of potential conflicts of interest in the instances where the departments consulted with small groups of experts or interested parties. The risks of conflict of interest were not explicitly discussed in any of the three cases where this consultation mechanism was used. In the event, none of the participants in these processes had an opportunity to benefit financially or unfairly. Nevertheless, where small groups of experts or interested parties are consulted confidentially, it is better practice to be as transparent as possible through, for example, declarations of potential conflicts of interest, in a similar manner to the statements concerning confidentiality of information.

5.31 While adequate in the circumstances of the policy case studies in this audit, being aware of conflicts of interest may not be sufficient in all cases. There may also be a need to assess the implications of the conflict of interest, identify information which might give rise to or exacerbate such situations, consider the implications both of the nature and timing of the release of information, and monitor whether conflicts of interest are being acted on. These issues are addressed extensively in ANAO Audit Report No.42 1999–2000, *Magnetic Resonance Imaging Services—effectiveness and probity of the policy development processes and implementation*, particularly Chapters 1 and 2.

Conclusion

5.32 The ANAO concluded that officials were aware of the need to manage conflicts of interest in the case studies and took action to do so in some cases. However, where consultations were limited to confidential discussions with small groups there were opportunities to improve transparency by obtaining declarations of potential conflicts of interest and monitoring developments that might affect those conflicts of interest.

Use of coordination mechanisms

5.33 Coordination is the process of consulting across the Commonwealth government to ensure that new or revised policies contribute to whole-of-government objectives and that they work effectively and efficiently with existing policies. The requirement to coordinate with other agencies is documented in cabinet and budget procedures, and is monitored by PM&C. In general, good practices for coordination processes are the same as those for consultation, which are listed in Table 10. However, issues of confidentiality and conflict of interest are covered by government-wide legislation and documented procedures.

5.34 The ANAO examined whether the coordination processes for the six case studies:

- involved relevant interests; and
- followed the criteria for good consultation practices listed in Table 10.

Relevant interests

5.35 In all six cases, the project team consulted with other areas within their own department. In two cases, this was limited to a technical discussion with one other area. Most of these consultations were conducted informally, with little documentation.

5.36 Two of the cases fell almost entirely within the responsibilities of one department. In these cases, interdepartmental coordination was limited to the minimum required by cabinet procedures. This minimum is to circulate the cabinet submission for coordinating comments from interested agencies. These are comments added to the submission by departments after the responsible minister has already approved it. The agencies asked to provide coordinating comments in the two cases did not raise any substantive objections.

5.37 Three of the remaining four cases crossed departmental boundaries in a significant way and substantial effort was directed towards interdepartmental coordination. The fourth case was discussed extensively with central agencies but not with other line departments.

Coordination practice

5.38 It was noted earlier that a range of mechanisms was used for consulting outside the Commonwealth Government. Similarly, a number of different mechanisms were used for coordination, which are listed in Table 12 below.

Table 12**Coordination mechanisms**

<i>Coordinating</i>	<i>Mechanisms used</i>
Within the department	<ul style="list-style-type: none"> • Departmental working group or stakeholder group. • Individual and informal communication through meetings, telephone or email. • Circulation of draft documents for comment.
With other Commonwealth government agencies	<ul style="list-style-type: none"> • Exchange of letters between ministers. • Direct and informal communication among ministers. • Interdepartmental committee. • Interdepartmental working group. • Workshop, particularly on technical issues. • Participation as member of the policy development team. • Coordination comments on cabinet submission. • Circulation of draft documents for comment. • Individual and informal communication through meetings, telephone or email. • Information briefing.

5.39 Six criteria for better practice consultations were listed in Table 10 above. The coordination processes fully met all six criteria in all six cases. This contrasts with the external consultation processes for the six cases, which did not fully meet the criteria in a small number of cases. There were two main reasons for this difference:

- some of the coordination processes consisted only of technical discussions. As such, officials could be clearer and more specific about their purpose; and
- officials generally shared more information on the timing and process of the policy projects than was made available publicly.

5.40 Four of the cases resulted in the presentation of a formal submission to cabinet for decision. Such submissions must meet specific presentation standards mandated and monitored by PM&C. As a result, all four of the submissions met the expected standards.

Conclusion

5.41 The ANAO concluded that coordination efforts in the six policy cases reflected the extent to which issues crossed organisational boundaries. Because officials shared information with relevant APS agencies, coordination practices met better practice expectations.

Better practice principles

The following better practice principles have been drawn from issues raised during the course of this audit, findings in the case studies, a review of the policy advising literature listed in Appendix 3, and discussions with officials and experts. They are not exhaustive. The aim of the principles is to enhance management and quality assurance of the policy advising function across the APS. The ANAO considers that they should be assessed for relevance by all agencies.

Consultation and Coordination

- Identify issues where consultation is required and the risks associated with different consultative mechanisms.
- Ensure that consultation is undertaken with appropriate stakeholders by updating and reviewing existing lists of stakeholders and considering an active direct public consultation mechanism.
- Agree consultation plans and strategies with the minister.
- Provide individuals or organisations consulted with a statement of purpose that includes (where known) a brief and simple statement of purpose, a summary of policy proposals, a proposed implementation date where known, contact details for input, a point of contact for questions, and information on the timeframe for the consultation process and the policy decision process.
- Consider making pre-publication copies of research information available to ensure that individuals or organisations consulted have access to full information.
- Where some individuals or organisations have privileged access to the consultation process:
 - identify who has a need to know, what information is sensitive and actions required to meet Commonwealth information security policy and principles;
 - identify the risks of providing privileged access;
 - identify and implement treatment strategies, including documenting obligations, responsibilities, accountabilities and procedures to, for example, manage access to confidential information or potential conflicts of interest; and
 - ensure that legal obligations are identified and actions taken to ensure that they are respected.
- Establish knowledge networks of policy advisers across agencies to identify, research and coordinate policy based on themes. The networks could be guided by committees of officials that mirror the committees of cabinet.

