



Victorian Auditor-General's Office

SPECIAL REPORT NO. 32

*A Competent Workforce
Professional Development*

NOVEMBER 1994

Auditing in the Public Interest

VICTORIA

Auditor-General
of Victoria

SPECIAL REPORT No. 32

**A COMPETENT WORKFORCE
PROFESSIONAL DEVELOPMENT**

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The Honourable the Speaker
Legislative Assembly
Parliament House
Melbourne Vic. 3002

Sir

Under the provisions of section 48A of the *Audit Act* 1958, I transmit the Auditor-General's Special Report No. 32 on A Competent Workforce: Professional Development.

Yours faithfully


C.A. BARAGWANATH
Auditor-General

Previous Special Reports of the Auditor-General

<i>Report No.</i>	<i>Title</i>	<i>Date issued</i>
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2	■ Works Contracts Overview - Second Report	June 1983
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20	■ National Tennis Centre Trust ■ Zoological Board of Victoria	April 1993
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29	■ International Student Programs in Universities	November 1993
30	■ Grants and Subsidies to Non-Government Organisations	March 1994
31	■ Purchasing Practices	May 1994

Contents

	Foreword	ix
PART 1	EXECUTIVE SUMMARY _____	1
	1.1 Overall audit conclusion	3
	1.2 Summary of major audit findings	7
PART 2	BACKGROUND _____	17
	<i>Introduction 19 • What is professional development? 19 • Why is there a need for professional development? 20 • How is professional development implemented in the public sector? 20 • What is the expenditure on professional development activities? 22</i>	
PART 3	CONDUCT OF THE AUDIT _____	23
	<i>Audit objectives 25 • Scope of the audit 25 • Advice provided to audit 26 • Information gathering 26</i>	
PART 4	CENTRAL MANAGEMENT PERSPECTIVE _____	29
	<i>Overview 31 • Role of the Public Service Commissioner in training and development 31 • Initiatives taken by the Office of the Public Service Commissioner 32 • Desirable management practices 35 • Cross-sectional risk assessment 36 • Intellectual capital 38 • Strategic approach to training and development 38 • Development of central principles 39 • Overall conclusion 42</i>	
PART 5	EFFECTIVENESS OF TRAINING ACTIVITIES _____	43
	<i>Overview 45 • Introduction 46 • Do training services address organisational needs? 47 • Have training courses been developed to meet staff needs? 56 • Quality of training 56 • Achievement of intended results 57</i>	
PART 6	DEVELOPMENT OF STAFF _____	61
	<i>Overview 63 • Introduction 63 • Staff development activities 64 • Staff development strategies 69 • Career development 70</i>	
PART 7	MANAGEMENT FRAMEWORK _____	73
	<i>Overview 75 • Introduction 75 • Organisational culture 76 • Role of management 79 • Corporate planning 82 • Human resource development strategic planning 82 • Organisational structure 83 • Staff competencies 85 • Review of organisational and staff performance 86 • Evaluation of training and development 88 • Management information systems 89</i>	
PART 8	INTELLECTUAL CAPITAL _____	91
	<i>Overview 93 • Introduction 93 • Knowledge of skill requirements 94 • Recruitment of intellectual capital 94 • Developing existing intellectual capital 96 • Staff downsizing 96</i>	
PART 9	OUTSOURCING _____	99
	<i>Overview 101 • Introduction 101 • Outsourcing evaluation 102 • Engagement of external consultants 103</i>	

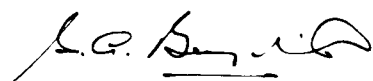
Foreword

The concept of staff training and development, or professional development as it is more commonly known, is an important workforce management-related issue that is undoubtedly relevant to all organisations.

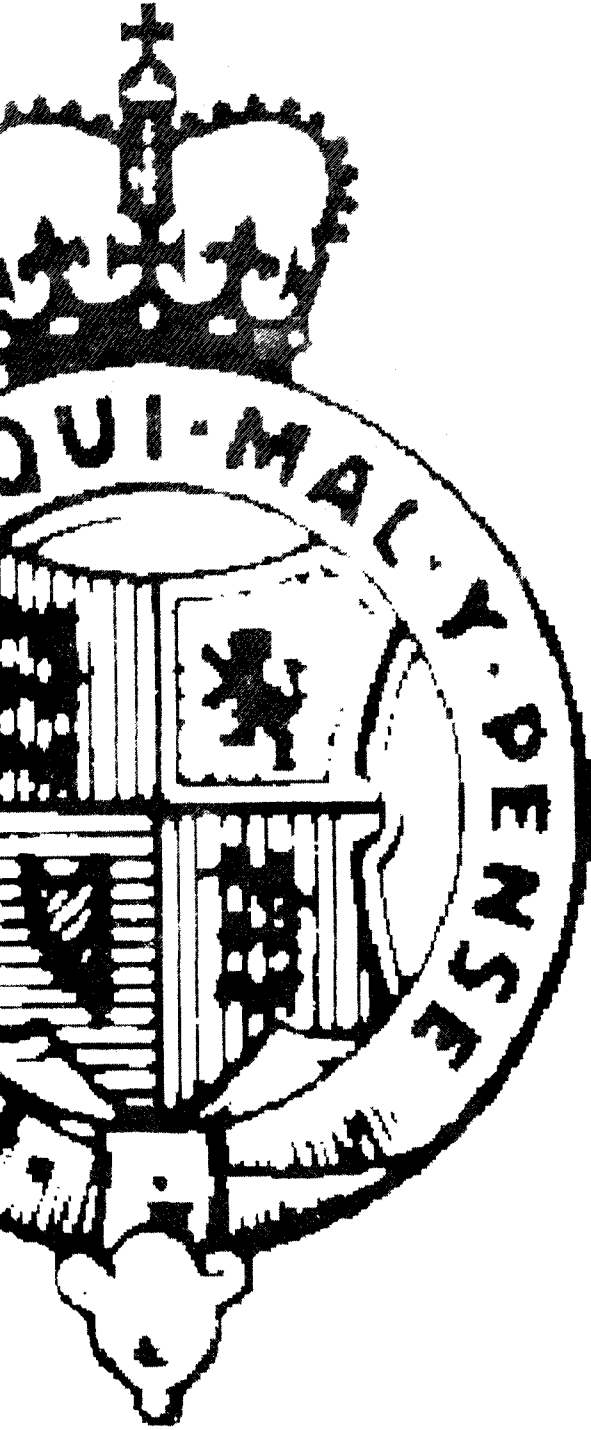
The efficient and effective delivery of government programs is almost exclusively dependent on a well-qualified and capable workforce. Training and development of people is a fundamental feature of such a process which should never be undervalued as a human resource management tool.

While only a small number of agencies were covered in the performance audit on professional development practices, it is my belief that this Special Report, which outlines key initiatives introduced by these agencies, a series of desirable management practices and a number of areas for improvement, will be of benefit not only to the Parliament but also to government administrators and training and development practitioners.

