

*Performance Audit Report*

**TAFE NSW**

**Review of Administration**

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## **Glossary of Terms and Acronyms**

<b>Administration</b>	<p>This audit has focused on administration within TAFE NSW at various levels of the organisation, including:</p> <ul style="list-style-type: none"><li>• Human Resources</li><li>• Student Administration</li><li>• Finance</li><li>• Property</li><li>• Information Technology</li><li>• Library Services</li><li>• Business</li><li>• Planning</li></ul> <p>This audit has not focused on the management of teaching by TAFE NSW and does not cover staff providing direct support to teachers, such as laboratory assistants, or the staff who develop curriculum materials</p>
<b>ANTA</b>	Australian National Training Authority
<b>AQC</b>	Australian Quality Council
<b>ASCH</b>	Annual student contact hour
<b>BVET</b>	Board of Vocational Education and Training (NSW)
<b>College</b>	An organisational sub-unit used within some TAFE NSW Institutes, usually based on a single large campus
<b>DET</b>	Department of Education and Training
<b>DSE</b>	Department of School Education
<b>EFT</b>	Equivalent full time staff
<b>ESD</b>	Educational Services Division unit within TAFE NSW, specialising in an educational area
<b>GSA</b>	Guided self assessment
<b>Institute</b>	A regionally defined organisation within TAFE NSW, with primary responsibility for educational delivery
<b>KPI</b>	Key Performance Indicator
<b>OTEN</b>	TAFE NSW's Open Training and Education Network that provides external courses for those unable to attend classes in person
<b>State Office</b>	The head office of TAFE NSW
<b>TAFE</b>	Technical and Further Education Commission
<b>TAM</b>	Total Asset Management. This focuses on the management of assets from a whole-of-life and system-wide perspective
<b>VET</b>	Vocational Education and Training

# **Executive Summary**

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## Executive Summary

### The Audit

The audit reviewed the efficiency and effectiveness of “administration” within the Technical and Further Education Commission (TAFE NSW).

For the purpose of this audit, ‘administration’ excludes the arrangements for teaching and teaching outcomes [educational delivery], but includes those functions which support those outcomes, directly and indirectly.

The operations of TAFE NSW are subject to the *Technical and Further Education Commission Act 1990*.

### Structure

Apart from head office (State Office), the most prominent feature of TAFE NSW is the Institutes, of which there are twelve, delivering services to people across the state. The audit opinion and findings are based on reviews of State Office and three Institutes. Some of the observations made and conclusions reached may not apply to all Institutes.

### Audit Opinion

**The Audit Office recognises that TAFE NSW has undergone significant change in the last decade in order to improve service delivery. Whilst the focus of change has been TAFE NSW's core educational role, administration has also benefited. The Quality Management Systems introduced by the Institutes are an example.**

**The Audit Office is of the opinion that TAFE NSW needs a means by which the efficiency and effectiveness of administrative functions can be assessed notwithstanding initiatives by certain Institutes to introduce monitoring, benchmarking and reporting of administration.**

**In the interests of accountability, TAFE NSW requires the establishment of a common performance reporting framework for administration in each Institute and across Institutes. Along with other key result areas of TAFE NSW's operations, a reporting framework would better able the TAFE Commission Board (the Board) to inform the Minister for Education, in compliance with the Act, of the efficiency and effectiveness of the administrative functions.**

**The diversity and large number of courses (almost 2000), the range of industry and the particular needs of country and metropolitan communities support the notion of a decentralised approach to learning and its delivery in NSW.**

**In recent years the Australian National Training Authority (ANTA) has promoted the development of a more competitive training market. Management of TAFE NSW has encouraged a competitive environment between Institutes.**

**While devolution improves service delivery, it may result in increased costs of service. The Audit Office is of the view that there are opportunities to manage administration better from a ‘TAFE-wide’ perspective by sharing services and resources. Within the Sydney metropolitan area there are, for example, six Institutes with separate finance units, human resource units, property units etc.**

**In this regard many better practice organisations have established shared service centres to lower costs through economies of scale.**

**The business relationship between State Office and Institutes in terms of service delivery needs to be formalised so that the costs might be charged to Institutes and the benefits derived might be more readily identified and assessed in terms of value for money. Institutes could then have the option of purchasing services from the most efficient and cost effective service provider.**

**The audit opinion is based on the following findings.**

**Measuring  
Performance**

Nationally the Vocational Education and Training (VET) system has performance indicators, which are published widely. Within TAFE NSW these measures are often used to compare overall performance.

There are, however, no agreed national or state wide performance measures or benchmarks to assess the efficiency and effectiveness of administrative functions.

As a consequence, management of TAFE NSW and of Institutes is not able to currently measure the efficiency and effectiveness of its administrative functions in an objective way. There are, however, initiatives by certain Institutes to introduce monitoring, benchmarking and reporting of administration.

### **Accountability**

The Annual Report of TAFE NSW is generally silent on the outcomes of TAFE NSW concerning performance other than those of activity. A similar comment applies to the Annual Reports of the Institutes. There are, however, initiatives by some Institutes to improve the level and quality of performance reporting.

The performance agreement of the Director of an Institute is a confidential document with a limited circulation. This tends to limit communication of expected performance levels to staff in the Institute and to the public at large.

In the interests of accountability each Institute should publish in advance of the ensuing twelve months, its expected performance as negotiated with the Deputy Director-General. Publication could occur in the Annual Report of each Institute and or Internet/Intranet.

### **Organisational Arrangements**

The Institute structure offers a decentralised approach to service delivery across NSW.

The many administrative support functions in Institutes, however, would suggest that partnerships and sharing would offer savings.

It is not apparent, however, that sharing has been pursued. A reason for the absence of greater rationalisation across Institutes is believed to be concerns of a loss of autonomy and independence by Institutes.

There is a need to reconsider the existence of college based management structures within certain Institutes. The model mixes core and support functions and would appear to represent an unnecessary duplication of management.

### **Staffing Levels**

The staffing levels of State Office have reduced significantly over the last decade. It does seem that a very small number of staff within State Office are fully occupied in support of the Institutes; other State Office staff may work on a part time basis in support of the Institute structure.

The staffing numbers at Institutes increased significantly from 1989 to 1995, but have remained reasonably constant since then.

On the basis of the limited information available, the Audit Office has not been able to determine whether the number of staff devoted to administration has increased or decreased.



There is, however, no evidence that staff in State Office duplicate the efforts of those in Institutes.

**Corporate and Operational Plans**

The published strategies of TAFE NSW and its Institutes are not specific and consist principally of goal statements that focus on customers, quality and continuous improvement. There is a concern that the current level of corporate planning may not comply with the *Technical and Further Education Commission Act 1990*.

Operational plans provide little guidance as to whether improvements will be achieved in the efficient and effective use of resources.

**Library Services**

With few exceptions, there appears to be a lack of appreciation of the educational role that libraries can play in the delivery of educational services. Nor is there agreement amongst managers as to the purpose and direction of the library services.

The library services appear to play no part in wider TAFE NSW planning or planning of Institutes beyond that relating to the computerised collection management system.

**Commercial Arrangements**

One or all of twelve Institute Directors has/have authority, under delegation, to enter into commercial (fee for service) arrangements for the provision of technical and education services. Currently, commercial arrangements are undertaken in NSW, interstate and overseas.

Although not an area of focus of the audit, it is understood different Institutes have established commercial arrangements in the same country.

Available figures indicate that international work is a net cost to TAFE NSW. Concerns are held for the regular costing, monitoring and reporting by management of the progress of commercial ventures. Improvements to current arrangements are anticipated with the establishment of TAFE Global. Comment follows.

**TAFE Global**

TAFE has established a company, TAFE Global, to manage the delivery of services to the national and international market. The company presents an opportunity to coordinate the management of commercial arrangements on a "TAFE wide" basis.

The Audit Office drew to the attention of TAFE an opinion by the Crown Solicitor which could be interpreted as limiting the services that TAFE is authorised to provide within the State of NSW.

**Property**

While considerable detail is provided in regard to proposals for new capital works, the management of property requires a strategic approach.

A review of TAFE NSW facilities, chaired by the Parliamentary Secretary to the Minister for Education and Training, found that considerable improvement is required in the management, including utilisation, of properties.

**Quality Systems**

The Institutes have developed comprehensive and well-structured Quality Management Systems.

A positive feature of these systems is that they are generally available to all staff through the Intranet. The Institutes have made a considerable effort to ensure that policies and procedures are current and accessible to staff.

## Recommendations

### It is recommended that TAFE NSW:

- Sharing Support Services** Examine opportunities to share support services in the interests of administrative efficiency particularly for those Institutes located in the metropolitan area.
- Measuring and Reporting Performance** Provide a means of more readily assessing the efficiency and effectiveness of its administrative functions by:
- implementing a common performance reporting framework including the benchmarking of administrative functions within Institutes and across TAFE NSW
  - improving the monitoring and reporting of costs of service delivery by increasing the number of delivery categories routinely used for reporting purposes
  - requiring more intensive management reporting of TAFE NSW's commercial activities.
- Accountability** Improve organisational and accountability arrangements by:
- developing *Service Level Agreements* where appropriate between Institutes and major State Office service providers and an increased participation by Institutes in State Office decisions that affect Institutes
  - requiring Institutes to develop and advertise in its Annual Report the expected performance outcomes on an annual basis and reporting actual and planned performance outcomes on a regular basis
  - requiring all committees to have clear terms of reference and reporting requirements.
- Library Services** Strengthen the role of library services by:
- defining the purpose and direction of libraries services including the educational role of libraries within the TAFE NSW system
  - managing the library network in support of educational delivery from a TAFE-wide perspective.
- Resource Planning** Improve resource planning by:
- develop further planning for service delivery including greater use of Master Planning
  - conducting a program of regular cross-Institute reviews, similar to the Engineering review discussed in this report.

## **Response from the Department of Education and Training**

I refer to your letter of 4 December 2000 concerning the review of TAFE Administration conducted by the Audit Office, in terms of section 38C(2) of the *Public Finance and Audit Act 1983*.

I am grateful for the opportunity to provide a formal response on the report. Attachment A outlines comments on issues raised in the report that relate to the NSW TAFE Commission and the NSW Department of Education and Training.

### **ATTACHMENT A**

The NSW Technical and Further Education (TAFE) Commission was constituted by the *Technical and Further Education Commission Act 1990* as a statutory body corporate. Since 3 December 1997 the TAFE Commission is a controlled entity of the NSW Department of Education and Training.

The principal objective of the TAFE Commission is to provide technical and further education services which are relevant to the needs of industry, business, students and other client groups. The TAFE Commission provides these services through eleven Institutes and the Open Training and Education Network (OTEN). While the Institutes and OTEN observe Commission policies and priorities, they develop their own education and training profiles and manage their own operations.

It is pleasing to note that the Audit Office recognises that TAFE NSW has undergone significant change in the last decade in order to improve service delivery. Whilst the focus of change has been TAFE NSW's core educational role, administration has also benefited. The Quality Management Systems introduced by the Institutes are quoted as an example.