6. Professional Development

This chapter examines the professional development of policy staff including incorporating human resources issues in risk assessments and business planning, staff selection, training and performance agreements.

Introduction

6.1 The changing nature of the APS and the environment in which it operates, along with the expectation that the APS will continue to improve its performance and achieve results, means that agencies must now give more priority than ever to issues of organisational capability. The APS Values³⁶ emphasise the expectation that the APS should have the capability to respond effectively to the requirements of the government of the day, including in relation to policy development. A key aspect of achieving organisational capability is the capacity to identify and plan for skills and staffing needs.

6.2 A significant issue for policy development is an agency's ability to provide policy advice in a timely way and to the required standard. This will clearly depend on factors such as staffing levels, knowledge and skills.

6.3 It is important that agencies have skilled and experienced policy staff. This means that emphasis should be given to selecting them and providing appropriate training and feedback. The ANAO therefore examined whether agencies had considered:

- the risks associated with not having appropriate staff;
- policy advising skills in staff selection;
- training to develop or enhance policy skills. This includes the need to first identify the skills required and to provide appropriate training; and
- policy advising in performance agreements.

6.4 Each of these is discussed under separate headings below.

³⁶ The APS Values are a component of the *Public Service Act 1999* (Section 13) and staff are required to uphold these values.

Risks

6.5 Table 13 shows that human resources risks were acknowledged in both agency and other level risk assessments. There were opportunities to state the risks more clearly or specifically, which would assist in identifying appropriate treatments or assessing their effectiveness. As well, treatments were not provided for all the agency level risks identified. However, this is not necessarily required if these risks are addressed by the business lines. An examination of the appropriateness of treatments, where they were provided, was outside the scope of this audit.

Business Planning

Agency level business planning

6.6 Risks to human resources were considered in agency level business planning. Importance was placed on people capability in DETYA, DEWRSB and FaCS with all three departments including reference to skilled people in their corporate level business plans. For example, FaCS includes as one of its key objectives: *'enabling our people by fostering learning, development and performance management that supports our people.'*

Other level business planning

6.7 Business plans at other levels also referred to human resources issues, as follows:

- the Higher Education Division Business Plan 2000–01 acknowledged human resources issues. The plan set out, as a priority, developing the division's capacity to deliver strategic policy advice through the development and refinement of the key organisational capabilities which are discussed in the capabilities section; and
- The FaCS key objective *'enabling our people'*, is included in the Family Relationships Branch Work Plan, with related strategies for achieving this objective of:
 - every staff member has a clear understanding of their work and how it supports the department's strategic priorities; and
 - every staff member is enabled to contribute to the best of his or her ability.

Table 13**Human resources risks and treatments**

<i>Department</i>	<i>Risk</i>	<i>Sample Treatments</i>
DETYA—agency level risk assessment	Risks affecting our people’s productivity or skills.	<p>Ensure that staff have Career Development Plans in place.</p> <p>Monitor and improve existing Human Resources strategies and ensure these strategies align with corporate and business needs, with particular emphasis on: appropriate skills; qualifications and experience to deliver; and the recruitment and maintenance of staff resource levels.</p>
Schools Division risk assessment	Loss of skilled, motivated and valued people from key areas of the division.	<p>Develop and implement a human resources strategy.</p> <p>Continued improvement and implementation of appropriate and effective performance feedback mechanisms and other face-to-face initiatives to strengthen the communication for all staff in the division.</p> <p>Consider remuneration arrangements to key staff to retain them for the duration of the key project.</p>
Higher Education Division risk assessment	<p>Critical issues/opportunities are missed because there are very few senior people able to exercise the level of analysis and judgement required.</p> <p>There are insufficient resources within the division to effectively deliver against the Business Plan priorities.</p>	<p>Regular monitoring of resource requirements against the group and unit plans.</p> <p>Use corporate policies to help provide the necessary support to staff (for example, performance management, career development, succession planning).</p> <p>Recruitment of new staff needs to be well targeted to provide the necessary calibre of staff.</p>

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<i>Department</i>	<i>Risk</i>	<i>Sample Treatments</i>
DEWRSB —agency level risk assessment	Human resources risk—the personnel responsible for managing and controlling a business may not possess the requisite knowledge, skills and experience needed.	No treatments provided in agency level plans. Treatments were included in group level plans listed below.
Labour Market Policy Group risk assessment	Human resources risk (as stated in the agency level risk assessment above).	Pursue graduate recruitment targeting (for example, economics students). Positive publicity in regard to the workplace and benefits. Performance agreements.
Workplace Relations Policy and Legal Group risk assessment	Human resources risk (as stated in the agency level risk assessment above).	Family friendly policies. 360° formal feedback on work performance. Performance agreements.
FaCS —agency level risk assessment	Staff lack adequate skills. The organisation suffers significant corporate memory losses.	No treatments provided in agency level plans but were included in other level risk assessments.
Family Relationships Branch risk assessment	Rate of staff turnover and loss of corporate memory.	Continue to develop attractive workplace culture. Encourage flexible working arrangements.
Seniors and Means Test Branch risk assessment	Staff issues, including: role change required by changing agenda; shortfall of appropriate skills; and understanding of emerging agendas.	Ensure appropriate skills through skills audit, recruitment, learning and development, change and communication strategies and possibly change of structure.