In this context, my own Office intends to use the desirable management practices identified in this Report as a benchmark to ensure that we achieve best practice in the provision of professional development activities for Audit Office staff.



C.A. BARAGWANATH
Auditor-General



Part 1

Executive Summary

Part 1.1

Overall audit conclusion

1.1.1 By any standard, the Government of Victoria is a significant enterprise. This \$17 billion operation, which invests in excess of \$200 million annually in training and developing its 206 000 workforce, is aimed at ensuring that best management practice is achieved in servicing the public of Victoria.

1.1.2 In assessing the management practices involved in training and staff development, audit concluded that mechanisms to ensure that the Government obtains maximum value from its investment in such activities have not been appropriately established by public sector agencies. While recognising the challenges faced by government agencies in evaluating the efficiency and effectiveness of training and development activities, this is an area where there is scope for significant improvements to be made to ensure that the public sector's workforce is trained and developed according to best practice in a cost-effective manner.

1.1.3 Hopefully, the audit findings contained in this Report will provide valuable input into the implementation of the human resources component of the Government's Management Improvement Initiative and ensure that best practice is maintained in the future.

1.1.4 At the **central government level**, audit found that the Office of the Public Service Commissioner could enhance its role in the provision of strategic advice to departments, government and the Parliament on emerging issues impacting on personnel management by:

- undertaking periodic cross-sectional risk assessments of staff training and development practices operating in departments to determine whether the Government, in pursuing its current and future objectives, is exposed to any material risks;
- releasing detailed information to departments on best practice training and development principles; and
- monitoring the extent of compliance by departments with the best practice pronouncements.

1.1.5 Audit does not envisage a cumbersome bureaucratic role for the Public Service Commissioner, but rather a streamlined evaluative function, which complements the prime management responsibility of departmental heads to assess risks at an agency level.

7.10 Recent developments in key government policy areas such as outsourcing, privatisation, and health and emergency services, serve to illustrate the potential benefits of periodic service-wide risk assessments by the Public Service Commissioner on high risk training matters which would encourage pro-active strategic action by agencies and minimise any risk to the Government and the public.

7.11 At the **agency level**, the lack of detailed performance indicators for key program outcomes linked to defined staff competencies meant that it was not possible for audit to assess the impact of training and development on organisational performance.

7.12 It was, however, pleasing to find that, in the 3 agencies reviewed, senior management recognised the importance of professional development, especially in view of the technical and specialised nature of their agencies, and training was generally regarded by course participants to be of high quality in terms of course content and presentation. The audit also revealed a number of innovative practices which can be viewed in the light of best practice in professional development such as:

- benchmarking of professional development activities;
- the conduct of comprehensive management training programs;
- accreditation of some training courses;
- introduction of learning contracts which formalise the application and evaluation of learning; and
- responsibilities assigned to senior executives for key areas of training and development.

7.13 However, there is a need for considerable improvement in the management of some aspects of training and development practices within these agencies. In such circumstances, it needs to be recognised that the matters raised do not apply to the same degree in all agencies reviewed. In addition, the highlighting of the following points should not be seen simply as criticism of the agencies involved in the review, but more importantly as indicative of areas for improvement if value-for-money is to be achieved in training and development within the public sector as a whole:

- while it is obvious that for training in some areas such as coping with emergency situations (e.g. exotic disease management response), frequent use of these skills would not be desirable, there are a multitude of training courses where it is essential that course participants be selected on the basis that the newly acquired skills will be used on a frequent basis;
- participants need to be consulted regarding their training objectives and current competencies prior to attending training courses;
- unless the subject area of the training course requires participants to have a reasonable knowledge of the topic prior to attendance, participants should usually only be selected if their pre-course knowledge is less than satisfactory;
- prior to arranging formal training courses, an assessment needs to be made as to whether on-the-job training would be a more effective mode of imparting the skills and knowledge;
- the development of staff, for example by way of attendance at conferences, higher duty assignments and participation on working parties, needs to be linked in a strategic sense to the corporate goals, human resource development plans and career plans of staff;

- the planning of formal training needs to be objectively determined according to both organisational and staff needs, rather than on the basis of staff perceptions of immediate skill requirements; and
- Personal Development Review schemes need to incorporate performance appraisal mechanisms to assist in identifying training and development needs of staff.

1.1.10 If the above matters are not addressed within the public sector, there is a risk that future training and development activities may not be managed efficiently and effectively or focus on core functional responsibilities. In particular, the justification of certain training courses and the relevance of attendance of some participants could be questionable. In such circumstances, unnecessary costs would be incurred in course development, trainer involvement, accommodation and attendees' time.

1.1.11 In relation to the maintenance of intellectual capital in the public sector, a lack of readily accessible information in terms of skill requirements, staff skills and experience, and the large number of staff departures in recent years suggests that agencies may not have maintained their level of intellectual capital. Audit was informed by senior management that, despite the magnitude of departures, a rigorous assessment process had ensured that agencies continued to function satisfactorily. Experience leading towards the year 2000 will demonstrate whether, in fact, agencies have retained the necessary expertise to competently implement government policies and accomplish more with less resources.

□ **RESPONSE** provided by Acting Public Service Commissioner

With respect to risk assessment, the Office of the Public Service Commissioner (OPSC) is of the view that this is best managed at a departmental level, where an understanding of the environment and issues involved is more detailed. The information available from departments could then be aggregated to provide a Service perspective. OPSC will discuss the proposals in this Report with departments with a view to establishing consistent approaches to risk assessment.

OPSC is currently working with departments to establish reporting frameworks so that each Departmental Secretary receives reports on human resource management issues in general (and development and training in particular) in a consistent way. This will facilitate comparisons across departments, monitoring of performance against best practice guidelines and provision of consolidated advice to government.

The Office has already been facilitating meetings of development and training practitioners to enable sharing of best practice. This will be continued and more will be done to identify developments that could be promoted to improve the effectiveness of development and training. Evaluation of the costs/benefits of development strategies has been a continuing concern and the Office will use this Report as a basis for further work in the area.

OPSC emphasises that the issues raised in paragraph 1.1.9 should not be seen as in any way a criticism of the agencies involved - or of training and development in the public sector. These issues are the focus of continuing attention in development and training generally. In a period of rapid change, it is particularly difficult to get line management of this activity to best practice standards. There will be greater focus on doing this over the next few years.

□ **RESPONSE** provided by Secretary, Department of Agriculture

The Department of Agriculture believes that the Report indicates that the authors did not fully understand the Department of Agriculture, the nature of its work, the composition of its staffing profile nor the consequential training and development strategies required.

The Department considers that the Report does not demonstrate a good understanding of the human resource development and training or the concept of professional development. The Report is predicated on a simplistic model of the training system, consisting of the following stages: identification of training needs, course design (based on behavioural objectives), course conduct and course evaluation.