The report found that the diversity and large numbers of TAFE NSW courses which are focused on industry, metropolitan and rural communities support the Commission's position of having a decentralised approach to the delivery of VET in NSW. The Review found no evidence that staff within State Office duplicate the efforts of Institutes. The report acknowledged that individual TAFE Institutes have taken significant steps to benchmark their administrative functions.

The report also makes a number of recommendations about sharing support services, improving measuring and reporting performance, increasing accountability, strengthening the role of library services and improving resource planning.

As an organisation committed to the principles of Quality Management, the NSW TAFE Commission welcomes the advice provided by the Audit Office as the basis for continual improvement.

The NSW TAFE Commission notes the recommendation that Institutes examine opportunities to share support services in the interests of administrative efficiency. A review of corporate services in 1998 by Southern Sydney and South Western Sydney Institutes found that it was no more cost effective to share these services. When Institutes were set up in 1992, there was duplication of corporate services in colleges. Institutes have taken significant steps to centralise key corporate functions. Institutes need to be collaboratively independent but accountable for administrative efficiency.

The issues of competition and collaboration are raised. Generally, competition between Institutes is a means of maximising choice for both students and industry. However, the TAFE Commission recognises that totally unrestricted competition in all areas could lead to duplication. In areas where there are thin markets, TAFE NSW is reviewing its provision to ensure resource efficiency. The Engineering Review cited in the report is a good example of this, to ensure that provision is maintained and expanded.

The current work on developing performance indicators for TAFE NSW against the Corporate Plan and proposed reporting against these in the Annual Report should address the recommendations relating to improving the measurement and reporting of performance. This work can be extended to establish performance indicators for administrative functions. As the Auditor-General's report shows, certain Institutes have already begun to introduce monitoring, benchmarking and reporting of these functions.

In addition, work is almost completed on the revision of the Resources Allocation Model. Twenty-five key delivery and four non delivery areas have been identified for consistent reporting for both Annual Student Contact Hours (ASCH) and financial performance. Further, the model will allow for reporting on approximately 100 sub categories to enable improved planning for both educational profile and financial performance.

The report recommends the development of *Service Level Agreements* where appropriate between Institutes and major State Office service providers. Currently, there are two such agreements in place. One is between Institutes and Educational Services Divisions and the other between Institutes and Educational Development Division. TAFE NSW will be examining opportunities for further development of such Agreements.

The establishment of TAFE Global should address the concerns expressed about commercial arrangements, particularly overseas.

The recommendation of the Audit Office report regarding 'property' is supported. Following the submission of the *Review of the Utilisation of Capital Facilities by TAFE NSW Institutes*, the Minister for Education and Training has endorsed proposals which will address these matters and, in particular, the endorsement of the TAFE NSW Utilisation Benchmarks as the basis for Institute facilities planning. Institutes will be required to undertake a critical review of the utilisation of educational infrastructure and identify a five year plan to achieve the composite benchmark utilisation relevant to the mix of work stations in classrooms and class laboratories. In addition, each Institute will be required to develop a capital development plan which aligns with these five-year plans while taking account of strategic shifts in education and training delivery identified in their key business plans. The development of five-year plans will include the Master Planning of Institutes and colleges. The Planning and Performance Unit in Properties Directorate will coordinate state wide strategies and cross Institute reviews in key program areas, particularly those affected by significant contractions or growth.

As foreshadowed in the Audit Observation contained in Section 3.5 of the report, Institute Directors have prepared costed three year Condition Based Maintenance Plans which have been submitted by Properties Directorate in the 2001/2002 enhancement bid to Treasury.

The Audit Office report says that there appears to be a lack of appreciation of the educational role that libraries can play in the delivery of educational services. The NSW TAFE Library Service operates at 130 library and resource centre sites across 12 TAFE Institutes in NSW. It supports both students and staff in teaching and learning activities, through the provision of loans, reader education and access to on-line services such as the Internet, multi media and teaching resources. Libraries and resource centres vary in size. The size depends upon the level of enrolments and complexity of the collection, which varies with the curricula delivered at the site. The TAFE NSW Library Network has infrastructure support services provided by OTEN for both the TAFE Library Systems and TAFE Library Collection Services. Management of libraries in the TAFE NSW Library Network was devolved to individual TAFE Institutes in 1992. Although the contribution of library services to educational delivery is highly valued, the Commission does acknowledge that more could be done to provide state wide policy directions for library services. Therefore, TAFE NSW will be initiating a review of current and future library services and their role in the educational process.

Although the NSW TAFE Commission is in general agreement with the outcomes of the Review, the Commission would like to respond to several issues raised by the Audit Office where the Commission takes a slightly different view to the Audit Office.

The Audit Office report suggests that there is a need to reconsider the existence of college based management structures within certain Institutes. It should be recognised that Institute structures have been developed in response to the different local needs. The federated or college based model does not mean that administration is duplicated in all colleges within the Institute as most Institutes have centralised administrative functions in one location. A strong college based management structure is important for large colleges. Metropolitan colleges manage core activities, very few of which are duplicated through the Institute centralised corporate services structure. Metropolitan Institutes tend to have a matrix structure particularly in the managing of educational delivery, with senior management having both Institute and College responsibilities.

The report expresses concern that the content of current corporate planning may not comply with the *Technical and Further Education Commission Act 1990*. It is important to make clear that TAFE NSW and the Department of Education and Training are not in breach of the Act. The nature of the alignment of TAFE NSW's planning framework with the requirements of the Act has been an issue for many years. It has always been resolved by reference to Section 9 of the Act which states that '*the TAFE Commission is, in the exercise of its functions, subject to the control and direction of the Minister*'.

The Audit Office report says that the Annual Reports of the Department and Institutes are generally silent on the outcomes of TAFE NSW concerning performance other than those of activity. However, all TAFE NSW annual reports provide information on customer satisfaction, new initiatives and innovation to improve service delivery, examples of responsiveness to client needs, income generation and equity initiatives as well as the activity and financial data.

The Audit Office also draws attention to an opinion by the Crown Solicitor which could be interpreted as limiting the services that TAFE NSW is authorised to provide outside the State of NSW. The NSW TAFE Commission has sought further advice from the Crown Solicitor and has received some advice. The Commission is considering the implications of that advice.

In conclusion, the NSW TAFE Commission is committed to the process of continuous improvement and is in the process of developing and implementing improved planning, measuring and reporting arrangements which should address the issues raised by the Audit Office.

(signed)  
Ken Boston  
Managing Director of TAFE NSW  
Director-General of Education and Training  
Dated: 12 January 2001





# **1. TAFE NSW**

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## 1.1 Introduction

TAFE NSW, part of the Department of Education and Training, provides training and other educational courses to students for the purpose of:

- meeting the needs of individuals and industry in the maintenance of a skilled labour force
- assisting people to realise their potential.

TAFE NSW:

- trains students for employment in skilled, trade, post-trade, para-professional and professional areas
- provides special courses, testing and consultancy services which are supplied to industry, often on a fee-for-service basis
- provides a number of preparatory, general education and remedial programs for people wishing to continue or resume their education
- conducts various programs for groups in the community with special needs, such as Aboriginal people, women wishing to re-enter the workforce, the aged, the unemployed, people with physical or intellectual disabilities and people from non-English speaking backgrounds.

TAFE NSW delivers courses at campuses across the state, and an increasing number of programs are delivered off campus on employers' premises and at other work related sites. TAFE NSW:

- enrolls around 450,000 students
- delivers 2,000 courses across New South Wales (NSW)
- costs around \$1.2b each year to operate
- has assets valued at around \$3b.

## 1.2 Devolution of Administration

### Major Review

In 1990 the then Department of TAFE employed around 1,200 staff in State Office, in addition to staff in 10 regions, a number of metropolitan colleges and 25 teaching schools. A major review titled *TAFE's Commission for the 1990s* observed:

TAFE Head Office numbers have grown substantially in recent years, as have the number of functional and administrative units. ... On one estimate there were 56 different points of administrative contact in Head Office in 1988.

**Source:** Dr B W Scott, Management Review: NSW Education Portfolio, *TAFE's Commission for the 1990s*, June 1990 page 114.

The review recommended that State Office:

- be reduced - to less than one-third of its then complement of personnel
- have as its focus the development of policy guidelines and providing effective system-wide planning and coordination
- retain those systems that were necessary to ensure efficient and effective service-wide service delivery
- and that the role of the colleges should be strengthened.

In 1992 the then Managing Director of TAFE reported a significant down-sizing of State Office:

Central support staff has been reduced from about 1200 people to fewer than 400 as Institutes take over most of the operational support previously offered by head office. Central support units are now mostly involved in system-wide strategic planning, coordination, capital development, policy, resource allocation, audit and providing the benchmarks for educational quality standards.

**Source:** G Ramsey, Managing Director of TAFE, *Directions for the Future*, 1992 page 27.

## 1.3 Formation of Institutes

**College Networks** To retain a measure of cohesion and quality control over 100 colleges, the review recommended the creation of 'networks'. A network was to consist of several neighbouring colleges.

**Institutes** The networks were short-lived. In January 1992 the then Managing Director of TAFE replaced the college network structure with eight Institutes of Technical and Further Education, and three Institutes of Technology.

The benefits to administration of stopping short of full devolution rested mainly on retaining some economies of scale:

- devolution of administrative functions to the Institutes and to the constituent colleges as appropriate will, over time, effect greater economies of scale.
- administrative support and resources are placed closer to the teaching face than in the previous network structure.
- better use can be made of administrative infrastructure across a number of colleges rather than replicating all functions at all delivery points.

**Source:** G Ramsey, Managing Director of TAFE, *Directions for the Future*, 1992, page 23.

That structure has continued to the present, with twelve Institutes, including the distance education provider Open Training and Education Network (OTEN).

## 1.4 Further Reductions

In June 1995 the Minister announced the amalgamation of TAFE and the Department of Training and Education Co-ordination (DTEC).

The objective of the amalgamation was:

- to eliminate unnecessary duplication of functions
- to transfer some functions closer to the point of delivery
- increased efficiencies through a reduction of around 300 staff positions in DTEC and what remained of TAFE central administration.

**Devolution**

From 1996 onwards, there was a further devolution of functions to TAFE's Institutes, including:

- project management of minor works, site acquisitions, upgradings
- processing of financial matters
- student administrative functions
- marketing and promotional activities
- staff training and development.

In the amalgamated structure, corporate support services for TAFE would be provided by DTEC Corporate Services, including Legal, Human Resources, Finance, Industrial Relations, Staff Training and Development.

In 1996 a review by the then Council on the Cost of Government found that TAFE NSW had relatively costly corporate services (see Appendix 5.5).

**Amalgamation**

Finally, in 1997 the remaining central administration supporting TAFE was amalgamated with the Department of School Education (DSE). A small number of staff within State Office is fully dedicated to the role of TAFE.

**1.5 Funding****Government Funding**

As shown in the following table, the NSW Government provides around 70% of funding to TAFE NSW.

This income is supplemented by external earnings such as commercial work, and by funds from the Commonwealth Government, the latter representing around 18% of total funding to TAFE NSW.