Conclusion

6.8 The ANAO concluded that DETYA, DEWRSB and FaCS were well aware that maintaining staff skills was a key risk to their capacity to deliver quality policy advice. However, there was scope to identify those risks more specifically, to ensure greater effectiveness of the treatments that were further developed in business planning.

Staff selection

6.9 DETYA, DEWRSB and FaCS placed strong emphasis on effective recruitment as a means for acquiring the skills needed for the development of policy advice. A review of a sample of selection criteria for positions in policy areas in the three departments showed that the generic policy advising skills required included:

- good written communication skills;
- good liaison skills;
- good judgement;
- developed analytical/ conceptual skills; and
- developed research skills.

6.10 Agencies also specifically developed teams for particular policy projects. For example, the Corporations Power Team in DEWRSB drew together people with workplace relations experience, legal expertise and staff with experience in policy advising. Staff were seconded from other agencies where this was considered necessary to provide particular expertise, for example, legal expertise.

6.11 As well, FaCS developed a team specifically for the development of the Trusts and Companies policy proposal. Staff were selected from both within the department and from other departments to provide the appropriate mix of skills. Staff selected from outside the department were chosen for their policy advising and budget process skills.

Conclusion

6.12 The ANAO concluded that, for the case studies reviewed, an appropriate emphasis had been placed on the selection of policy advising staff with relevant skills through recruitment or obtaining particular expertise from outside the agency.

Training

6.13 In addition to seeking to recruit staff with relevant skills, agencies need to provide appropriate training to develop new skills or improve existing skills. The ANAO examined whether policy advising staff in DETYA, DEWRSB and FaCS were provided with training, including on-the-job training, and development opportunities to ensure that appropriate staff were available to undertake policy advising work.

6.14 In order to identify the most appropriate training to be provided to staff, agencies should have identified the required capabilities and individual training needs.

Capabilities

6.15 DETYA had identified five organisational capabilities for all staff. These can be applied to policy advising, as follows:

- understand—includes being aware of and focussing on what our customers need, including the minister;
- anticipate—includes rehearsing the future so they can be confident that the policies are robust;
- create—includes bringing in a diversity of views;
- influence—includes identifying and supporting the important relationships with the minister and government and non-government stakeholder organisations, to develop a solid platform of trust and confidence; and
- implement—includes coordinating and collaborating with different internal areas, other agencies and contracted service providers to achieve better outcomes.

6.16 DEWRSB also had a capability framework that included policy development as an organisational capability. The framework set out the skills and knowledge required to deliver against the capability. For policy development these included six broad categories:

- business and technical skills—includes understanding the DEWRSB environment and computer literacy;
- analytical/conceptual skills—includes research and creative thinking skills;
- communication skills—includes both verbal and written skills;
- relationship skills—includes negotiation skills;
- management skills—includes risk management and people management; and
- marketing.

6.17 FaCS had not placed a great deal of emphasis on training in policy advising on an agency-wide basis because it operates in a devolved environment. However, there is evidence that individual work areas identified and met policy advising training needs as necessary.

Training needs

6.18 The ANAO was advised that the majority of training for policy advising was provided as on-the-job training. Whatever training approach is used, it is important that the training needs of all relevant staff are set out in individual development plans which are generally a component of performance agreements. The ANAO reviewed a sample of performance agreements (discussed below), including development plans.

6.19 Training requirements were generally included in individual development plans. However, where individual development plans specified on-the-job training, little detail was provided on the content of such training. The plans tended to place emphasis on particular learning in relation to the specific policy work being conducted at that time. For example, further development of expertise in Constitutional law for members of the Corporations Power Team, attendance at statistical analysis courses and enrolment in university courses such as the Masters of Educational Administration. Some plans also contained reference to more general policy development training.

Training provision

6.20 As well as the provision of on-the-job training, it is also necessary to have some formal training. The Public Service and Merit Protection Commission (PSMPC) offers general policy development training through three courses: introductory and advanced courses and a seminar for Senior Executive Service employees. The content of the three courses is described in Appendix 1.

6.21 The ANAO found that each department was aware of these courses and, as Table 14 indicates, substantial numbers of employees completed the PSMPC introductory and advanced course between January 1999 and April 2001.

Table 14

Number of officers that have completed PSMPC courses

<i>Department</i>	<i>Introductory Course</i>	<i>Advanced Course</i>
DETYA	203 (198 in-house ¹)	201 (198 in-house ¹)
DEWRSB	72 (63 in-house ¹)	27 (20 in-house ¹)
FaCS	143 (120 in-house ¹)	55 (40 in-house ¹)

¹ In-house refers to courses conducted by PSMPC within the agency.

6.22 In addition to the courses offered by PSMPC, the Public Services Training Package, developed by Public Service Education and Training Australia (PSETA) in November 1999, represents agreement by the Commonwealth, State and Territory Public Service Commissioners on the specific skills needed to work in the public sector in Australia. The training package gives agencies an opportunity to recognise existing skills, to structure learning to support agency strategic outcomes, and to link workplace learning to nationally accredited qualifications. PSETA has identified workplace requirements in terms of competencies for many areas including the policy development function in the Public Service. The package includes four units of training and policy development:

- Contribute to the Development of Policy;
- Develop Organisation Policy;
- Manage the Policy Development Process; and
- Develop Public Policy.