The model used by the authors is a useful tool in basic level discussions on training and development. However, as is the case with all models, its relevance is not universally appropriate. What is of primary concern with the use of this model is that it is inappropriate for analysis of the whole section of professional development.

Professional development within a knowledge-based organisation such as the Department of Agriculture, must be targeted towards the enhancement of pre-existing high levels of knowledge and skills. The Department must ensure that its investment in intellectual capital retains its value. Therefore, the Department's priority must be, and will continue to be, to create a culture which is based on concepts of being a learning organisation.

The Department's success in this approach is witnessed by comments in the Report, in that it acknowledges the real commitment of the Department to the ongoing training and development of staff.

However, the inferences that money might be wasted because highly skilled and knowledgeable staff attend relevant training, show that the authors do not understand human resource development and training, nor are they abreast of what is considered to be world's best practice. For example, our Department will continue to train staff in exotic disease management response, even though (hopefully) they may not use this skill immediately, and even though they may already be knowledgeable in the area. The economic risks of disaster arising from an exotic disease outbreak are too great to do otherwise.

In summary, despite continuous efforts throughout 1994 and the expenditure of considerable time and effort by our organisation, we believe the Report to be less than helpful. Nevertheless, because we place high emphasis on effectiveness and efficiency of all our work and training, we will act on relevant material in the Report. In addition, we appreciate the Victorian Auditor-General's Office's agreement to consult with our Audit Committee and senior executives in the course of the Department's implementation response to the Report.

The Department of Agriculture recognises that the Victorian Auditor-General's Office has an important and difficult role to play in the management of the Victorian Public Service. We will continue to assist the Office in the performance of that role.

Part 1.2

Summary of major audit findings

MAJOR INITIATIVES INTRODUCED BY EXAMINED AGENCIES

- The Office of the Public Service Commissioner has established a number of training and development strategies which cover the implementation of recruitment schemes, and development programs, courses and forums for Executive Officers.
Paras 4.9, 4.12, 4.30 and 8.6
- The human resources component of the Government's Management Improvement Initiative, which has been led by the Office of the Public Service Commissioner, concentrates on a number of management competencies which include developing skills in people and performance management, applying a business approach to organisational operations, managing change, using information technology and contract management of outsourced functions.
Paras 4.10, 4.11 and 4.28
- The Office of the Public Service Commissioner is in the process of issuing guidance to agencies in the form of principles for the provision of staff development and training.
Paras 4.15 and 4.33 to 4.37
- VicRoads had benchmarked its professional development activities to assess the efficiency of its operations, extensive outsourcing had been adopted, accreditation had been sought for certain courses, the training and development function operated as a central cost centre whereby operational units were charged for services provided, and distant learning methods and learning contracts were implemented by training consultants. In addition, training in management skills had been given prominence by the agency.
Paras 5.34, 5.65, 7.30 and 7.75

MAJOR INITIATIVES INTRODUCED BY EXAMINED AGENCIES - *continued*

- At the Department of Conservation and Natural Resources, a competency-based Fire Management Training Program has been in operation for a number of years and competency-based training programs are being progressively developed for all business areas. The Advanced Certificate and Associate Diploma in Applied Science (Resource Management), a TAFE-based education program, focuses on the essential technical training needs of the Department. In terms of new directions, the Department has appointed senior executives to drive human resource development in each of its major business areas and substantial effort has been directed towards the development of generic job descriptions and a broad-banded classification structure to facilitate career paths and staff training.

*Paras 5.20, 5.24, 5.70,
6.38, 7.53 and 7.70*

- The organisational culture within the Department of Agriculture encourages staff to take responsibility for their own professional development, while further study towards higher qualifications and attendance at appropriate conferences are supported by the Department. Major external reviews of the research function and the provision of field-based services have led to the implementation of a number of training and development programs. In terms of new directions, training and development strategies have been recognised in the process of establishing industry programs and a Professional Development Skill Strategy, initially for the science workforce, has been recently developed. The Department also operates graduate and cadetship programs and has close ties with universities in terms of doctorate studies.

*Paras 5.24, 5.25
6.3, 6.37 and 6.38*

CENTRAL MANAGEMENT PERSPECTIVE

Page 29

- A comprehensive cross-sectional assessment of the risks facing the Government from the implementation of training and development practices, had not been undertaken.

*Paras 4.17 to 4.24,
4.36 and 4.37*

EFFECTIVENESS OF TRAINING ACTIVITIES

Page 43

- The impact of training and development on organisational performance could not be assessed due to the absence of adequately defined performance indicators to measure program outcomes.

*Paras 5.11 to 5.19,
7.56 to 7.64*

- Training programs had not been identified for some major business areas and responsibilities.

Paras 5.20 to 5.28

- Without an evaluation of the distribution of training, agencies cannot be assured that the extent of training provided to staff according to salary ranges, location and gender is appropriate in terms of the needs of the organisation and individual staff.

Paras 5.29 to 5.44

EFFECTIVENESS OF TRAINING ACTIVITIES - continued

Page 43

- On the basis that a large number of course participants were not consulted on their training objectives in terms of competencies and pre-course knowledge of some participants ranged from between satisfactory and excellent, it is questionable whether training courses were entirely relevant to meeting the needs of staff. *Paras 5.45 to 5.47*
- The quality of training activities in terms of course content and presentation was of a high standard. *Paras 5.48*
- Activities were well structured and the standard of course notes was regarded to be high. The needs of staff were addressed by highly qualified trainers in a flexible environment in which to learn and the timing of courses was found to be acceptable to course participants. *Paras 5.48 to 5.51*
- The mode of delivery of some formal training courses would have been more suitable had they been conducted as on-the-job training exercises. *Para. 5.50*
- The infrequent use of newly acquired skills and inadequate sharing of training knowledge throughout the workplace reduces the ultimate benefit derived from the investment in training. *Paras 5.52 to 5.62*
- Systematic processes to measure the effectiveness of training courses in the context of improved skills and performance were generally not in place. *Paras 5.63 to 5.76*

DEVELOPMENT OF STAFF

Page 61

- In most cases, attendances at external workshops, seminars and conferences were governed by staff availability and individual discretion, rather than needs identified through a formalised staff development process. *Paras 6.9 to 6.18*
- The integration of learning with work through the use of work-based learning activities, varied between agencies and was not managed in a structured manner. *Paras 6.19 to 6.22*
- The practice of using appointments such as higher duty assignments and secondments for developmental purposes was generally not formally recognised by agencies. *Paras 6.23 to 6.26*
- Job rotation, which facilitates staff mobility, was not found to be a prominent feature of staff development, although some schemes were established to varying degrees by agencies. *Paras 6.27 to 6.30*
- The appointment of staff to working parties and specific projects was primarily based on availability and skills, and ability to undertake the task, rather than also relating such appointments to developing staff. *Paras 6.31 to 6.34*
- Considerable benefits in terms of enhancing staff development could be achieved by extending staff opportunities to work in, or visit, other organisations, thereby facilitating interchange of skills and knowledge. *Para. 6.35*
- Agencies were supportive of the continuing education of staff. *Paras 6.36 to 6.39*