<b>Funding of TAFE NSW 1999</b>		
<b>Type</b>	<b>\$m</b>	<b>% of Total</b>
NSW Government	\$857.7	70%
Commonwealth Government	\$217.0	18%
Sale of Goods and Services	\$126.6	10%
Other	\$24.6	2%
<b>Total</b>	<b>\$1,225.9</b>	<b>100%</b>

**Source:** Department of Education and Training

**Fees**

TAFE NSW charges no tuition fees for the great majority of its courses, although permitted to do so by its enabling legislation.

Most students pay an 'administration' charge. This charge is intended to offset costs of enrolments and administration. A student may receive an exemption from the 'administration' charge if receiving a benefit from Centrelink, Veterans Affairs, Austudy, ABSTUDY and other institutions.

The 2000 full-year charge for associate diplomas and above is \$610 and for other courses \$210.

## 1.6 Cost Comparisons between States

The *Steering Committee for the Review of Commonwealth/State Service Provision* produces an annual report on government services, which compares expenditure on vocational education and training.

The most recent report indicates that – using the measure of recurrent expenditure per hour of course modules successfully completed - TAFE NSW was relatively more costly than the equivalents in either Victoria or Queensland in 1998.

The report shows TAFE NSW cost \$24 per hour of publicly funded successful module completion, compared to \$16 in Victoria.

Total Expenditure (per hour) of Modules Completed 1998								
	NSW	VIC	QLD	WA	SA	TAS	ACT	NT
Cost	\$24	\$16	\$24	\$22	\$21	\$30	\$27	\$50

**Source:** *Report on Government Services 2000*, (Table 3A.29) Steering Committee for the Review of Commonwealth/State Service Provision.

**Notes:** Quoted figures are rounded to the nearest dollar. Care should be taken in making comparisons between jurisdictions because there were variations in average module durations and competencies achieved by students. Also, gains and losses from asset sales have been included in recurrent expenditure.

However, such comparisons fail to reflect variations in demographic profiles, differences in industrial awards and diversity in the composition of the VET systems between States and Territories.

## Delivery Costs

The comparisons between States do show TAFE NSW has relatively higher educational delivery costs.

These include the salaries of teachers and tutors, non-teaching support staff directly associated with a particular teaching activity, material supplies and other expenses directly associated with a particular teaching activity. This may indicate the reason for the above variance.

The following table shows the components of operating expenditure in each State. The comparisons show that NSW had the highest proportion of operating expenditure for delivery provision and support. NSW also had a lower proportion of operating expenditure for administration and general services than most other states.

Comparison of Operating Expenditures in 1998								
	NSW %	VIC %	QLD %	WA %	SA %	TAS %	ACT %	NT %
<b>Delivery Provision &amp; Support</b>	73.4	66.1	62.6	67.5	63.5	60.4	69.2	46.6
<b>Administration &amp; General Services</b>	18.2	17.0	20.8	19.5	20.9	18.4	11.7	26.6
<b>Property, Plant &amp; Equipment Services</b>	2.1	9.3	13.4	8.4	8.2	9.6	9.3	10.9
<b>Student &amp; Other Services</b>	6.3	7.6	3.2	4.5	7.4	11.6	9.8	15.9

**Source:** Australian National Training Authority, NCVER Statistics 1998.

### Notes:

- Delivery Provision and Support Expenses are expenses that can be directly attributed to particular teaching activities.
- Administration and General Services are expenses incurred in general management and administration.
- Property, Plant and Equipment Services are expenses for operating and maintaining buildings, grounds and equipment.
- Student and Other Services are expenses for providing services to students outside of formal teaching, such as student welfare services.

Nationally the Vocational Education and Training (VET) system has performance indicators, which are published widely. Within the TAFE NSW system these measures are often used to compare overall performance.

There are, however, no agreed national or state wide performance measures or benchmarks for the separate administrative functions within TAFE NSW Institutes.



## **2. Organisational Arrangements**

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## 2.1 The Institutes

TAFE NSW consists of the State Office (head office) in Sydney and twelve Institutes located throughout the metropolitan, regional and country areas of the State.

The role of Institute is primarily concerned with the delivery of educational services to, and assessment of, students. The Director of each Institute is responsible for the performance of the Institute. The Institutes report to the State Office.

Each TAFE NSW Institute consists of a number of campuses, as shown in the following table along with enrolments.

Institute	Enrolments in 1999	Campuses
Hunter Institute of Technology	50,281	16
Illawarra Institute of Technology	34,857	14
New England Institute	17,644	11
North Coast Institute	33,772	18
Northern Sydney Institute	49,769	9
Riverina Institute	27,299	15
South Western Sydney Institute	48,332	6
Southern Sydney Institute	42,338	6
Sydney Institute of Technology	48,050	7
Western Institute	29,027	22
Western Sydney Institute	40,875	8
Open Training and Education Network	33,427	n/applicable
<b>Total</b>	<b>455,671</b>	<b>132</b>

The exception is the Open Training and Education Network (OTEN) which provides external courses for those unable to attend college classes in person.

### *Audit Observations*

The diversity and large number of courses (almost 2000), the range of industry and the particular needs of country and metropolitan communities support the notion of a decentralised approach to learning and its delivery in NSW.

The Institutes of TAFE NSW are large by comparison with those in other States, as shown in Appendix 5.3.

Consistent with the decentralised approach there has been a significant devolution of management (including administration) to the Institutes.

Whilst the management structure of TAFE NSW is decentralised from an operations perspective, policy and systems remain with State Office.

The Institutes, however, remain as integral components of the TAFE NSW system with the potential for system wide efficiencies.

## 2.2 Competitive Pressures

Historically a small proportion of public expenditure in NSW on vocational education and training (VET) has been distributed to the private sector through competitive processes.

A change affecting TAFE NSW has been a national push for more service competition within vocational educational training. This is often cited as a reason why management of TAFE NSW has encouraged a competitive environment between Institutes for the available training market.

In 1996 the NSW Board and the TAFE NSW Commission Board jointly issued a report on the role of TAFE NSW within a competitive framework. The report stopped considerably short of endorsing open competition within the NSW VET system.

### The Need for Balance

The key objectives of the report by the Board of VET focus on the need to balance competitive processes:

- growth in training
- greater responsiveness to customers
- adding value to the State's economic and social infrastructure
- balancing productive competition and strategic co-operation
- fair and credible competitive processes.\*

And for example, the key objective *Balancing Productive Competition and Strategic Co-operation* is outlined as follows:

- facilitating productive competition and strategic co-operation between providers including TAFE NSW, schools, Adult and Community Education (ACE), universities, private providers and industry, taking into account regional and community diversity

- improving links between institutional, work-based and distance education pathways in VET to better utilise their respective strengths
- optimising use of public infrastructure and avoiding duplication and gaps in provision.\*

**\*Source:** NSW Board of Vocational Education and Training, TAFE, DTEC, *Growth and Flexibility, The Development of Vocational Education and Training and the Role of TAFE NSW within a Competitive Framework*, 1996.

#### *Audit Observations*

A key driver in the competitive environment between Institutes is the need to attract and retain sufficient students of an appropriate standard to the services offered by individual Institutes. The number of students in an Institute impacts on the flow of funding to an Institute and the number of its teaching positions.

Competitive pressures do not, of necessity, mean that Institutes compete to the detriment of the system as a whole. The challenge is one of an appropriate balance between competition and cooperation. In this regard, State Office is well positioned to coordinate greater efficiencies through cooperation.

The intention is that TAFE NSW become more flexible, efficient, cooperative and more accountable as evidenced from the following quote:

To meet the challenges of a more competitive environment, TAFE NSW must now emphasise measures to make its education and training delivery more flexible and efficient. This was the clear message from many participants during the competitive framework consultations.

Another clear message was the need for TAFE NSW to cooperate more with other providers (for example, through sharing best practice and facilities) to maximise the return on the considerable public investment in the organisation.

Finally, TAFE NSW must respond to the call from VET stakeholders for a more explicit focus on efficiency, quality and equity by ensuring managers at all levels are accountable for achieving these outcomes.

**Source:** *Growth and Flexibility, The Development of Vocational Education and Training and the Role of TAFE NSW within a Competitive Framework*, 1996.

## 2.3 Key Functions within State Office

Following the devolution of administration to the Institutes, certain key functions were retained to varying degrees in State Office. In particular State Office remained prominent in IT, property, financial policy, human resources policy and industrial relations.

### Library Services

In contrast to these arrangements, management responsibility for TAFE NSW's library services is devolved to Institutes and the Open Training and Distance Education Network (OTEN). The latter:

- supports TAFE NSW's integrated library management system
- maintains TAFE NSW's library network catalogue, and centrally bulk purchases
- catalogues new library resource materials on behalf of college libraries.

### Audit Observation

A significant capability has been retained in State Office to provide the policy framework within which Institutes must operate. The exception to this is TAFE NSW's library services, for which no adequate policy currently exists.

## 2.4 Staffing

From 1997 to the present, staff numbers have remained reasonably constant, as shown by the following table:

TAFE NSW Staffing (EFT)			
Month	Teaching	Non-teaching	Total
May 1999	10,971	6,314	17,285
May 1998	11,280	5,701	16,981
March 1997	12,015	5,477	17,463
May 1996	10,686	5,900	16,586

Source: DET Personnel Directorate

While staff numbers within State Office have reduced significantly over the last decade the number of staff in Institutes increased from 13,561 in 1989 to 16,103 in 1995 (or 19%). Over the same period student participation has increased by approximately 50%.

*Audit Observations*

As the available figures for non-teaching staff do not distinguish administrative from educational support staff, the overall changes to administrative staffing could not be identified.

As there are no systems within DET to distinguish administrative effort in support of TAFE NSW from that in support of school education, the audit could not reliably establish the quantum of human resources in State Office that support TAFE NSW.

There is no evidence, however, that staff within State Office duplicate the efforts of those in Institutes.

## **2.5 Institute Structure**

The Institutes have adopted organisation structures which, for the purposes of comparison, can be broadly categorised as based on the faculty model or the federated model.

### **Faculty Model**

The faculty model has three clear components - faculties, 'clusters' (of campuses) and functional areas. Faculties deliver vocational education and training and the supporting cluster and functional areas facilitate that educational delivery. There is therefore a clear differentiation between the core business of educational delivery and support.

Initially three Institutes of Technology were established based on the Sydney Technical College (now Sydney Institute), Newcastle Technical College (now Hunter Institute) and Wollongong Technical College (now Illawarra Institute).

The key administrative functions of finance, purchasing, IT, employee relations, properties and marketing, which support all faculties, typically report to the Institute's Deputy Director.

### **Federated Model**

Other Institutes operate under a structure known as federated colleges.

This model presents several colleges as a single institution with common objectives and values, while giving each of its members the autonomy needed to react quickly and flexibly to the demands and needs of its local communities.

The federated model results in a ‘matrix’ structure with management having college, educational and administrative responsibilities.

*Audit Observations*

The federated model

- combines responsibilities for the core business of education and the support functions of administration
- is suited to situations where two or more independent colleges may be acting together.

In the view of the Audit Office the model can duplicate the activities of senior management and diminish clarity of accountability.

As TAFE NSW expands beyond its traditional campuses into more schools and workplaces, the disadvantages of the federated model may become more apparent. Conversely the faculty model more clearly differentiates between the core and support activities and lessens the potential for unnecessary duplication.