6.23 The PSETA courses are competency-based courses. A standard is set for each competency at each level, which lists the skills, attributes and knowledge required to carry out particular types of work. The key elements of the units are outlined in Appendix 1.

6.24 The ANAO acknowledges that this Training Package is relatively new and has not been widely accessed. Agencies may consider this package to be useful in the future.

Conclusion

6.25 The ANAO concluded that agencies had identified staff capabilities for policy advising, considered their training needs and taken advantage of courses delivered externally and within each agency by the PSMPC.

Performance agreements

6.26 Performance agreements are a component of overall business planning. The objectives of performance agreements in the APS are to:

- improve performance against corporate goals;
- improve employees' understanding of their work responsibilities and the performance standards expected of them;
- ensure individual employees know how their performance against these standards is perceived; and
- provide opportunities for individual employees to identify their training and development needs to devise, with their managers, plans to address those needs.³⁷

³⁷ Audit Report No.16 1993–94, *Pay for Performance' Performance Appraisals and Pay in the Australian Public Service*, p. 1.

6.27 The ANAO reviewed a small number of performance agreements to assess whether:

- policy advising was specified as a task with related indicators of performance; and
- expectations stated in performance agreements in relation to policy advising were consistent with other business planning documents.

6.28 The ANAO reviewed 47 performance agreements³⁸ for:

- employees who had commenced work in a policy advising role since January 1999; and
- employees that fulfil the management roles of the areas reviewed.

6.29 The performance agreements of employees who commenced work in a policy area since January 1999 were chosen because they provided insight as to how skills were developed and monitored for policy advising. The performance agreements of managers in the areas reviewed provided information on how performance agreements link with the overall departmental business planning framework.

Policy advising in performance agreements

6.30 Most of the performance agreements reviewed by the ANAO explicitly listed policy advising with descriptions such as:

- provide accurate and timely policy advice;
- provide up-to-date and high quality advice to minister on related matters;
- provide high level technical and policy advice; and
- develop open and cooperative working arrangements with ministers' offices based on trust and give leadership to improving the strategic focus of departmental policy advice.

6.31 As well, the performance agreements set out measures of success in relation to the policy advising role including:

- policy output is relevant, timely, accurate and of a high standard;
- advice and written work will be delivered in a timely manner and will be of a quality satisfactory to the minister;
- well developed policy including micro-policy and options to assess drivers and areas of concern; and
- raised perceptiveness, responsiveness, rigour and timeliness of policy advice.

³⁸ The ANAO did not review performance assessments.

6.32 The ANAO acknowledges that making judgements about the quality of an employee's work in relation to policy advising will be difficult. DEWRSB has established criteria for the quality of policy advice and these were attached to the majority of the performance agreements reviewed. Not all of the criteria will be met for all policy briefs. For example, an information brief is expected to meet the basic criteria such as timeliness, presentation and accuracy, whereas a brief on options for implementation of the government's stated policy objectives would in most cases be expected to meet all of the listed criteria. These criteria are set out in Table 15.

Table 15

DEWRSB criteria for quality policy advice

Basic

Purpose	The purpose is clearly established and stated up front and provides the framework for the rest of the brief. Arguments outlined tie directly to the purpose.
Timeliness	Agreed deadlines are met. Provision of briefs allows sufficient time for decision-making and/or action.
Presentation	Advice is provided in a concise, simple and clear manner. Basic spelling and grammar requirements are met. Expression is in plain English, and unnecessary jargon avoided. Routine briefs (eg reporting on statistical series) distinguish 'what's different' and highlight the main points.
Comprehensiveness	All necessary information is included and issues covered, with questions foreseen and addressed (and issues covered including an analysis of any cost implications and effectiveness).
"Frank and fearless"	Advice is provided with honesty and integrity.
Accuracy	The facts are accurate and reliable.

Critical

Responsiveness	Advice takes account of the outcomes required by the government/minister.
Relevance	Advice is framed within the government's policy parameters and priorities and is focused on the issues in question.
Options and recommendations	Advice contains a range of useful and relevant options, supported by clear recommendations for action/decision (other than routine information briefs). Evidence is provided by options. Recommendations are practical and capable of implementation.
Consultation	Advice indicates who has been consulted and their relevant views.

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Transforming

Political awareness	Advice comprehends the political environment including an understanding of the government's/minister's policies, priorities and timing requirements.
Risk sensitivity	Sound risk analysis of options proposals.
Consultation	All relevant stakeholders are consulted and their positions taken into account in the formulation of policy and strategic advice. The process facilitates support for, or acceptance of, any proposals made.
Anticipating and being proactive	Briefing anticipates government's/minister's requirements and is proactive in exploring avenues for progressing their policy agenda.

Defining

Creative and innovative	New ideas and ways for policy development and implementation are explored. An opportunistic approach is taken.
Whole-of-government	A whole-of-government approach is utilised, drawing key linkages and synergies with other relevant areas of government policy and its broader agenda.
Marketing and Government policies	Policy advising comprehends the communication of the government's policies and programs.

Assessment Using Criteria

Adequate	Consistently meets all the basic criteria.
Fully effective	Consistently meets all the basic and critical criteria.
Superior	Consistently meets all the basic, critical and addresses the transformational and defining criteria.