DEVELOPMENT OF STAFF - continued**Page 61**

- Management commitment to ensuring that performance appraisals form part of staff development review systems would enable informed feedback to be provided to staff in regard to their development needs. *Paras 6.40 to 6.41*
- Agency programs such as seminars, conferences and workshops provided extensive opportunities for intellectual exchange. *Paras 6.42 to 6.43*
- Formalised processes to administer long-term staff development strategies were not given the same prominence as procedures to address immediate skill needs of staff to perform current work activities. *Paras 6.44 to 6.48*
- Staff development strategies were generally not managed within a framework of needs analysis, learning objectives and subsequent evaluation. *Paras 6.49 to 6.50*
- The concept of career path planning was only given minimal attention by agencies. *Paras 6.51 to 6.57*

MANAGEMENT FRAMEWORK**Page 73**

- A strong and distinctive culture, consistent with organisational and staff values and priorities, had been developed in 2 agencies. *Paras 7.7 to 7.19*
- Management recognised the importance of staff training and development in their organisations. *Paras 7.20 to 7.31*
- Corporate planning processes could give greater guidance in terms of high level strategic planning for people management and training and development activities. *Paras 7.32 to 7.36*
- It is only in recent times that agencies have recognised the need to engage in human resource development strategic planning. *Paras 7.37 to 7.42*
- The organisational structures of government agencies have inhibited the identification of skill needs for training purposes and career paths for staff development planning. *Paras 7.43 to 7.49*
- Agencies, in not defining competencies for job positions in the past, have not been in a position to adequately evaluate staff performance and identify staff training and development needs. *Paras 7.50 to 7.55*
- Staff performance and development review processes which identify the professional development needs of staff, based on performance appraisal, have not been adequately established by some agencies. *Paras 7.65 to 7.71*
- Agencies have not adequately evaluated the efficiency and effectiveness of professional development activities. *Paras 7.72 to 7.76*
- Management information systems for training and development were poorly established. *Paras 7.77 to 7.82*

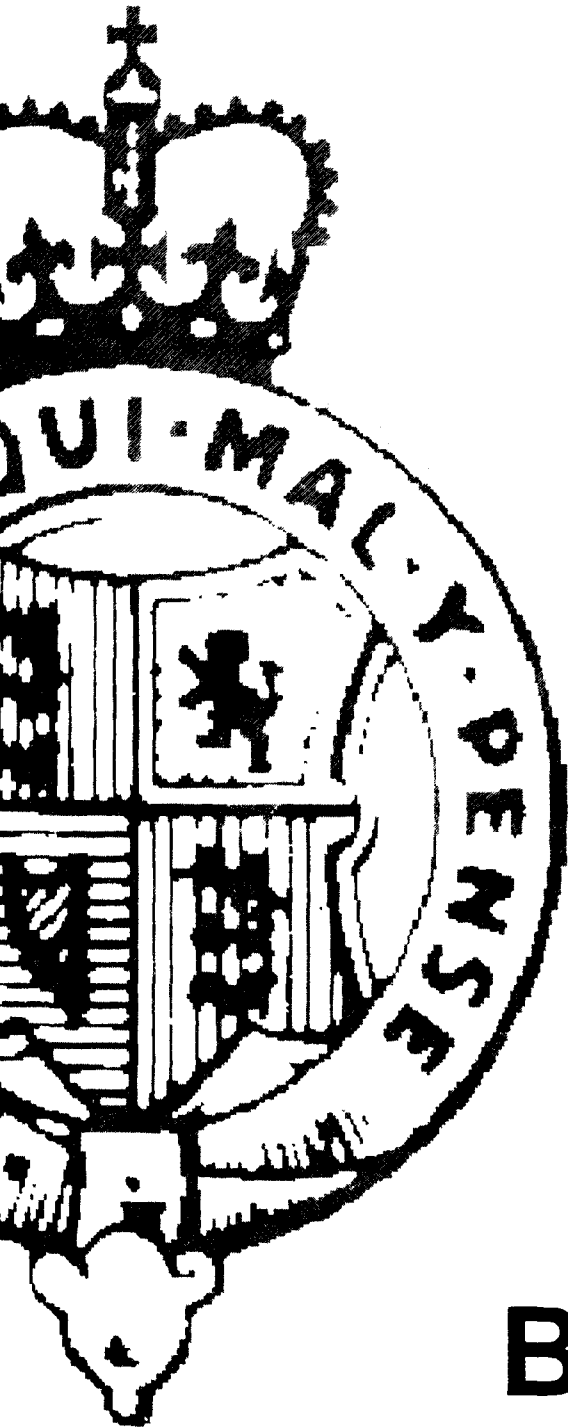
INTELLECTUAL CAPITAL**Page 91**

- Agencies, in not identifying profiles of skill requirements, had not engaged in forward intellectual capital planning processes and implemented mechanisms to address skill deficiencies. *Paras 8.7 to 8.11*
- Recruitment of intellectual capital into the public sector has been inhibited by staff reduction strategies and, in some instances, salary levels which are not competitive and a scarcity of specialist knowledge. *Paras 8.12 to 8.19*
- In an environment of change, agencies have recognised the importance of staff flexibility and continued learning, rather than basing workforce planning solely on numbers of specific specialists. *Paras 8.20 to 8.23*
- Although audit was assured that a stringent approval process surrounded the staff departure schemes, the lack of records of skill requirements, staff skills and experience may have prevented agencies from adequately evaluating skill losses in the context of organisational needs. *Paras 8.24 to 8.30*
- In view of the loss of staff with substantial levels of experience, it is reasonable to expect that some diminution of skills has occurred at various levels as a consequence of downsizing. *Paras 8.24 to 8.30*
- Agencies have recently implemented various organisational and business initiatives to address the intellectual capital issue. *Para. 8.19*

OUTSOURCING**Page 99**

- VicRoads is commended for undertaking an outsourcing review of its training function. *Paras 9.8 to 9.11*
- Formal tendering processes were not employed by VicRoads when engaging external training providers. *Paras 9.12 to 9.17*

Part 2



Background

INTRODUCTION

2.1 Victoria's public sector workforce, which stood at 206 000 in July 1994, provides services to the public in a wide range of areas such as health and community services, transport, education, agriculture, conservation, power and water. This diversity of government activity requires public sector employees to have special skills and knowledge if quality services are to be delivered at the least cost to the taxpayer.

2.2 In the recent period of dramatic change which has seen government agencies undergo a major process of reconstruction, cope with budgetary pressure and implement the Government's policy of downsizing the public sector, professional development has not been assigned a high priority. It is ironic that during such a period, lower priority has been given to training, although it could be argued that greater emphasis should have been placed on training to enable the remaining staff to be more productive and to develop the skills necessary to meet the challenges leading into the next century.