## **2.6 Administration within Campuses**

At the campus level the organisation of administration differs little between Institutes, although there are differences in campus size.

**Cluster Managers**

At one Institute, for example, ‘cluster’ managers are responsible for managing administration at two or more campuses. The responsibilities of the ‘cluster’ managers include student services, children’s services, counselling services, library services, maintenance, security, cleaning and cafeteria services.

‘Cluster’ managers report to the Deputy Director of the Institute, who is responsible for the management of the Institute’s administrative support.

Functions and staff that can be readily centralised are based at a central unit. The following table shows the results of this at an Institute (based on the faculty model), where administrative staff is assigned to the central unit unless their activities are location (campus) dependent.

## Central Units

Example of Institute Staffing		
Administrative Function	Central Unit Staffing	Campuses Staffing
Human Resources	24	6.5
Student Administration	0	35.4
Finance (incl. Purchasing)	14	26.5
Property Management	4	15.5
Information Technology	18.5	
Library	0	30
Business Development	6	
Educational Planning Unit	4	
Quality	1	
Other		23.8
Security		29.9
Marketing & Public Affairs	7	
Director's Unit	2	
<b>All</b>	<b>81</b>	<b>168</b>

## Campus Staff

At another Institute a college services manager has responsibilities similar to a 'cluster' manager but reports to the Director of a College.

'Cluster' managers and college services managers provide a single point of management responsibility for the day to day supervision of staff attached to a campus including student administration, children's services, counselling, maintenance, administrative and educational support staff - but not teaching staff.

Where these duties are not dependent on being located at a campus, there is evidence that Institutes are taking steps to centralise and rationalise such services.

## Audit Observations

In line with earlier comments concerning the federated college model, the continuation of college based management structures within Institutes would seem to represent a duplication of administration.

Unlike other key administration functions, there is no single coordinating library services function at some Institutes, although some coordination is achieved through committees. Within each of these Institutes there are separate libraries, each reporting to campus administration or head teachers and sharing local budgets.



## 2.7 Sharing Common Support Services

The devolution of administration in TAFE NSW has been accompanied by decentralisation to Institutes of administrative support processes. For example:

- within the Sydney metropolitan area alone there are six Institutes with six finance units, six human resource units, six property units, six information technology units, and so on
- administrative procedures and costing systems within the Institutes have been evolving along separate lines since the formation of the Institutes in 1992.

### Internal Review

In January 1998 the Managing Director requested that two metropolitan Institutes examine the feasibility of a strategic alliance to reduce the costs of corporate service functions. Around the same time, two rurally based Institutes were examining a similar alliance.

Both pairs of Institutes advised of reviews that proposed the centralisation of corporate services within their Institutes. Services such as financial services, that were not location dependent, could be consolidated within an Institute to provide a more efficient service. In addition, the Institutes examined the option to share specific corporate service functions across Institutes.

<b>Rurally Based Institutes</b>
<p>The rurally based Institutes found that the option of both centralising within each Institute and sharing of some corporate service functions would realise greater savings:</p> <ul style="list-style-type: none"> <li>• Maintaining the status quo with approval to proceed with separate Institute restructures, including centralising corporate service functions within each Institute, would realise \$2.19 million</li> <li>• Combining the restructuring of functions in Institutes with sharing between Institutes of the lower level corporate services functions and processing tasks would realise in the first stage \$2.696 million.</li> </ul>

**Source:** Minute to Deputy Director-General (Corporate Services) dated 2 April 1998.

<b>Metropolitan Institutes</b>
<p>The two metropolitan Institutes addressed similar options:</p> <ul style="list-style-type: none"><li>• retaining all corporate service functions within each Institute, that is retain the status quo but centralise functions within each Institute. This would save \$2.04 million</li><li>• locating shared finance processing functions in one Institute and locating shared human resource processing functions in the other Institute, resulting in savings of \$2.4 million.</li></ul>



**Source:** Minutes to Deputy Director-General (Corporate Services) dated 2 April and 18 May 1998.

The rurally based Institutes found that the option of both centralising and sharing corporate service functions would realise savings. The metropolitan addressed similar options.

The Institutes also highlighted the advantages of working solely within Institute boundaries. This approach, which was recommended by the Institutes, was approved by the Deputy Director-General (Corporate Services) on 20 May 1998.

The following note, referring to the efforts of the metropolitan Institutes, illustrates this:

In researching this concept, both Institutes were able to convince the Managing Director that efficiencies anticipated from such an alliance could be found within each Institute. The Institute Director also strongly argued that the independence, accountability and performance of each Institute must stand alone.

**Source:** TAFE Institute, *Corporate Services Review*, 1998 page 4.

The minutes of that meeting also suggest that the Institutes would in future benchmark key corporate service functions to identify best practice:

When the new corporate services structures are in place there will be an opportunity to benchmark key corporate service functions and identify best practices.

**Source:** Minutes of meeting with Deputy Director-General (Corporate Services) 20 May 1998.

*Audit Observations* The Audit Office supports the Managing Director's initiative in requiring examination of the provision of shared service functions and believes such initiatives should lower administrative costs through economies of scale and by removal of unnecessary duplication. Large agencies such as NSW Health and the NSW Department of Housing are examples of agencies which share services.

Likewise the many administrative support functions within Institutes would suggest that partnerships and sharing of services would offer the opportunity for savings. Sharing, however, has not been pursued resulting in a degree of duplication in the delivery of support services.

The current environment appears to militate against the development of these types of arrangements because of competitive pressures between Institutes. Comments received during the course of the audit refer to 'a fire-wall between the Institutes that discourages sharing'.

The NSW Premier's Department has highlighted the potential benefits of shared service arrangements (similar to those contemplated by Institutes identified above) including:

- increases effectiveness
- reduces cost
- enables re-engineering of processes
- standardises systems and information
- consolidates activities of several agencies into one
- removes duplication
- creates economies of scale
- streamlines processes
- focuses the organisation on customer service
- improves service to agencies
- improves productivity
- responds more quickly to initiatives
- meets opportunities with more flexibility.

**Source:** NSW Premier's Department, Corporate Services Reform Team, *Reform and Redirection*, 1999, page 21.

In practice shared service centres usually operate at a relatively independent location from users and generally involve actual or notional charging for services and are therefore subject to internal and external market forces.

The range of cooperative endeavours could include:

- information sharing
- sharing of facilities
- internal benchmarking and cooperation in external benchmarking
- committees at system level
- cooperation in specific activities
- joint tendering and common contractors/suppliers
- joint investment in major projects
- one institute serving others under a performance contract
- formation of TAFE-wide support functions.

Focus could start with those activities:

- which support but are not central to the core business of teaching
- which are location independent
- where there is potential for significant economies of scale or effectiveness gains.

## 2.8 Library Services

### Dimensions

The TAFE NSW library network consists of 109 libraries employing around 350 staff, linked by a common computer based library information system. The library services cost in the order of \$25m each year to operate.

### Shared System

Libraries of TAFE NSW use a network-wide catalogue and circulation system that provides access to library resources to any student or teacher. The system extends well beyond Institute boundaries:

In TAFE, learning Resource Services cover a wide range of resources and services, including electronic access to information sources and learning resources located and/or integrated in teaching and learning areas. These service points may be located in Institutes of TAFE, TAFE Colleges and branches, or be shared, on campus or off campus, jointly with industry, higher education, schools, and/or public library services, or be accessed electronically from remote locations or within the institution.

**Source:** Education and Student Services Standing Committee of the National TAFE Chief Executives' Committee, *Focus on Learning*, 1995 page 3.

*Audit Observations* The educational role and expectations of libraries of TAFE NSW need to be more clearly defined.

There is no agreement amongst managers as to the purpose and direction of library services. The library services appear to play no part in wider TAFE NSW planning beyond that relating to the computerised collection management system.

With few exceptions, there appears to be insufficient contact between library staff and teachers and little involvement by teaching staff in library planning. While the librarians view students as their market, not all librarians view teachers as forming part of the same market.

Likewise, there is no apparent evidence that teachers view librarians as partners in the delivery of educational services. Librarians, for example, are able to advise students on the availability of information relevant to content of the syllabus.

Further, librarians of TAFE NSW do not generally hold teaching qualifications, although some Institutes have provided library staff the opportunity to undertake the *VET Initial Teaching and Learning* program. The use of teacher-librarians is, however, common practice in NSW schools and in the United Kingdom.

With few exceptions there is a lack of appreciation by management of TAFE NSW of the library's educational role. The situation was recently summarised by a TAFE NSW librarian in the following terms:

There is little acknowledgment or understanding by TAFE management or educational staff of the educational role that librarians play in contributing to the success of teaching and learning in the TAFE community. The librarian's educational role manifests itself in subtle ways that are not immediately visible to those outside this profession. Formal instruction in basic library and information seeking skills, the development and delivery of information literacy programs, improving technological literacy to ensure clients make the best use of the library's IT based resources and working in partnership with teachers to plan and develop course material are key aspects of the librarian's educational role.

**Source:** Lloyd and Bannister, *Things are not Always as they Seem: Perceptions of the Role of Librarians in TAFE*, AARL, December 1999.

There is minimal evidence of a collection policy for TAFE NSW. The collection policies in individual Institutes either could not be found or had not been reviewed for several years.

**Information  
Literacy and  
Technology**

Information literacy's focus is on content, communication, analysis, information searching, and evaluation; whereas the focus of information technology is on the skills to use computers, software applications and databases. The two concepts are quite different.

*Audit Observations*

There is a degree of confusion between the role of information technology and the role of library services within TAFE NSW. A key consideration is to distinguish 'information literacy' from 'information technology'.

In particular, incorporating information literacy across TAFE NSW's programs and services requires the collaborative efforts of its Educational Services Divisions, library services and Institute management.

Similar to the review role envisaged for Educational Services Divisions, a Library Services Division would be well placed to routinely coordinate reviews of library service delivery.

**Conclusion**

*State Office*

In terms of organisational arrangements and after much structural change, the Institute structure offers a decentralised approach to the service delivery across NSW.

In this context the main role of State Office is currently one of policy development in support of the twelve Institutes.

The level of resources devoted to administration within State Office has, as a result, declined substantially, while the reverse is the case in Institutes.

The Audit Office could not reliably establish the quantum of resources within State Office devoted in support of TAFE. There is, however, no evidence of unnecessary duplication in State Office and Institutes in the delivery of administrative functions.

*State Office and  
Institutes*

Accountability arrangements between Institutes and State Office could be improved by the development of *Service Level Agreements* with major State Office service providers.

Also Institutes need to participate more fully in decisions by State Office that affect Institutes.

*Across Institutes* There is an opportunity, however, to improve the efficiency of the Institute structure by sharing like administrative services.

Many better practice organisations have now established shared service centres to lower their administrative costs by achieving economies of scale and by removal of unnecessary duplication. Institutes have not pursued this option although studies undertaken by the Institutes have shown the option to be more efficient.

*Within Institutes* Apart from the issue of TAFE-wide efficiencies to be gained from shared services, the organisational arrangements in Institutes could be improved by:

- defining more clearly the purpose, direction and educational role of libraries; managing the library network in support of educational delivery from a TAFE-wide perspective
- examining the continuing need for college based management structures within some Institutes. Compared to the faculty model, the federated model mixes core and support functions and would appear to represent an unnecessary duplication of management.