6.33 As discussed in Chapter 2, DEWRSB has a ranking system for the quality of policy advice. The criteria used by its ministers for this ranking were provided in Table 6. The criteria provided in Table 15 relate specifically to the performance against individual performance agreements and, although not identical to those used by the ministers, are consistent. This encourages the preparation of high quality advice to meet the ministers' needs.

6.34 Neither DETYA nor FaCS have defined criteria for quality policy advice as listed in performance agreements. Both agencies would benefit from explanatory notes that make clear what the assessor considers to be quality performance in this area.

Consistency with business planning

6.35 The performance agreements reviewed for the three departments stated outputs relating to policy advising which were consistent with those included in the agency business plans and other level business plans. Table 16 provides examples of such relationships.

Table 16**Link between business planning and performance agreements**

<i>Department</i>	<i>Business Plan</i>	<i>Performance Agreement</i>
DETYA	Implement and consolidate the Socio-Economic Status model for funding for non-government schools.	Implement action and monitoring of new non-government school funding arrangements.
DEWRSB	Assist the government to pursue its workplace relations legislative reform agenda, through the provision of policy and legal advice... including legislation related to elements of the More Jobs Better Pay package.	Contribute to the further development and implementation of the government's More Jobs Better Pay policies, where appropriate... through assistance in the development of legislation.
FaCS	Implementation of the Stronger Families and Community Strategy.	Lead implementation of the Stronger Families and Community Strategy with particular responsibility for measures that impact directly on the Family Capability outcome.

Conclusion

6.36 The ANAO concluded that the three agencies had included reference to policy advising in their performance agreements. These were consistent with other levels of business planning.

6.37 Performance agreements generally included adequate measures of the performance of policy staff. Although the ANAO did not review performance assessments the ANAO considers that DETYA and FaCS could benefit from having more explicit criteria for the quality of policy advice, where it is used as a performance measure.

Better practice principles

The following better practice principles have been drawn from issues raised during the course of this audit, findings in the case studies, a review of the policy advising literature listed in Appendix 3, and discussions with officials and experts. They are not exhaustive. The aim of the principles is to enhance management and quality assurance of the policy advising function across the APS. The ANAO considers that they should be assessed for relevance by all agencies.

Professional Development

- Include human resources issues in risk assessments and business planning for policy advising and provide appropriate treatments for identified risks.
- Conduct regular skill assessments of policy staff to identify appropriate individual and agency-wide developmental needs.
- Include formal policy training as a component of policy staff development.
- Ensure that performance agreements for policy staff include:
 - a description of the policy work required that is consistent with other business planning documents;
 - criteria for assessing the policy work that are consistent with the criteria used by stakeholders to assess policy advice; and
 - links between work expectations, formal training and on-the-job training.
- Establish a senior government network in which ministers, senior government officials and other senior policy makers can meet from time to time for focused seminars on top-level management issues.

7. Review of the Policy Process

This chapter discusses practices for reviewing the policy development process, including peer review techniques.

Introduction

7.1 An important objective of quality management is to continuously improve processes and results. Quality management processes for policy advising should therefore include review mechanisms to identify opportunities for improvement, capture experience and feed them back into the process.

7.2 As is discussed in Chapter 6, skill requirements and training options for policy advising have been developed for the APS. However, because of the variety of policy advising tasks and the frequent need to exercise judgement, quality policy advising also depends on the knowledge and experience of the advisers. Mechanisms for capturing and sharing experience are therefore particularly important for policy advising.

7.3 The ANAO assessed whether DETYA, DEWRSB and FaCS reviewed the policy process in the six policy projects examined. Mechanisms to review policy processes in other jurisdictions through peer review are also discussed.

7.4 Each of these is discussed under separate headings below.

Review mechanisms

7.5 The ANAO found five feedback mechanisms in the six case studies examined:

- continuous review. As noted earlier, the policy advising cases involved the provision of several briefing documents to the minister, providing information, reporting on progress or seeking guidance on the next stage. Feedback provided by ministers on these briefs was an ongoing indicator of the effectiveness of efforts to ensure the quality of policy advice;
- informal review. Officials noted that in some cases, informal discussions concerning lessons learned took place at the end of the policy project, within the team;

- formal review. In one case, meetings were held within the branch after completion of the policy advising exercise. Records were kept of actions to be taken in preparation for the next policy advising exercise, and, where appropriate, these were incorporated into branch workplans. Aspects of the review were also discussed outside the branch;
- reactions from stakeholders. Officials involved in several of the cases cited the reactions and responses from stakeholders after the policy was announced as a form of feedback, however this was not systematically collected and reviewed; and
- stakeholder survey. DETYA and FaCS have both conducted surveys of the views of stakeholders other than the minister of their performance in areas related to the policy advising function. A DETYA division conducted one survey of non-governmental stakeholders' views of the quality of its publications, and another survey of departmental stakeholders' views of the quality of its support to other divisions within the department. This approach was consistent with the department's corporate plan which, while maintaining the central importance of ministerial satisfaction as a measure of success, noted that the feedback of customers and stakeholders were other relevant measures. FaCS surveyed departmental and non-departmental officials to ascertain stakeholder views on FaCS' contributions to cross portfolio policy exercises during the 1999–2000 Budget process. The survey attempted to gauge the value of contributions made by the department to the development of formal policy advice outputs against a number of criteria related to quality and effectiveness.