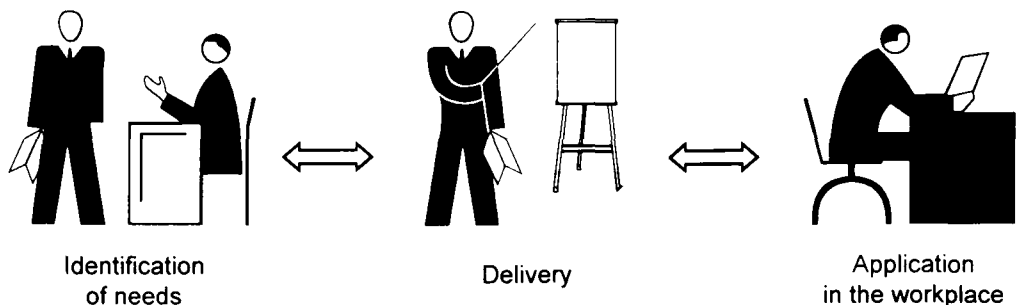
2.3 The Government, in implementing its reform agenda, has acknowledged the need for education and training systems to be committed to excellence. It is in this context that the findings contained in this Report are designed to add value to the management of training and development activities in the public sector.

WHAT IS PROFESSIONAL DEVELOPMENT?

2.4 Professional development in the context of this Report involves the training and development of public sector employees in order to effectively utilise their skills, experience and qualifications in meeting government, organisational and individual needs. **Training** comprises activities which are designed to improve job performance through employees gaining specific skills. On the other hand, **development** is aimed at preparing employees for future job responsibilities in line with career expectations through participation in a variety of activities, some of which may include training courses. As such, professional development, which is considered to be a shared responsibility between the employer and employee, is an integral component of the work environment and therefore is a continuous process throughout an employee's career.

2.5 If training and development are to be effective, they should serve organisational and individual needs and be applied in the workplace to improve staff performance, knowledge or behaviour. Training and development activities can be categorised as having 3 distinct phases, namely the identification of needs, delivery and application in the workplace. The interrelationship of these phases is illustrated in Chart 2A.

**CHART 2A
TRAINING AND DEVELOPMENT**



The first phase involves measuring organisational and staff performance against previously established objectives and standards and identifying areas where performance can be improved through the provision of training and development. The second phase involves the delivery of services which can take a variety of forms including formal training courses, seminars and workshops, on-the-job training and other learning experiences such as secondments and higher duty assignments. Thirdly, as mentioned above, formal training and development activities are substantially more effective where the skills learnt are applied and maintained when staff return to their workplace. This involves creating an environment which is conducive to the application of these newly acquired skills.

WHY IS THERE A NEED FOR PROFESSIONAL DEVELOPMENT?

2.7 The Victorian public sector's workforce is a significant asset and the need for public sector employees to be well-trained and competent in the management or delivery of government programs and support services is critical if the Government is to achieve the following key policy objectives which were outlined in the Budget Papers:

- improving the competitiveness of the Victorian economy; and
- securing the ongoing capacity of the State to provide high quality services to the public.

2.8 The Government has acknowledged the importance of people as an integral component in achieving its economic and financial reforms by recognising the need for a more highly skilled and flexible workforce to be provided through quality education and training services.

2.9 If the public sector workforce is not trained effectively in the discharge of its duties and is not adapting to technological, organisational, social and legislative change, the risk that the Government will not achieve its key policy objectives is increased. For example, the success of the important government policy of outsourcing services to the private sector may well be largely dependent on government officers acquiring skills in managing such contracting arrangements. Without appropriate skills to implement this particular policy of government, the provision of services to the Victorian public may not be efficient and effective.

HOW IS PROFESSIONAL DEVELOPMENT IMPLEMENTED IN THE PUBLIC SECTOR?

2.10 In 1990, the Federal Government introduced the Training Guarantee Scheme which was designed to address the general failure of Australian organisations to invest in the development and training of their staff. The *Training Guarantee (Administration) Act* 1990 required employers with annual payrolls in excess of \$214 000 to invest a minimum of 1 per cent of their wage and salary expenditure on training during 1990-91 and 1991-92, and 1.5 per cent for the year ended 30 June 1993. In contrast, the expenditure by the Victorian public service in 1990-1991 was estimated at 2.3 per cent. Legislation enacted by the Federal Government in 1994 suspended this requirement as from 30 June 1994.

2.11 In Victoria, the newly enacted *Public Sector Management Act*, 1992, requires the Public Service Commissioner to promote training and development of Executive Officers and establish guidelines on consistent personnel policy and practice throughout the public service and public authorities. Management reforms in the public sector have devolved substantial powers to Chief Executive Officers for the training and development of non-executive departmental staff.

2.12 Most organisations have established a training and development function with responsibility for providing training programs. In large decentralised organisations, regions and operating divisions often undertake their own training functions, with the central unit responsible for organisational-wide training and overall policy and co-ordination.

2.13 Training can be provided either in a formal classroom setting or in the workplace. Formal training is usually structured and provided through an internal training unit or by external specialists, while on-the-job training, which can be either structured or unstructured, involves learning on the job. Structured training involves the provision of activities in an organised manner where the objectives, responsibilities, strategies, performance measures and evaluation methods should be clearly established and documented. Training can also be provided by way of self-paced learning, computer-based training and interactive video instruction.



A formal training course held at VicRoads' West Gate Training and Conference Centre.

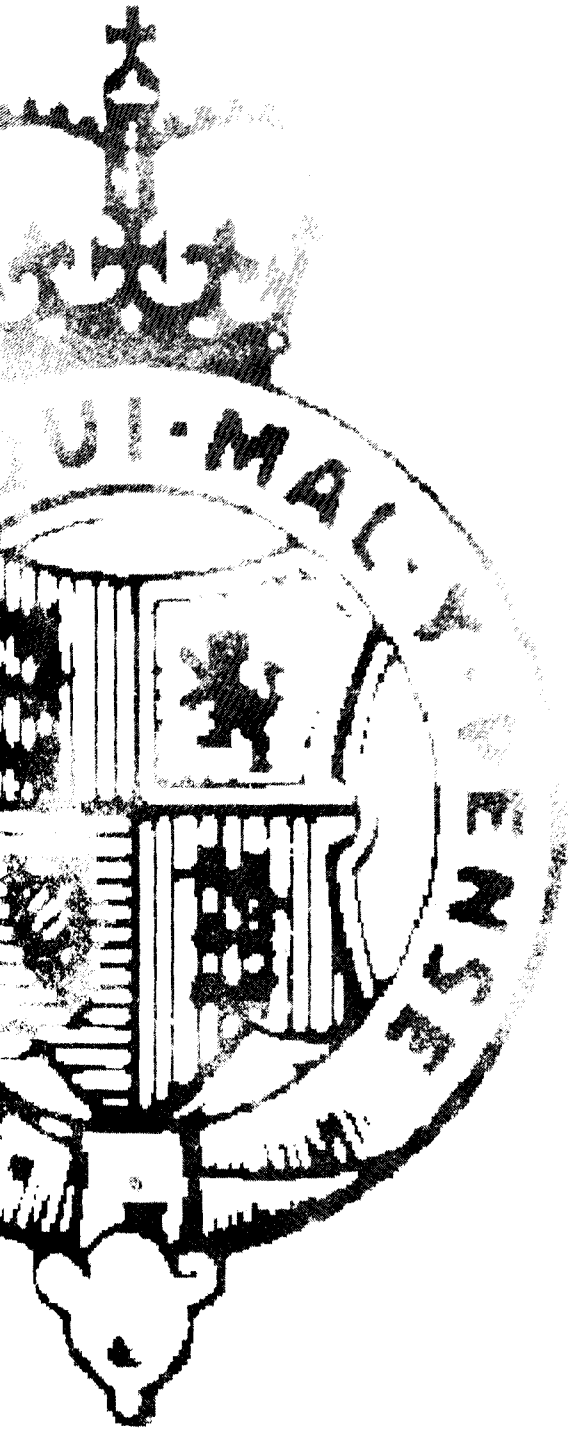
2.14 In terms of development, mechanisms used by agencies other than training activities involve attendance by employees at seminars, workshops and conferences, higher duty assignments, staff interchanges and job rotation schemes. Staff may undertake developmental activities by studying for further qualifications, supported in some instances by paid study leave. Staff performance and development review systems can be used to identify and co-ordinate individual training and development requirements in conjunction with organisational objectives.