Section 4. *Measuring and Reporting Performance* discusses more fully accountability within Institutes and between an Institute and State Office.





### **3. Policies, Plans and Procedures**

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### 3.1 Policy and Planning Framework

TAFE NSW's policies, plans and procedures sit within an overall policy and planning framework.

#### Corporate Plan

The *Technical and Further Education Commission Act 1990* requires that TAFE NSW prepare a corporate plan specifying:

- the separate activities of the TAFE Commission
- the objectives of each such separate activity
- the strategies, policies and budgets for achieving those objectives
- targets and criteria for assessing the TAFE Commission's performance.

**Source:** Technical and Further Education Commission Act 1990 section 10(4).

#### Directions Document

TAFE NSW has published a two page document titled *Strategic Directions 2000–2002* that sets out general directions.

#### State's VET Plan

The State's *Vocational Education and Training in NSW - 1999 Plan* also provides insight into TAFE NSW's overall plans, as TAFE NSW is the State's major VET supplier. For NSW the key priorities for 1999 comprise such statements as to:

- meet client needs through flexible training services
- ensure quality in the provision of training services
- use education and training resources efficiently.

**Source:** NSW Board of Vocational Education and Training, Annual Report 1999 page 10.

NSW has, for example, planned and reported on:

- improvements to management systems
- upgrading TAFE NSW student applications system
- introduction of new student administration procedures
- introduction of TAFE Card
- rationalisation of facilities
- reduction in attrition rates.

#### Institute Strategic Plans

The individual 'Strategic Plans' published by Institutes reflect a common grounding in the Australian Business Excellence Framework.

*Audit Observations* The published strategies of TAFE NSW and its Institutes consist principally of goal statements that focus on customers, quality and continuous improvement. There is a concern therefore that the content of corporate planning may not comply with the *Technical and Further Education Commission Act 1990*.

Whilst improved efficiency and effectiveness are not mentioned as goals, it may be argued that continuous improvement (in all areas) implies such improvements.

**Profile Planning** Each Institute prepares an annual ‘profile’ of planned educational activity, outlining the student contact hours to be delivered.

A Planning Manager assists in the coordination of the process with emphasis on identifying overlaps and inconsistencies.

The profile planning process requests Institutes to:

- identify global training needs
- identify changes in education training needs
- assess training needs in the light of national strategies and State priorities
- identify and assess delivery strategies
- quantify key shifts in educational delivery and identify and quantify resource impact.

*Audit Observation* The extent of analysis and the content of profile plans varies from Institute to Institute. For more effective service delivery planning, the plans should routinely include:

- results of analysis of current service delivery performance and gaps
- results of analysis of options for service delivery
- list and explanation of service delivery strategies
- indicative analysis of resources required.

**Source:** NSW Government Asset Management Manual - *Service Delivery Strategy*.

**Asset Management Planning** Each Institute prepares a Capital Development Plan which focuses on proposed new capital works.

The Properties Directorate within State Office includes a Planning and Performance Unit that supports Institutes in the preparation of capital bids. Submissions of capital works are scrutinised by a Capital Planning Committee before going to relevant Minister for approval.

A review of the utilisation of TAFE NSW facilities found that there is considerable room for improvement.

Institutes will need to critically review timetables to ensure that there is a better match between class sizes and the facilities used to deliver education and training programs.

**Source:** TAFE NSW, *Review of the Utilisation of Capital Facilities by TAFE NSW Institutes*, June 2000, page 40.

Some Institutes are introducing Master Planning that would improve the level of detail available for TAFE NSW's resource management.

*Audit Observations*

Whilst considerable detail is presented in regard to new capital works, minimal evidence was sighted as to strategies for the overall development of each college/campus within the Institute. This is not to say that certain Institutes have not conducted some rationalisation of facilities.

There is minimal evidence also of strategic asset management plans (other than capital development plans for which there are only limited funds) and no corresponding acquisition, disposal or maintenance plans (beyond one year).

**Operational Plans**

Within Institutes, administrative units typically prepare operational plans. Each is summarised in terms of required action, accountability, output, time requirements and budget implications. Each unit is required to report progress around once or twice a year.

For example, the goals of the Human Resources Unit are typically expressed as overleaf.

Institute Goal	Goals of the Human Resources Unit
Recognise and reward the competencies, skills and achievements of our staff and develop required staff competencies & professional skills.	<ul style="list-style-type: none"> <li>• develop a relevant Staff Training and Development Plan</li> <li>• provide appropriate training to support implementation of training packages</li> <li>• recognise and reward staff achievements</li> <li>• reduce skills gaps in targeted teaching areas</li> <li>• establish a database to identify skill requirements in high demand areas.</li> </ul>
Create a sustainable future for the Institute as a Learning Organisation through the application of quality management principles.	<ul style="list-style-type: none"> <li>• improve management processes</li> <li>• contribute to Institute efficiency savings.</li> </ul>

**Audit Observations**

The Operational Plans could be improved by expanding on the detail they contain. In many respects the detail provided does not cover all the functions and does not provide sufficient information to measure performance. For example, within the goals for Human Resources shown above, there is no specific information for functions other than staff training and development.

Other functions might include industrial relations, occupational health and safety, rehabilitation services, staffing and payroll, personnel, grievance and dispute resolution, recruitment and selection, workforce planning and equal employment opportunity. Nor do the goals refer to the human resource functions undertaken within the Institute's colleges.

In some Institutes there may be no specific plan for the function of Student Services, which rely on central systems sponsored by State Office. Individual colleges and campuses, however, do prepare operational plans for student services activities.

**New Model**

One Institute has implemented a more comprehensive form of three-year business planning for application to all educational and administrative units. It treats the operational plans as one-year 'action' plans and addresses resources, performance measures and the operating environment of subject units on a three-year basis.

**Audit Observations** Whilst the plans in Institutes provide assistance for managing the activities of individual units, the content of the plans limits their usefulness. The operational plans have a time frame of only one-year, which must limit their potential for improving operations.

The operational plans for administrative units do not always contain reference to the strategies and plans of the associated State Office functions, which must inevitably affect the operation of the administrative units. There is little cross-reference to administrative functions within colleges or campuses. Nor is there any reference to the plans of neighbouring Institutes.

The elements of the operational plans are not always costed and do not relate directly to each unit's budget within the Institute, which could introduce some uncertainty into the process. There is no direct linkage to the Institute's management information systems.

The approach to Business Planning being implemented by one Institute, as described above, represents a significant improvement.

### **3.2 Educational Services Divisions**

In addition to the support provided by State Office, six Educational Services Divisions (ESDs) reporting to State Office design and administer vocational and technical education courses. The ESDs are the focal point for interaction between TAFE NSW and industry associations and peak bodies for the development of courses and learning materials.

One additional ESD designs and administers pre-vocational, special access, preparatory, basic and general education programs. Each ESD is administered by a Director.

Each of these Educational Services Divisions has around 20 to 30 staff and is 'hosted' by an Institute that provides the necessary administrative support.

#### **Coordinating Reviews**

In March 1998, the *Manufacturing Engineering Related Services* Industry Training Advisory Board raised concerns regarding the closure of engineering workshops in TAFE NSW. Although it was considered that engineering facilities and related resources were under-utilised, a review was initiated to evaluate the extent of utilisation and to make recommendations for rationalisation.

The 'Engineering' review focused on the metropolitan workshops and found that:

- the level of demand for courses in mechanical engineering and metal fabrication had declined significantly
- usage rates for mechanical engineering workshops averaged only 32%
- usage rates for fabrication workshops averaged 53%.

The relevant ESD Director coordinated the review with the assistance of the Institutes involved. It was finally agreed that each Institute would retain at least a centre for provision of such training, and the volume of provision would depend on the amount of training. In other words, rationalisation would take place within Institutes, but not across Institutes. The cost savings were not identified.

*Audit Observations*

Whilst the review may have had some limitations, it has led to a more effective allocation of resources in the area concerned. Better practice would suggest that reviews of this nature should be conducted routinely.

The ESDs are the focal point for interaction between TAFE NSW and industry associations and peak bodies in the development of courses and learning materials. ESDs are well placed to routinely coordinate reviews of the efficiency and effectiveness of service delivery within TAFE NSW.

### **3.3 Committees**

Committees play an important role in facilitating the management of TAFE NSW as both a large organisation and a federation of operational Institutes.

**Terms of Reference**

The main committees are well defined, with clear terms of reference. The Capital Planning Committee annually recommends the capital program to the Minister, assisted by subcommittees that include 4 Institute Directors. The Corporate Services IT Steering Committee is responsible for administrative systems throughout the Department.

Most committees with significant Institute representation are described as information sharing committees, focused on operational matters and providing input to policy. They are not generally focussed on policy making or strategic planning and have no authority in these areas.

Particular purpose committees are more defined, for example:

- On-Line Project Steering Committee
- Resource Allocation Model Steering Committee.

*Audit Observations*

Committees that consist mainly of Institute based staff tend to have no terms of reference and no authority. This also applies to the Institute Directors, who meet monthly. The committees are not required to report their achievements, although most issue minutes.

The Corporate Services IT Steering Committee, whose decisions have significant impact on TAFE NSW administration costs, includes no TAFE NSW representative.

To obtain the best results from committees there should be clear terms of reference and reporting requirements. The outcomes to be achieved from the committees are a matter for the management of TAFE NSW.

### **3.4 Quality Accreditation**

The national system of standards for the recognition of training organisations requires that TAFE NSW Institutes employ a quality assurance system (based on recognised quality models) and that recognition arrangements be put in place by the States (such as the Vocational Education and Training Accreditation Board in NSW).

The Quality Management Systems are generally available to staff through the Intranet. A wide range of procedures and corresponding forms are also available from the system, with appropriate links both inside and outside of the Institute, including the broader TAFE NSW system.

The Institutes have as an objective to ensure that published policies and procedures are current.



### 3.5 Adherence to Policy Guidelines

*Audit Observations* Managers of State Office functions did not consider they have sufficient authority to ensure managers of Institutes follow policy guidelines. Certain Institutes, for example:

- do not plan maintenance on the basis of condition monitoring
- do not monitor property usage statistics and
- undertake little property usage planning.

This differs from the requirements of the NSW Government Asset Management Manual.

State Office Property function had been aware of this for some years, but it seems, no corrective action had been initiated.

The devolved nature of TAFE building maintenance carries a responsibility for Institutes to comply with the requirements of the Government's Total Asset Management guidelines and follow proper maintenance planning processes to link service strategies with asset maintenance. It is doubtful whether these guidelines are being used in most Institutes.

**Source:** TAFE Properties Directorate, *Asset Maintenance – TAFE Institutes*, January 2000.

As part of the Government's commitment to total asset management (TAM) the Department is required to prepare a Strategic Maintenance Plan. A separate five-year TAFE plan was prepared in 1994 and is now out of date. A Department of Education and Training plan for schools and colleges was prepared in 1999. This plan concentrated mainly on schools due to the lack of current data for colleges.