Conclusion

7.6 The ANAO concluded that, in the six policy cases examined, officials conducted reviews of their policy development work with varying degrees of rigour. The extent of the review should be tailored to the circumstances of the case and reflect the scope of the policy project. However, given the importance of developing experienced policy advisers, it would be a good practice to conduct reviews and capture stakeholder feedback more formally and systematically. Moreover, documenting the conclusions would be likely to increase the value of the exercise as it would allow them to be shared across the agency and for comparisons to be made over time.

Peer review

7.7 One mechanism that is used in other jurisdictions to review the policy advising function, but which was not employed in the six cases examined, is peer review. Peer reviews are examinations of aspects of the policy advising function conducted by one or more external reviewers with policy experience. The reviewers can be experienced officials from another branch within the department or another department, retired senior officials, or experts from academic or consulting organisations with experience as governmental policy advisers.

7.8 It was noted in Chapter 3 that Finance considers peer reviews to be a legitimate mechanism for reviewing policy advising. The following sections describe a number of recent models of peer reviews of policy advising undertaken in Australia and overseas which departments could draw on to strengthen their policy review practices.

Policy Management Reviews

7.9 During the early 1990s, following interest from the (then) Joint Committee of Public Accounts and the ANAO, PM&C convened a working group with Finance, Treasury and the (then) Public Service Commission to examine ways of assessing policy work. The working group produced a final report in December 1991. The report concluded that evaluation of policy advice could assure departments that their activities met appropriate standards of rigour, honesty, relevance and timeliness, and could contribute to holding policy advisers accountable for their work.³⁹

7.10 One of the approaches favoured by the working group was the Policy Management Review (PMR), which was to be a review conducted by an independent, and preferably eminent, person with relevant policy advising experience at a senior level. Five trial reviews were conducted in the mid-1990s, two each for PM&C and Finance, and one for Treasury. FaCS commissioned two reviews on the same model in 1998.

³⁹ Departments of the Prime Minister and Cabinet, Treasury and Finance and the Public Service Commission, 1992, *Performance Assessment of Policy Work*, Report of a Working Group, June 1992 (updated April 1995), PM&C, Canberra.

7.11 The central agency PMRs commented on several issues which are also addressed in this audit:

- appropriate staff training is a fundamental input to successful policy advising work (discussed in Chapter 6);
- adequate resources must be provided to permit full consultation processes (discussed in Chapter 5);
- the extent to which the objectives of the policy development activity were well-defined and promulgated tended to affect the level of commitment to the policy within other agencies and the community at large (issues of clarity of purpose are addressed in Chapter 3);
- early and effective collection of data is essential (discussed in Chapter 4);
- formal arrangements for peer review or external review should be developed as a matter of course (discussed in this section); and
- reviews make real and important contributions to the preservation of corporate memory (discussed in this section).⁴⁰

7.12 There were, however, important limitations. In reflecting on the results, senior officials and experts commented that PMRs:

- have difficulty taking account of the circumstances in which policy advice was developed;
- rely heavily on the qualities and capabilities of the reviewer and their experience with public policy issues and advising;
- may tend to look back at events with the benefit of hindsight; and
- are unlikely to throw much light on the outcomes of policy advice.⁴¹

⁴⁰ Gregory, P. 1996, 'Policy Management Reviews Summary of Findings', in Uhr, J. & Mackay, K. Eds., *Evaluating Policy Advice: Learning from Commonwealth Experience*, The Australian National University: Federalism Research Centre and the Commonwealth Department of Finance, Canberra, pp. 143–145. The entire book discusses the history, processes and conclusions of the policy management reviews.

⁴¹ See Sedgwick, S. 1996, 'Lessons from Finance', Edwards, M. 'Lessons from Prime Minister and Cabinet', and Uhr, J. 1996, 'Lessons from an External Reviewer', in Uhr, J. & Mackay, K. Eds., *Evaluating Policy Advice: Learning from Commonwealth Experience*, The Australian National University: Federalism Research Centre and the Commonwealth Department of Finance, Canberra.

Peer review in the Victorian government

7.13 The Department of Treasury and Finance in Victoria conducts peer reviews of policy briefs using a cross-divisional panel of experienced policy staff. The panel rates a number of policy documents prepared each quarter on a scale of one to five against nine criteria for quality policy advice similar to those discussed in Chapter 3. Reviewers also identify strengths and opportunities for improvement.

7.14 Results are summarised and action items identified and assigned to improve the preparation of briefs. The peer review process is substantiated by client feedback mechanisms such as quarterly meetings between the secretary and the ministers. The review panel also reviews the peer review process itself to identify opportunities for improvement and action items.

Overseas approaches to peer review

7.15 At approximately the same time that PM&C was convening its working group, the New Zealand State Services Commission (SSC) established the Policy Advice Initiative to improve the cost effectiveness of policy advice. One of the initiatives contained in the SSC's report was the development of peer review systems in departments.⁴² External experts have since conducted a number of reviews of two types in New Zealand government agencies.

7.16 The first type of review focused only on assessing the quality of policy output documents, mainly briefing documents for the minister. This is similar to the approach taken in Victoria mentioned above. The criteria for assessing the outputs were drawn from the SSC's 1992 report and from departmental requirements.