WHAT IS THE EXPENDITURE ON PROFESSIONAL DEVELOPMENT ACTIVITIES?

2.15 Poor information systems make it exceedingly difficult to quantify the expenditure involved in professional development activities across the public sector. Notwithstanding the lack of available information, audit estimates that over \$200 million would have been expended on training and development in the budget and non-budget sectors during 1993-94. This estimate, which is based on agency records and a survey of training expenditure conducted by the Australian Bureau of Statistics in 1993, includes salaries of trainers and participants, as well as costs relating to items such as travel and accommodation.

2.16 The majority of training relates to departmental employees who are not public servants (such as teachers, police and hospital employees) and staff of statutory authorities. Training of public servants, employed under the Public Sector Management Act, accounts for approximately \$16 million of the estimate.

Part 3



Conduct of the audit

AUDIT OBJECTIVES

3.1 In relation to the Office of the Public Service Commissioner, the audit objective was to assess the adequacy of central agency processes in place to manage the strategic issues facing the Victorian public service in terms of training and development.

3.2 The audit covered an examination of those issues which, in audit opinion, need to be managed centrally such as risk identification, the issue of guidelines to departments to fulfil the Office's statutory requirements and the level of monitoring required from a central agency perspective. In addition, the joint role of the Office with departments in the training and development of Executive Officers was also examined by audit.

3.3 At an agency level, the overall objective of the audit was to evaluate the extent to which value-for-money was achieved in the professional development of staff in order to maintain a high quality, high performance workforce.

3.4 Specific objectives of the audit were to assess whether:

- training and development met agency and staff needs;
- professional development was linked to the achievement of the agency's objectives;
- the effectiveness of training and development operations had been adequately measured by each agency;
- management had employed adequate safeguards to address any risks associated with professional development activities;
- professional development activities had been conducted in accordance with central agency directives;
- training and development of staff occurred at the least cost with due regard to effective outcomes; and
- the intellectual capital of the public sector was maintained at an acceptable level.

3.5 The audit also aimed to provide guidance for agencies in managing training and development activities in a changing public sector environment.

SCOPE OF AUDIT

3.6 To obtain a representative cross section of practices within the public sector, detailed examinations were conducted in 3 agencies, namely the Department of Conservation and Natural Resources, the Department of Agriculture and the Victorian Roads Corporation. These agencies were selected because they employed a range of specialist staff such as scientists, technical officers and engineers as well as personnel performing managerial and support roles, all of whom have diverse training and development needs. The agencies selected also provided the opportunity to compare a decentralised training and development function with a centralised operation.

3.7 Given that the workforce comprised officers performing a wide spectrum of duties, the audit addressed a number of aspects of the management of professional development activities considered necessary for maintaining a competent and adaptable workforce including:

- the training of staff to improve their existing skills, knowledge and level of performance, prepare staff for new duties and support the introduction of change; and
- the development of staff to increase their longer-term value.

3.8 A framework of desirable management practices and various models were established by audit, after discussion with 2 groups of specialists, to provide a comparative standard by which to assess the efficiency and effectiveness of practices in place for managing the professional development function.

3.9 The audit focused primarily on the 1992-93 and 1993-94 financial years.

ADVICE PROVIDED TO AUDIT

3.10 The audit team was provided with specialist advice by consultants from Price Waterhouse Urwick, management consultants, and Omega Solutions International, an organisation which specialises in training and development. These specialist firms, which have wide experience in the private and public sectors, considered that the models used throughout the Report to be acceptable for the purpose of the audit. Audit also gained further insight into professional development practices through interviews with private companies including the Shell Company of Australia Ltd, ICI Operations Australia Pty Ltd, the Broken Hill Proprietary Co Ltd, McDonalds Family Restaurants, Arthur Andersen and Commonwealth agencies such as the Australian Taxation Office and Telecom Australia Services.

INFORMATION GATHERING

3.11 Audit consulted with senior management and line managers in head office and regional locations at the agencies subject to the review and met with relevant staff, area managers and training co-ordinators during field trips.

3.12 Information examined comprised policy documentation including details of new initiatives, training and development records from regions, personnel and training databases, and reports produced by internal reviews.

3.13 An audit questionnaire, designed in consultation with 2 groups of specialists and agency human resource development managers, was utilised during the audit. Audit questionnaires were sent to approximately 570 randomly selected course nominees (representing 7 per cent of total staff) and also to their supervisors from the 3 agencies reviewed. Responses provided information regarding the effectiveness of training courses, the extent of management training and attendances at seminars and conferences, and a range of additional comments regarding training. In general, the questionnaires were responded to by a broad cross-section of training participants that provided a representative mix in terms of:

- type of training;
- duration of courses; and
- classification, gender and work locations of attendees.

3.14 While it may be argued that forming conclusions based on the views of staff may not constitute appropriate evidence, it is audit's view that in a training and development environment, feedback from participants in terms of impact on skill and knowledge, course content, method of delivery, extent of development opportunities, organisational culture and management commitment, is clearly a valid starting point for measuring effectiveness. The audit questionnaire was not intended to generate a definitive assessment of each agency's training and development activities, but to indicate areas where further investigation was warranted.

3.15 A summary of the responses to the questionnaire is outlined in Table 3A.

TABLE 3A
QUESTIONNAIRE RESPONSE RATE

Outcomes	Course nominees		Supervisors	
	No.	%	No.	%
Responded	368	64	292	51
No response	(a)206	36	(b)276	49
Total sent	574	100	568	100

(a) Includes an unidentified number of staff who have left the agency concerned or moved location.