**Source:** Minute from General Manager Properties dated 25 February 2000.

Only recently, in order to meet Treasury reporting requirements and with the agreement of Institute Directors, Property Managers have been required to organise condition-based assessments for their facilities. Each Institute will be required to present a costed three-year Maintenance Plan to Properties Directorate by 30 October 2000. These plans will be used to prepare the Strategic Maintenance Plan which is required to be submitted annually to Treasury.

In some areas the responsibility of State Office to assist the Deputy Director-General (TAFE) in overseeing compliance by Institutes with government guidelines needs to be better defined.

## Conclusion

TAFE NSW has a general policy and planning framework and Institutes prepare detailed plans. The detail contained in the plans is mainly in relation to annual hours of curriculum by course category.

Other than for the scrutiny that attaches to new capital works proposals, the plans provide minimal information that would assist in understanding whether there will be improvements in the efficiency and effectiveness in the use of TAFE NSW's resources.

This would entail strategically matching future service delivery and assets by assessing asset need, utilisation levels, suitability of location, capacity, functionality, and condition.

Further development of service delivery planning and more use of Master Planning will assist the development of TAFE NSW's resource management.

The Institutes have developed comprehensive and well-structured Quality Management Systems.

Policies and procedures could be improved by:

- requiring Educational Service Divisions to plan and conduct a program of regular service delivery reviews, similar to the Engineering review
- each area of administration having a committee including Institute representatives, facilitated by the head or deputy head of the corresponding State Office function, with clear terms of reference and a requirement to report at least annually achievements against terms of reference
- better defining the responsibility of State Office to assist the Deputy Director-General (TAFE) in overseeing compliance by Institute administration management with Government guidelines.

## **4. Measuring and Reporting Performance**

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## 4.1 Management Information Systems

### Performance Measurement

The main objectives of performance measurement in public organisations are to support better management decision-taking leading to improved outcomes for the community, and to meet external accountability requirements.

Performance measurement can be used to:

- improve the performance of an organisation
- improve control and accountability mechanisms
- inform the budget process, and
- motivate staff.

Performance measurement includes both setting targets and the review of performance against targets.

Performance can be measured both by using simple and transparent indicators and more complex measurement systems. Measurement can be from the point of view of economy, efficiency, effectiveness, service quality, and financial results.

### The Act

The *Technical and Further Education Commission Act 1990* requires the TAFE Commission Board to review and make recommendations to the Minister on matters including:

Efficiency and effectiveness in relation to the operation and management of the technical and further education services provided by the TAFE Commission.

**Source:** Technical and Further Education Commission Act 1990, section 12 (1).

### Major Systems

The major information systems operated by State Office which serve the Institutes are:

- human resource management system and a financial system
- asset management system for maintenance, a capital works project system and a property register
- student and course information system
- enrolment system and class management system [effectively an electronic roll-book]
- office systems for records, text and form management
- on-line library information system which has a number of modules including acquisitions, cataloguing, circulation, reserves, and serials.

Institutes provide a range of reports to State Office in relation to their activities, as outlined in Appendix 5.2.

**Budgeting Control** The control of costs is effected largely through budgetary processes. For the most part, reference to costs within TAFE NSW reflects the cost of inputs - salaries, materials and overheads. Ledger codes used within an Institute can exceed 9000 in number.

**Costing Service Delivery** TAFE NSW uses a uniform system of cost classifications to cost service delivery in Institutes. Cost classifications for each of 25 'education delivery' and 4 support categories are compared across each of the Institutes. Given that there are around 2000 courses delivered by TAFE NSW, this enables only a broad comparison of service delivery costs.

TAFE NSW is able, however, to allocate costs to service delivery in more detail - currently 74 cost classifications are available and there are plans to increase this further. Some Institutes use this facility to assist planning for service delivery.

*Audit Observations* It would seem desirable for TAFE NSW to increase the number of classifications to enable and report a more detailed comparison of service delivery costs. This could serve as the basis to develop a more competitive comparison of information supplied by the Institutes.

Costing service delivery is more difficult because TAFE NSW has no integrated management information system but a number of separate corporate systems. Each Institute adapts the corporate systems to suit local requirements and some Institutes have developed new systems for local needs.

An application known as 'Data Warehouse' now makes it possible to retrieve selected data from the different systems for analysis and comparison by management and some Institutes are attempting to use this system.

## 4.2 Reporting Performance TAFE-wide

### Reporting Performance

The Annual Report of DET includes, inter alia, the number of students enrolled, increases in enrolments and employment opportunities.

Unlike the Annual Report of DET the Annual Reports of the Institutes are not a statutory or legislative requirement but are produced, rather, as a general information sharing and marketing instrument. There is accordingly no standard format but they do include a range of data on subjects such as: student enrolments, enrolment trends, employment opportunities, Institute achievements; budget allocation and results.

### Audit Observations

The Annual Report of DET says little about the performance of TAFE NSW.

Whilst Annual Reports of the Institutes do not generally include performance information, there appears to be a move to do so and one Institute in particular provides a good example. The following illustration compares the Institute's performance in Guided Self-Assessments.

<b>Measure</b> Guided Self Assessment Score	<b>Status</b>	<b>Definition:</b> The average score given by staff in the GSA as a proportion of the total scores available. The institute was rated on the 7 AQC business excellence areas.																								
<b>Category</b> Leadership & innovation	<b>Program/Business</b> Executive	<b>Comment:</b> The results from the Guided Self-Assessment conducted for the Institute by the Australian Quality Council show that the categories in which the Institute is performing most strongly are those of the Leadership and Innovation (58%) and People (56%). The area in which the Institute is performing least well is Business Results (45%).																								
<table border="1"> <caption>Guided Self-Assessment Results (1997 vs 1999)</caption> <thead> <tr> <th>Category</th> <th>1997</th> <th>1999</th> </tr> </thead> <tbody> <tr> <td>Business Results</td> <td>45%</td> <td>45%</td> </tr> <tr> <td>Processes, products, services</td> <td>45%</td> <td>45%</td> </tr> <tr> <td>Customer, market focus</td> <td>45%</td> <td>45%</td> </tr> <tr> <td>People</td> <td>56%</td> <td>56%</td> </tr> <tr> <td>Data, information knowledge</td> <td>45%</td> <td>45%</td> </tr> <tr> <td>Strategy planning</td> <td>45%</td> <td>45%</td> </tr> <tr> <td>Leadership innovation</td> <td>58%</td> <td>58%</td> </tr> </tbody> </table>		Category	1997	1999	Business Results	45%	45%	Processes, products, services	45%	45%	Customer, market focus	45%	45%	People	56%	56%	Data, information knowledge	45%	45%	Strategy planning	45%	45%	Leadership innovation	58%	58%	<b>Source of Data:</b> Australian Quality Council, Guided Self-Assessment Results, 1997 and 1999.
Category	1997	1999																								
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Strategy planning	45%	45%																								
Leadership innovation	58%	58%																								
<b>Overall Score</b>	<b>1997</b> 41%	<b>1999</b> 52%																								
	<b>Update frequency:</b> Biennial	<b>Revision date:</b> October 2001																								

### 4.3 The Performance of Directors

#### **Performance Agreement**

The Director's performance agreement and the performance targets of an Institute are regarded as one and the same. Further the performance agreement is a confidential document and this tends to limit communication of the expected performance of an Institute.

Directors of Institutes, through the agreement, are held accountable, to deliver:

- a specified number and profile of student contact hours
- within a specified annual budget
- adhering to State Office policies
- reliant on State Office systems development and support.

#### *Audit Observations*

The performance agreement of the Director of an Institute is a confidential document with a limited circulation. This tends to limit communication of expected performance levels to staff in the Institute and to the public at large.

The key administrative functions within State Office that support the school system also support TAFE NSW. Directors (within State Office) responsible for these administrative functions report to the Deputy Director-General (Corporate Services) of DET. On this basis there are no:

- purchaser provider arrangements between Institutes and State Office
- costing systems to monitor the costs incurred by State Office on behalf of Institutes.

Often the Directors of Institutes have no control over matters decided by State Office which can affect the performance of Institutes.

It is only at the level of Managing Director that the management of the Institutes and the support functions of State Office merge.

## 4.4 Measuring Performance in an Institute

The TAFE Commission Management Plan 1996 included reference to the need to benchmark administrative processes:

Strategy 5.4.1 Initiate benchmarking activities and implement findings to improve administrative practices.

Responsibility: Manager Administration, Institute Directors, All Managers.

The performance of administrative units tends to be assessed by various means, as illustrated by the following example (of an information technology unit in an Institute):

Information Technology Unit
<ul style="list-style-type: none"><li>• service resolution reports generated from the help desk system. these reports provide information on the number of requests for help, the number of requests satisfied, the time taken to resolve requests, the number of requests that have been escalated to a higher level or external source for assistance, the number of requests that could not be satisfied and the number of requests still outstanding</li><li>• follow up phone calls by customer service staff to customers to ensure satisfactory completion of service from the customer's view</li><li>• weekly unit meetings to review and develop actions for outstanding requests</li><li>• college computer user group meetings</li><li>• review of the progress of the operational plan on a quarterly basis.</li></ul>

### *Audit Observations*

The costs and complexity of administration in TAFE NSW are significant. There are few, if any, key performance indicators for administrative functions established and reported to the Director of an Institute.

There are initiatives by individual Institutes to introduce monitoring, benchmarking and reporting of the performance of administration. For example one Institute is monitoring, benchmarking and reporting the performance of its information technology and human resources units - the latter being particularly comprehensive. Indicators are also being developed for student administration.

With the introduction of performance measures in each Institute the Board of the Commission would be better placed to advise the Minister in relation to the efficiency and effectiveness of administration in TAFE NSW. Suggested indicators for a Human Resources Unit and an Information Technology Support Unit are listed within Appendix 5.4.

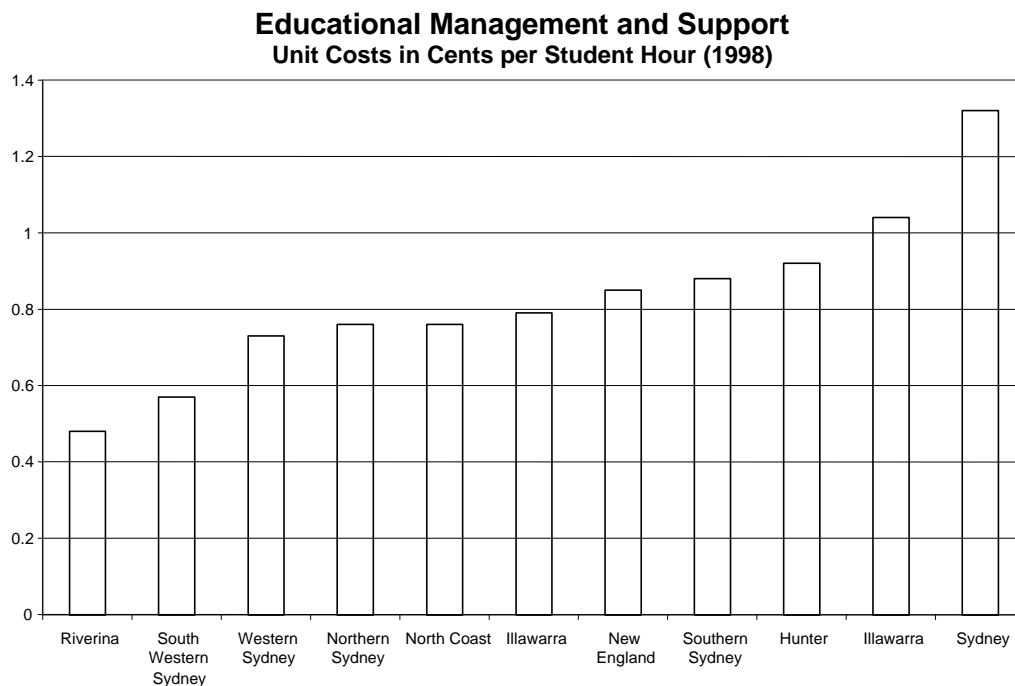


## 4.5 Comparing Performance between Institutes

### Comparisons

TAFE uses average unit cost information (in dollars per student contact hour, or \$ASCH) to compare Institutes. There are significant differences from Institute to Institute.