7.17 The second type of review was a more comprehensive assessment of the departmental policy advising function, focusing on the framework (that is planning, performance measurement and human resources issues), practices (that is project management, quality assurance, communication and consultation), and stakeholder satisfaction. Criteria were again derived from the work of the SSC. The reviewers conducted interviews with the minister and ministers' staff, with central and other agencies, and with staff in the department under review, as well as reviewing documents.

⁴² State Services Commission 1992, *The Policy Advice Initiative: Opportunities for Management*, SSC 1992, p. 24.

7.18 In March 1999, the United Kingdom government published its Modernising Government White Paper, which included proposals to improve policy-making. While some aspects of the British initiative address the contents of policy, others propose improved practices and mechanisms. The White Paper was followed up by a more detailed report on policy making which identified peer review as one of four ‘big ideas’ to be promoted by the Cabinet Office. The report identified the following benefits:

- *a greater sense of ‘corporacy’ among participants and better understanding of the role of others in the organisation;*
- *providing an opportunity to learn from peers and share relevant experiences;*
- *providing legitimacy and much greater sign up to the actions that flowed from the peer review; and*
- *providing an opportunity for the personal development of the reviewers.*⁴³

7.19 More recently, the Cabinet Office has prepared guidance on how to conduct peer reviews at agency level.⁴⁴

Conclusion

7.20 One mechanism for review of policy advising functions and processes that is currently being encouraged in other jurisdictions is peer review. There is a range of relevant models which departments could, to their advantage, tailor to their policy advising activities.

⁴³ Cabinet Office, Strategic Policy Making Team 1999, *Professional Policy Making for the Twenty first Century*, [Online], Available <http://www.cabinet-office.gov.uk/moderngov/policy/index.htm>, paragraph 11.4.

⁴⁴ Cabinet Office, Centre for Management and Policy Studies 2000, *Peer Review: A Guide to Peer Review*, CMPS, London.

Better practice principles

The following better practice principles have been drawn from issues raised during the course of this audit, findings in the case studies, a review of the policy advising literature listed in Appendix 3, and discussions with officials and experts. They are not exhaustive. The aim of the principles is to enhance management and quality assurance of the policy advising function across the APS. The ANAO considers that they should be assessed for relevance by all agencies.

Review of the Policy Process

- Conduct a review at the end of, at least, significant policy advising projects, to identify strengths, lessons learned and opportunities for improvement in the policy process. The extent of review should be tailored to the particular circumstances, recognising that there is a range of possible approaches to achieve required effectiveness.
 - Document the results of the review; feed them back into the policy advising process; and look for opportunities to share the results more widely.
 - Commission periodic external reviews of the policy advising function, which examine the quality of the policy advising processes as well as of the policy advice output documents.
 - Collect, assess and record the views of a range of stakeholders on the policy advising process and function as a basis for continuous improvement.
-



Canberra ACT
20 November 2001

P. J. Barrett
Auditor-General

Appendices

Appendix 1

PSMPC and PSETA training

The content of the PSMPC policy advising courses

The introductory course, *Policy Formulation and Advice—Introduction* explores skills and knowledge required to develop policy that is:

- timely and forward looking;
- recognises the implications of emerging trends;
- presents a cost-effective proposal;
- is part of a clearly defined and coherent strategy; and
- is practical to implement.

The advanced course, *Policy Formulation and Advice—Advanced* explores:

- the contemporary policy context/ big picture framework;
- quality advice;
- good practice policy development;
- analytical and forecasting techniques;
- risk assessment;
- regulatory reform and coordination;
- policy coherence, coordination and the Cabinet system;
- policy proposal presentation and debrief;
- outcome performance measures and evaluation; and
- the essential attributes of ‘high flying policy performers’.

The Senior Executive Service course, *Achieving Excellence in Public Policy* covers:

- identifying and evaluating the current policy services model in use;
- reporting on the expectations of policy service providers;
- presentation of the Value Creating Policy Services Model;
- consideration of performance against the (Value Creating) Model;
- analysis of cultural factors impacting on the Model;
- identification of opportunities the Model offers for improving, aligning and setting performance standards, and
- moving from a public service to a customer service delivery approach.

The content of the PSETA policy development competency standards units

<i>Unit and descriptor</i>	<i>Elements</i>
Contribute to the Development of Policy: covers the provision of assistance to the policy development process.	Gather information on policy implementation/needs.
	Contribute to the evaluation of policy, its development and implementation.
	Provide feedback on the development of policy.
Develop Organisation Policy: covers the development of 'in house' operational policy in an organisation, formulated to facilitate the implementation of government and board directives.	Identify, select and define organisation policy issues.
	Gather and analyse information for organisation policy development.
	Formulate and communicate organisation policy options.
	Select most appropriate organisation policy option and communicate organisation policy decisions.
	Evaluate organisation policy(s).
Manage the Policy Development Process: covers the management of the development of organisation policy and public policy.	Plan and implement a policy development process.
	Manage the policy development process.
	Evaluate the policy development process.
	Recommend improvements to the policy development process.
Develop Public Policy: covers the development of policy to enable the implementation of policy of the government.	Identify, select and define public policy issues.
	Gather and analyse information for public policy development.
	Formulate and communicate public policy options.
	Select best public policy option and communicate government policy decisions.
	Evaluate public policy(s).

Appendix 2

DETYA organisational capabilities

Understand includes:

- being aware of and focussing on what our customers need, including the minister;
- awareness at all levels of DETYA's priorities and objectives—what our policies and programs set out to do, the environment they operate in, and the impacts they have;
- awareness of, and the ability to analyse and interpret what is going on outside the organisation, such as the political environment, what stakeholders and clients think, the key issues in education and training world wide, the long-term trends, what is likely to happen in the future and what may happen;
- drawing on international policy approaches and experiences; and
- drawing on specialist knowledge and technical expertise.