(b) The high non-response rate reflects the difficulty in locating relevant supervisors due to staff movements.

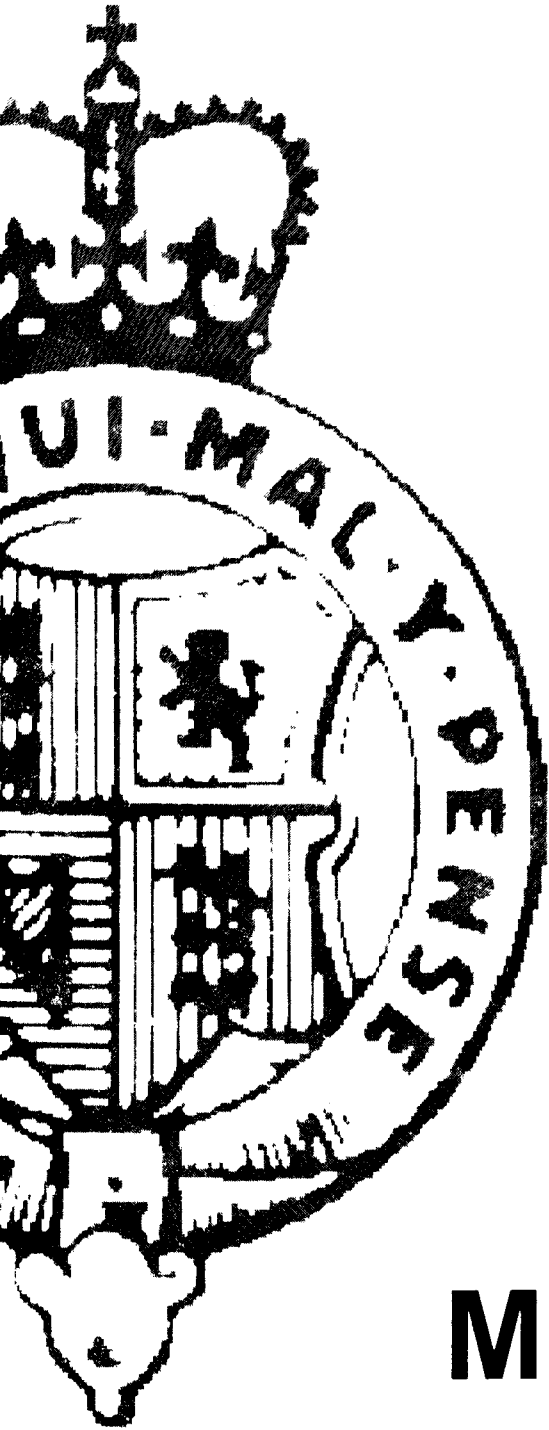
3.16 Specific responses, when considered necessary, were discussed with the respondents.

3.17 Government agencies provided considerable assistance to audit through the support of their central human resource development units, regional training coordinators, senior management and staff at all levels. Audit would like to express its appreciation for the open access it has been given to staff and information, and the willing assistance of management and staff in providing and analysing information.

□ **RESPONSE** provided by Secretary, Department of Transport

The sample appears too small to draw any meaningful conclusions. While 574 questionnaires were sent (7% of total staff), only 368 responded (substantially less than 7% of total staff). In VicRoads the sample survey was 170 staff (5% of total staff). Responses were received from 70 staff (less than 2% of total staff).

Part 4



Central Management Perspective

OVERVIEW

4.1 The Office of the Public Service Commissioner has given prominence to key strategic areas such as establishing values for the Victorian public service, implementing the Public Sector Management Act and addressing issues concerning remuneration of executives. As a consequence, training and development was assigned a lesser priority in the formative years of the Office, with the major focus directed towards establishing an effective rapport with Departmental Heads who had been devolved substantial managerial responsibilities in the area.

4.2 Key output of the Office to date includes finalising the document for budget sector agencies entitled *Principles for the Provision of Staff Development and Training in the Victorian Public Service*, Executive Officer programs and leading a major reform project in the area of human resources within the Government's Management Improvement Initiative. The Improvement Initiative is designed to provide an integrated framework for people management and development in the Victorian public service and encompasses a broad range of measures which impact on training and development.

4.3 In view of the substantial economic and social reforms in recent times, audit is of the view that the Office could enhance its role of providing strategic advice to departments, government and the Parliament on emerging issues impacting on personnel management by:

- undertaking periodic cross-sectional risk assessments of staff training and development practices operating in departments to determine whether the Government, in pursuing its current and future objectives, is exposed to any material risks;
- releasing detailed information to departments on best practice in training and development principles beyond Executive Officers to encompass all staff; and
- monitoring from time-to-time the extent of compliance by departments with the best practice pronouncements issued by government.

ROLE OF THE PUBLIC SERVICE COMMISSIONER IN TRAINING AND DEVELOPMENT

4.4 The Office of the Public Service Commissioner has responsibility for a range of personnel management functions which centre on the following strategic delivery areas:

- a high calibre executive service;
- results-orientated human resource management; and
- quality human resource planning.

4.5 The statutory functions of the Public Service Commissioner include the responsibility "to establish guidelines on consistent personnel policy and practice throughout the public sector". In support of these functions, the mission of the Office under its corporate plan is "to advise and assist Government and departments in effective people management to enable achievement of Government's current and future objectives." To assist in achieving this mission the Office has identified goals to promote excellence in best personnel management practice, establish and maintain a framework for the development of high calibre senior executives and provide strategic advice on emerging issues impacting on personnel management.

4.6 The Office of the Public Service Commissioner has a staff of 26 and its activities since establishment in 1993 have focused on establishing values for the Victorian public service, the provision of guidelines, development and then amendment to regulations under the Public Sector Management Act and issues concerning remuneration of executives. As a consequence, training and development was assigned a lesser priority in the formative years of the Office, during which time only 2 to 3 staff have been able to be assigned to addressing development and training issues. In carrying out its functions, a major focus of the Office has been directed towards laying the foundation for achievement of long-term goals in personnel management and, in doing so, establishing an effective rapport with Department Heads who have been devolved substantial managerial responsibilities.

4.7 While the Office considers that it has a definite role in the establishment of core Executive Officer competencies and the development of those officers in conjunction with departments, it advised audit that it does not have a statutory role in the training and development of non-executive staff beyond the issue of broad principles to agencies. The Office also advised audit that its responsibilities for training and development do not extend to public authorities.

4.8 While departments, as employers of staff, are responsible for ongoing training of executives and staff in the non-executive categories, the Office indicated to audit that it takes a lead on strategic issues which are important across the public service.

INITIATIVES TAKEN BY THE OFFICE OF THE PUBLIC SERVICE COMMISSIONER

4.9 The primary focus of the Office centres on the quality of management and, in particular, the quality of people management. The Office has established a number of human resource projects which include several training and development strategies. Progress to date on those projects is detailed in Table 4A.