The following figure illustrates the comparison of a cost category for *Educational Management and Support Unit Costs*:



**Source:** TAFE NSW: Resource Allocation Model Analysis 1998, Educational Management and Support.

The above results are affected by factors such as the:

- volume of students and associated economies of scale which depend on the density of the surrounding population and transport links
- high costs structures or small class sizes of specialist courses, such as arts, media, or trades courses for example, fitting and machining
- local procedures for collecting and allocating costs which may vary from Institute to Institute
- costs associated with aged or heritage infrastructure.

*Audit Observations*      The comparisons in the above graph offer limited information as to the administrative efficiency of TAFE NSW.

The benefit of benchmarking the costs of service delivery would be improved and comparisons between Institutes more closely made, if the number of delivery categories was increased.

## **4.6 Other Issues**

### **Commercial Arrangements**

Under the *Technical and Further Education Commission Act 1990*, the TAFE Commission may enter into commercial arrangements for the provision of technical and further education services for appropriate fees and charges.

Institutes participate in a range of commercial ventures such as:

- providing specialist training for local businesses in NSW and interstate
- training international students in Institutes
- training in overseas countries.

An Institute Director, under delegation, may enter into a commercial arrangement. It is understood that different Institutes have established commercial arrangements in the same country.

The management of international commercial work was, in 1998, subject to a review by a consultant appointed by the Department of Education and Training. The report contained certain criticisms of the costing for commercial work, and its consistency across Institutes, and a statement that the work is likely to be a net cost to TAFE NSW.

TAFE NSW recently announced the establishment of TAFE Global, a company limited by shares, which is to project manage the delivery of TAFE NSW services to the international market and selected projects in the national market. The Audit Office drew to the attention of TAFE NSW an opinion by the Crown Solicitor, which could be interpreted as limiting the services that TAFE NSW is authorised to provide outside the State of NSW.

*Audit Observations* TAFE NSW has improved the system of cost estimation for commercial projects in that Institutes, using a standard format, estimate expected future costs and revenues and record actual costs and revenues. The profit or loss of a commercial arrangement is calculated at the end of a project.

Further improvement in the regular costing, monitoring and reporting by management of progress of commercial arrangements is warranted. Consistency in the costing and reporting of commercial arrangements would assist management in the evaluation, including an assessment of financial viability of commercial projects.

**Guided Self Assessments**

The Institutes make use of guided self-assessments, based on the Australian Business Excellence Framework, to identify areas for process improvement.

One of the key points raised in these self-assessments has been the need to introduce business performance measures and some process of benchmarking. For example, in analysing the results of an Institute's 1999 self assessment, the Australian Quality Council advised:

Engage key stakeholders in review of the key business performance measures, and development of 'lead' indicators of sustainability.

Ensure that the deployment of the business planning process addresses these key indicators.

**Source:** Australian Quality Council, Guided Self Assessment Results, Institute of TAFE, 1999, page 52.

## **Conclusion**

TAFE NSW has extensive management information systems. The overall systems provide a flow of information to State Office, and within an Institute.

There is, however, no integrated management system for costing service delivery.

In order to improve the monitoring of costs from a service delivery perspective, TAFE NSW would need to increase the number of delivery categories for cost allocation. That Institutes tend to establish new systems or adapt corporate systems for local needs would appear to be duplication of effort for 'TAFE-wide' common systems.

The performance of administrative units within Institutes is more difficult to assess. Institutes are developing new forms of business planning which should assist in this area.

State Office would benefit from a common reporting framework and the benchmarking of administrative functions within Institutes and across TAFE NSW. Key measures should be developed relevant to key administrative outcomes so that the Board will be better informed in terms of its obligations under the Act.

TAFE should recognise the current performance agreement as an agreement for the Institute, not the individual who occupies the position of Institute Director, and should publish the expected performance outcomes in its Annual Report and on internet/intranet.

Due in part to the limitations of the costing systems, commercial work is not systematically reported to management against milestones of schedule and cost, although Institutes know what profit they should make on such work and calculate how much they do make after the event. The result is that performance in relation to such work is difficult to monitor.

## **5. Appendices**

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## **Appendix 5.1: About the Audit**

<b>Audit Objective</b>	The objective of the audit has been to examine the efficiency and effectiveness of 'administration' within TAFE NSW. In particular, the Audit Office reviewed the information (and its reporting) available to TAFE NSW to assess its own performance.
<b>Scope of the Audit</b>	<p>For the purpose of this audit, 'administration' <u>excludes</u> the arrangements for teaching and teaching outcomes [educational delivery], but <u>includes</u> those functions which support those outcomes, directly and indirectly. Administration occurs within Institutes, within State Office, between State Office and an Institute(s), [and should occur] across Institutes.</p> <p>Conversely administration does not include TAFE NSW's management of teaching and does not cover staff providing direct support to teachers, such as laboratory assistants, or the staff who develop curriculum materials.</p> <p>The audit visited State Office and three of TAFE NSW's twelve Institutes.</p> <p>These Institutes had been nominated by TAFE NSW as reasonably representative of metropolitan, regional and country based Institutes. To the extent that each Institute in TAFE NSW has developed along somewhat different lines the audit findings may not apply to all the Institutes within the system.</p> <p>In effect, the audit is about how well TAFE NSW self assesses in terms of its management performance in non-core areas.</p>
<b>Methodology</b>	<p>The audit approach was based on:</p> <ul style="list-style-type: none"><li>• assessing the key areas of administration with the assistance of a questionnaire</li><li>• reviewing the relationship between State Office and the Institutes, and across Institutes</li><li>• forming a view on how well the Institutes and the TAFE NSW self assess in terms of 'administration' and the quality of reporting to the Board, Minister, Government, and the Parliament.</li></ul>
<b>Cost of the Audit</b>	The cost of the audit was \$198,537. This figure includes the estimated cost of printing the report (\$6,500) and travel and incidentals (\$971).
<b>Acknowledgement</b>	The Audit Office would like extend its appreciation to the management and staff of TAFE NSW, including the Institutes, for the assistance and cooperation provided during the course of the audit.

**Appendix 5.2: Reports Provided to State Office by Institutes**

- |  |   |
|--|---|
| <b>Human Resources</b>                               | <ul style="list-style-type: none"><li>• Voluntary Redundancy</li><li>• Salary Overpayments</li><li>• Employee Assistance Program</li><li>• EEO</li></ul>  |
| <b>Finance</b>                                       | <ul style="list-style-type: none"><li>• Funds Forecast</li><li>• Savings Initiatives</li><li>• Cash Flow Forecast</li><li>• Accounting Returns and Reconciliation</li><li>• Resource Allocation and Methodology</li><li>• Budget Estimates</li><li>• Fringe Benefits Tax Return</li><li>• Bank Suspense and Asset Reconciliation</li><li>• Cost per Annual Student Contact Hour by Fund</li><li>• Transactions DTEC and DSE</li><li>• Miscellaneous (GST, Corporate credit cards, etc)</li></ul>  |
| <b>Properties</b>                                    | <ul style="list-style-type: none"><li>• Institute Capital Works Program</li></ul>   |
| <b>Reports Prepared and used within an Institute</b> | <ul style="list-style-type: none"><li>• progress against Operational Plan - half yearly</li><li>• updates on relevant issues as provided to the Institute Executive meetings</li><li>• monthly budget reports</li><li>• reports prepared from the Human Resources Management Information System and the payroll system such as recruitment delays, salary overpayments, staff turnover, workers compensation payments, accident reports, leave days reports, sick leave analysis report</li><li>• reports of student enrolments and student contact hours</li><li>• locally developed planning and financial spread sheets used to allocate budget funds to the colleges and campuses on the basis of profile requirements and allocations of previous years</li><li>• maintenance expenditure and minor works progress reports</li><li>• IT service request resolution reports</li><li>• reports on commercial business activity</li><li>• specific reports on particular issues; for example: contribution to Managing Director's report; Olympic initiatives report, style guide, and advertising.</li></ul> |

**Appendix 5.3: Comparisons with Other States**

NSW Institutes are large by comparison with other States. The following table indicates that a TAFE Institute in NSW handles half again as many student hours as an Institute in Victoria and three times as many as Institutes in other States.

<b>Educational Output of Institutes</b>					
	<b>NSW</b>	<b>Vic</b>	<b>Qld</b>	<b>WA</b>	<b>SA</b>
Adjusted annual curriculum hours 1998(m)	83.0	67.5	42.7	22.1	16.9
Number of Institutes	12	14	15	13	8
Million curriculum hours per Institute	6.9	4.8	2.8	1.7	2.1

**Source:** *Report on Government Services 2000*, Table 3A.30 plus TAFE websites.



### Appendix 5.4: Suggested Performance Indicators for Benchmarking

<b>Information Technology Support Unit</b>	
<b>Key Performance Indicators</b>	<ul style="list-style-type: none"> <li>to be determined relative to corporate and business objectives [Employee Surveys, Focus Groups etc.]</li> </ul>
<b>General indicators</b>	<ul style="list-style-type: none"> <li>the number of unit staff to total Institute staff</li> <li>cost of unit to total cost of Institute</li> <li>cost per employee in unit to cost for each Institute employee.</li> </ul>
<b>Indicators of Availability</b>	<ul style="list-style-type: none"> <li>computer percent availability</li> <li>number of complaints received per period per unit supported</li> <li>defects reported per period per unit supported.</li> </ul>
<b>Efficiency Measures</b>	<ul style="list-style-type: none"> <li>unit cost for supporting administrative activities per period per unit</li> <li>unit cost for supporting educational activities per period per unit</li> <li>average time to respond to help requests.</li> </ul>
<b>Effectiveness Measures</b>	<ul style="list-style-type: none"> <li>percent of clients expressing satisfaction with unit support and condition of equipment.</li> </ul>

<b>Human Resources Unit</b>	
<b>Key Performance Indicators</b>	<ul style="list-style-type: none"> <li>to be determined relative to corporate and business objectives [means: Employee Surveys, Focus Groups etc.]</li> </ul>
<b>General Indicators</b>	<ul style="list-style-type: none"> <li>the existence of a <i>HR Strategy</i> including a <i>Professional Development Strategy</i> and related training [undertaken] to meet core competencies and outcomes achieved.</li> </ul>
<b>Efficiency Measures</b>	<ul style="list-style-type: none"> <li>the number of human resources function staff to total Institute staff,</li> <li>cost of the human resources function to total Institute salaries cost</li> <li>trends in staff turnover</li> <li>trends in the number of days required to fill a vacancy</li> <li>trends in the number and unit cost of workers' compensation cases</li> <li>the level of sick leave measured in total and per employee and trends over time</li> <li>trends in the number of grievances over time, the time taken to settle grievances and related costs</li> <li>costs of payroll processing to number of staff so employed</li> <li>trends in OHS incidents and costs incurred per incident.</li> </ul>

### Appendix 5.5: Review by the (former) Council on the Cost of Government

#### Corporate Services Review

In 1996 the Council on the Cost of Government reviewed the corporate services functions of 35 government agencies. The Council's review focused particularly on human resources, financial management, property management and information technology.