Anticipate includes:

- thinking about the future and acting proactively, rather than reactively;
- scanning the environment and foreseeing opportunities and problems;
- taking a strategic and long-term view;
- identifying uncertainties and risks and taking them into account in the planning process;
- rehearsing the future so we can be confident that our policies are robust; and
- preparing for continuous change.

Create includes:

- finding new approaches to solving problems;
- thinking 'out of the box' and laterally about issues;
- collaborating, coordinating and communicating;
- bringing in a diversity of views; and
- developing solutions that work now but also integrate a long-term, strategic perspective.

Influence includes:

- being known for innovative, excellent thinking, research and analysis and adopting a national leadership role to promote the learning society;
- identifying and supporting the important relationships with the minister and government and non-government stakeholder organisations, to develop a solid platform of trust and confidence;
- establishing, holding on to and using nation-wide intelligence gathering networks; and
- allowing ourselves to be open to influence, to respect advice and information provided, and to explicitly build this into our policy directions.

Implement includes:

- using a framework of tools including for project planning and management, financial management, evaluation, relationship/contract management; risk management and continuous improvement;
- coordinating and collaborating with different internal areas, other agencies and contracted service-providers to achieve better outcomes; and
- having a well informed view about which delivery mechanism works best in different circumstances of the programme etc..

Appendix 3

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Appendix 4

Checklist for Policy Development

This checklist has drawn on criteria used during the course of the audit and checklists supplied in *The Australian Policy Handbook* by Peter Bridgman and Glyn Davis, 'Public Policy Advice' in *Public Sector* Vol.14 No.3 by Dave Dickens and the PSMPC Introductory Policy Formulation and Advice course notes. The checklist is not exhaustive. Rather, it aims to enhance the management of the development of policy advice across the APS. Nor is the checklist sequential as components of each section can occur concurrently.

Policy advice objectives

- Has the objective been considered? _____
- Have the problems with the status quo been identified? _____
- Does the minister agree that a policy problem exists? _____
- Have impediments to achieving the objective been acknowledged? _____
- Are there in existence any related policies that need to be taken into consideration? _
- Are objectives and goals explicit and clear? _____
- Should this matter go to cabinet? _____

Managing the policy cycle

- Are staff allocated responsibility for coordinating policy responses within the agency?
- Is there appropriate project planning and does it include a risk assessment? _____
- Does the risk assessment address:
- risks relating to coordinating within the agency? _____
 - risks relating to coordinating with other agencies? _____
 - risks relating to a whole-of-government approach? _____
- Is the need for procedural integrity, and the separation of political and policy roles, understood and built into the policy development process? _____
- Is the project timetable realistic? _____
- Is the required funding properly targeted and fully budgeted? _____
- Have information needs been determined? _____
- Have cost effective strategies been established to fulfil information needs? _____
- Are policy processes adequately documented? (including electronic documents) ____

Policy analysis

- Has the issue been accurately formulated? _____
- Are adequate skills available for well-rounded analysis? _____
- Has the search for alternatives been thorough? _____
- Have the appropriate analytical tools been used for the issue? _____
- Have resource constraints, legal requirements and external accountability
been taken into account in the policy advice? _____
- Is there a superior alternative? _____
- Has implementation been considered in policy design? _____
- Have the limitations in the information been acknowledged? _____
- Have relevant guidelines and procedures been identified and followed? _____

Consultation

- Are the objectives of the consultation process clear? _____
- Is the consultation process clearly linked to when and how a decision will be made? _
- Has an appropriate information, consultation, partnership,
delegation or control strategy been developed? _____
- Does the consultation timetable allow sufficient scope for
meaningful input and consideration? _____
- Are the resources to be committed to consultation
commensurate with the importance of the problem? _____
- Have all relevant stakeholders been identified and included? _____
- Is appropriate access provided to the consultation process? _____
- Has feedback from consultation been incorporated into policy advice? _____
- Is the advice consistent with the public interest? _____

Coordination

- Are proposals logical, well considered and consistent with other government initiatives?
- Have all government agencies with an interest been identified? _____
- Have appropriate mechanisms been created to test their thinking and gain support? _
- Have the regional, employment, industrial, equity and
fairness consequences of the proposal been worked through? _____

Advice

- Is the submission in the appropriate format? _____
- Will the minister hear about relevant issues in a timely manner? _____
- Is the aim of the advice clearly set? _____
- Is the minister informed about contending opinion on the matter? _____
- Are clear, different options available and presented honestly to the minister? _____
- Are the consequences of each option provided to the minister? _____
- Are features of the possible solution unethical, inequitable, inefficient, inappropriate or inexpedient? _____
- Does the minister have sufficient information to make a decision?
- budget information _____
 - staff and other resource requirements _____
 - legal implications _____
 - social, environmental and other impacts _____
 - technical data _____
 - consultation and its results _____
- Is the information provided to the minister balanced and accurate? _____
- Have the client's views and priorities been taken into account? _____
- Is the proposal cost effective? _____
- Have policy alternatives been considered? _____

Review

- Has feedback from the minister been received? _____
- Has the policy process been reviewed internally? _____
- Has an external party reviewed the policy process? _____
- Have the results of the review been captured and disseminated? _____

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