The review included TAFE NSW which, according to the definition of corporate services, used 14% of its total costs on corporate services - approximately double that of other large agencies.

Whilst TAFE NSW disputed the comparability of the results (and subsequent restructuring of DET has superseded the result), it also pointed to factors which might explain the apparently high level of costs, including:

<b>TAFE Costs</b>	
<b>Human Resources</b>	<ul style="list-style-type: none"> <li>• the number of awards and enterprise agreements administered</li> <li>• the number of part time, casual, temporary and full time staff employed and the percentage in each category</li> <li>• special employment programs and staff employed by these programs.</li> </ul>
<b>Financial Management</b>	<ul style="list-style-type: none"> <li>• the number of specially funded programs administered</li> <li>• transaction volumes arising from a significant student population</li> <li>• the range and complexity of financial management reporting, related to the number of cost centres serviced.</li> </ul>
<b>Property Management</b>	<ul style="list-style-type: none"> <li>• the age of buildings and any special conditions attached, such as Heritage listing</li> <li>• the number of multistorey buildings with associated lift, hoist, air conditioning and maintenance agreements</li> <li>• the value of plant and equipment maintained</li> <li>• the use of facilities by outside bodies.</li> </ul>

**Source:** Letter from Director-General DTEC, 20 February 1996

**Scope for  
Rationalisation**

TAFE NSW's decentralised organisation structure also appeared to have been a factor. The Council expressed the following view on this subject:

The data confirms the view that there are costs associated with a regional structure. Looking at mid sized agencies with similar budgets, it is clear that the non regionalised agencies spend a substantially lower percentage of their budget on corporate services (median 8.9%) than regionalised agencies (median 14.5%).

There will often need to be a trade off between economy and service delivery, particularly where an agency has a large number of small local offices, and 'value for money' and cost effectiveness must be considered in such cases. Nevertheless, there may be scope for rationalisation without significant impact on service delivery in some locations in the medium to longer term through the sharing of local corporate services between agencies.

**Source:** NSW Premier's Department, *Corporate Services Efficiency Project - Report on the Costing of Corporate Services and Negotiation of Savings Targets*, February 1996 page 3.

Having reviewed the costs associated with TAFE NSW's Institutes, the Council noted:

Information reviewed for each of the individual TAFE Institutes indicated that real expenditure on non teaching salaries is rising at a faster rate than real expenditure on teaching salaries. The rate of increase of non teaching salaries appears to coincide with the 1991/92 establishment of the Institute structure.

**Source:** Council on the Cost of Government, *TAFE - Analysis of Expenditure 1987/88 - 1994/95*, March 1996, page 1.



## **Performance Audits by the Audit Office of New South Wales**

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## Performance Auditing

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Performance audits seek to serve the interests of the Parliament, the people of New South Wales and public sector managers.

The legislative basis for performance audits is contained within the *Public Finance and Audit Act 1983, Division 2A*, which differentiates such work from the Office's financial statements audit function. Performance audits examine whether an authority is carrying out its activities effectively and doing so economically and efficiently and in compliance with all relevant laws. These audits also evaluate whether members of Parliament and the public are provided with appropriate accountability information in respect of those activities.

Performance audits are not entitled to question the merits of policy objectives of the Government.

When undertaking performance audits, auditors can look either at results, to determine whether value for money is actually achieved, or at management processes, to determine whether those

processes should ensure that value is received and that required standards of probity and accountability have been met. A mixture of such approaches is common.

Where appropriate, performance audits provide recommendations for improvements in public administration.

Performance audits are conducted by specialist performance auditors who are drawn from a wide range of professional disciplines.

The procedures followed in the conduct of performance audits comply with the Audit Office's Performance Audit Manual which incorporates the requirements of Australian Audit Standards *AUS 806 and 808*.

Our performance audit services are certified under international quality standard *ISO 9001*, and accordingly our quality management system is subject to regular independent verification. The Audit Office of NSW was the first public audit office in the world to achieve formal certification to this standard.

## Performance Audit Reports

No.	Agency or Issue Examined	Title of Performance Audit Report or Publication	Date Tabled in Parliament or Published
1	Department of Housing	<i>Public Housing Construction: Selected Management Matters</i>	5 December 1991
2	Police Service, Department of Corrective Services, Ambulance Service, Fire Brigades and Others	<i>Training and Development for the State's Disciplined Services: Stream 1 - Training Facilities</i>	24 September 1992
3	Public Servant Housing	<i>Rental and Management Aspects of Public Servant Housing</i>	28 September 1992
4	Police Service	<i>Air Travel Arrangements</i>	8 December 1992
5	Fraud Control	<i>Fraud Control Strategies</i>	15 June 1993
6	HomeFund Program	<i>The Special Audit of the HomeFund Program</i>	17 September 1993
7	State Rail Authority	<i>Countrylink: A Review of Costs, Fare Levels, Concession Fares and CSO Arrangements</i>	10 December 1993
8	Ambulance Service, Fire Brigades	<i>Training and Development for the State's Disciplined Services: Stream 2 - Skills Maintenance Training</i>	13 December 1993
9*	Fraud Control	<i>Fraud Control: Developing an Effective Strategy (Better Practice Guide jointly published with the Office of Public Management, Premier's Department)</i>	30 March 1994
10	Aboriginal Land Council	<i>Statutory Investments and Business Enterprises</i>	31 August 1994
11	Aboriginal Land Claims	<i>Aboriginal Land Claims</i>	31 August 1994
12	Children's Services	<i>Preschool and Long Day Care</i>	10 October 1994
13	Roads and Traffic Authority	<i>Private Participation in the Provision of Public Infrastructure (Accounting Treatments; Sydney Harbour Tunnel; M4 Tollway; M5 Tollway)</i>	17 October 1994
14	Sydney Olympics 2000	<i>Review of Estimates</i>	18 November 1994
15	State Bank	<i>Special Audit Report: Proposed Sale of the State Bank of New South Wales</i>	13 January 1995
16	Roads and Traffic Authority	<i>The M2 Motorway</i>	31 January 1995
17	Department of Courts Administration	<i>Management of the Courts: A Preliminary Report</i>	5 April 1995
18*	Joint Operations in the Education Sector	<i>A Review of Establishment, Management and Effectiveness Issues (including a Guide to Better Practice)</i>	13 September 1995
19	Department of School Education	<i>Effective Utilisation of School Facilities</i>	29 September 1995
20	Luna Park	<i>Luna Park</i>	12 October 1995



*Performance Audit Reports and Related Publications*

No.	Agency or Issue Examined	Title of Performance Audit Report or Publication	Date Tabled in Parliament or Published
21	Government Advertising	<i>Government Advertising</i>	23 November 1995
22	Performance Auditing In NSW	<i>Implementation of Recommendations; and Improving Follow-Up Mechanisms</i>	6 December 1995
23*	Ethnic Affairs Commission	<i>Administration of Grants (including a Guide To Better Practice)</i>	7 December 1995
24	Department of Health	<i>Same Day Admissions</i>	12 December 1995
25	Environment Protection Authority	<i>Management and Regulation of Contaminated Sites: A Preliminary Report</i>	18 December 1995
26	State Rail Authority of NSW	<i>Internal Control</i>	14 May 1996
27	Building Services Corporation	<i>Inquiry into Outstanding Grievances</i>	9 August 1996
28	Newcastle Port Corporation	<i>Protected Disclosure</i>	19 September 1996
29*	Ambulance Service of New South Wales	<i>Charging and Revenue Collection (including a Guide to Better Practice in Debtors Administration)</i>	26 September 1996
30	Department of Public Works and Services	<i>Sale of the State Office Block</i>	17 October 1996
31	State Rail Authority	<i>Tangara Contract Finalisation</i>	19 November 1996
32	NSW Fire Brigades	<i>Fire Prevention</i>	5 December 1996
33	State Rail	<i>Accountability and Internal Review Arrangements at State Rail</i>	19 December 1996
34*	Corporate Credit Cards	<i>The Corporate Credit Card (including Guidelines for the Internal Control of the Corporate Credit Card)</i>	23 January 1997
35	NSW Health Department	<i>Medical Specialists: Rights of Private Practice Arrangements</i>	12 March 1997
36	NSW Agriculture	<i>Review of NSW Agriculture</i>	27 March 1997
37	Redundancy Arrangements	<i>Redundancy Arrangements</i>	17 April 1997
38	NSW Health Department	<i>Immunisation in New South Wales</i>	12 June 1997
39	Corporate Governance	<i>Corporate Governance Volume 1 : In Principle Volume 2 : In Practice</i>	17 June 1997
40	Department of Community Services and Ageing and Disability Department	<i>Large Residential Centres for People with a Disability in New South Wales</i>	26 June 1997
41	The Law Society Council of NSW, the Bar Council, the Legal Services Commissioner	<i>A Review of Activities Funded by the Statutory Interest Account</i>	30 June 1997
42	Roads and Traffic Authority	<i>Review of Eastern Distributor</i>	31 July 1997

*Performance Audit Reports and Related Publications*

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<b>No.</b>	<b>Agency or Issue Examined</b>	<b>Title of Performance Audit Report or Publication</b>	<b>Date Tabled in Parliament or Published</b>
43	Department of Public Works and Services	<i>1999-2000 Millennium Date Rollover: Preparedness of the NSW Public Sector</i>	8 December 1997
44	Sydney Showground, Moore Park Trust	<i>Lease to Fox Studios Australia</i>	8 December 1997
45	Department of Public Works and Services	<i>Government Office Accommodation</i>	11 December 1997
46	Department of Housing	<i>Redevelopment Proposal for East Fairfield (Villawood) Estate</i>	29 January 1998
47	NSW Police Service	<i>Police Response to Calls for Assistance</i>	10 March 1998
48	Fraud Control	<i>Status Report on the Implementation of Fraud Control Strategies</i>	25 March 1998
49*	Corporate Governance	<i>On Board: guide to better practice for public sector governing and advisory boards (jointly published with Premier's Department)</i>	7 April 1998
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63	Department of Education and Training	<i>The School Accountability and Improvement Model</i>	12 May 1999
64*	Key Performance Indicators	<ul style="list-style-type: none"> <li>• <i>Government-wide Framework</i></li> <li>• <i>Defining and Measuring Performance (Better practice Principles)</i></li> <li>• <i>Legal Aid Commission Case Study</i></li> </ul>	31 August 1999
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