TABLE 4A
HUMAN RESOURCE PROJECTS WITHIN THE OFFICE

<i>Project</i>	<i>Progress to date</i>
Graduate Recruitment Scheme - <i>Jointly operated by the Office and departments</i>	Operating: 30 graduates recruited in 1994
Public Sector Management Course - <i>Joint venture with Commonwealth and other States</i>	Operating
Practitioners' Network - <i>Encourage, promote and sponsor networks re human resource practices for effective people management in public sector agencies</i>	In place
Personnel Management Information Handbook - <i>Production in collaboration with departments</i>	Produced and distributed
Succession Management - <i>Advice based on executive competency database and identified critical positions</i>	Capacity of Executive database to be upgraded
Executive Development - <i>Joint Office/departmental responsibility. The Office is responsible for areas of strategic public service-wide importance</i>	In progress
Forums for Departmental Heads and Deputies	In progress
Issues seminars for Executive Officers (in co-operation with the Royal Institute of Public Administration Australia)	Ongoing
Development Program for Executive Officers, levels 1 - 4	In progress
Principles for the Provision of Staff Development and Training	Released to all departments for comment
Current trends and developments in executive development	Ongoing
Management Education Program Modules - <i>Continued former Public Service Board strategy</i>	In place
Office-Based Structure Competencies Framework - <i>Continued Public Service Board strategy</i>	In progress

4.10 In addition to the above projects, the Office is responsible for leading the human resources component of the Government's Management Improvement Initiative, which includes:

- the linking of human resource development to departments' corporate plans;
- streamlining human resource management policies and practices to enable people management to be devolved to agencies within an effective accountability structure;
- testing, through a pilot program, a process for human resource planning and development which is linked to the selected agency's corporate and business plans;

- defining critical core competencies for Department Heads and executives to be used by departments for performance management, development and succession planning;
- recommending principles in relation to succession planning for Executive Officers, outsourcing the human resource management function, and information standards and systems;
- input into the continuing development of an appropriate culture for the public service; and
- a service-wide performance management model and advice on best practice performance management systems.

4.11 Table 4B identifies human resource projects of the Management Improvement Initiative, progress to date and expected completion timeframes.

TABLE 4B
MANAGEMENT IMPROVEMENT INITIATIVE - HUMAN RESOURCE PROJECTS

<i>Project</i>	<i>Progress to date</i>	<i>Targeted completion</i>
Review of Public Sector Management Act, Regulations and Guidelines - <i>Releasing restrictions on creation and reclassification of non-executive positions and external advertising, and increasing Department Head delegations for classification of executive positions and exemption of positions from advertisement</i>	Completed	
Human Resource Planning and Reporting - <i>Victorian public service-wide development of performance indicators, benchmarks and measures for human resource management</i>	In progress	Between October and December 1994
Human resource contracting-out - <i>Service delivery arrangements</i>	Draft completed	11 November 1994
Staffing practices - <i>Changes, simplifications and streamlining moving to a people-based rather than a position-based job classification system</i>	In progress	October to December 1994
Performance Management in a pilot agency - <i>Performance management model leading to competency framework and job profiles for executives</i>	In progress	9 December 1994
Development and Training - <i>Competency framework for executives and Chief Executive Officers</i>	In progress	31 January 1995
Human resource information systems and standards	In progress	16 December 1994
Victorian Public Service Charter - <i>Draft charter, methodology for consultation and corporate culture management program</i>	In progress	30 November 1994

4.12 While the Office has continued with a number of programs relating to staff competencies and management education introduced by the former Public Service Board, current strategies focus on the promotion of information exchange and the professional development for managers and practitioners in staff development across the Victorian public service. In addition, the Office has conducted a number of forums and seminars and issued guidelines and discussion papers as part of its shared responsibility with departments for the development of Executive Officers.

4.13 Future strategies involve the distribution of a guide to staff development practitioners based on the outcomes of the Management Improvement Initiative and the communication of benchmarking and outsourcing considerations applicable to training and development.

4.14 As, according to the Management Improvement Initiative, new forms of control and accountability across publicly-funded services will focus on outcomes and value-for-money to government within pre-defined policy, regulatory and financial parameters, training and development of managers in the area of financial expertise will play an important role in the implementation of reforms to re-engineer the management systems and business processes within the Government.

4.15 In the short-term, development and training is to be addressed by the Office through the issue of the document, *Principles for the Provision of Staff Development and Training in the Victorian Public Service*. This document will be supported early in 1995 by best practice research papers emanating from regular Office research and through the Management Improvement Initiative. In the opinion of the Office, a clearly recognisable culture for the public service is a more complex issue, requiring vigorous debate which is being addressed in the Human Resource Improvement Project dealing with the Victorian Public Service Charter.

4.16 Audit recognises that the Office has made sound progress in implementing a wide range of initiatives to upgrade the quality of human resource management in the short period since its establishment in 1993.

DESIRABLE MANAGEMENT PRACTICES

4.17 In audit opinion the provisions of the *Public Sector Management Act 1992* concerning the Public Service Commissioner could have a wider interpretation in regard to his role in training and development for the public service. On this basis, audit considers that it would be reasonable to expect the Office to have implemented the following management practices:

- the development of periodic cross-sectional risk assessments to determine whether the Government is exposed to any material risks in the event of unsatisfactory training and development practices employed by government departments;
- depending on the outcome of the cross-sectional risk assessments, formulation of a high level strategic plan for training and development in the public service;
- determination of:
 - competencies critical to government with a view to ensuring that adequate intellectual capital is at least maintained within the departmental sector;
 - the priority to be assigned to training and development, e.g. commencing with Executive Officers, line managers or supervisors; and
- development of key principles to guide departmental agencies, in compliance with the statutory obligations of the Public Service Commissioner to establish guidance on consistent personnel policy and practice and the Office's goal to promote excellence in best personnel management practice.

4.18 Audit carried out an evaluation of the performance of the Office against the above criteria.

CROSS-SECTIONAL RISK ASSESSMENT

4.19 In audit opinion, the functions of the Public Service Commissioner, which may involve assessments of the performance of Department Heads, imply that in such circumstances the Office has a role in overseeing the way in which Department Heads have exercised their devolved powers of responsibility in managing training and development programs within their organisations. If there is an absence of a comprehensive risk assessment, appropriate training and development guidelines and high level monitoring at a central level, the Government cannot be assured that:

- training and development of the Government's major resource, its people, are managed in the most efficient and effective manner; and
- it is not exposed to material risks resulting from the adoption of any unsatisfactory management practices by government departments, especially in a climate of significant public sector reform.

4.20 Audit considers that **the Government is likely to be exposed to the following risks if training and development programs are not adequately managed:**

- the public may be exposed to inadequate protection through the delivery of safety and support programs that do not meet appropriate standards;
- the standard of service delivery and the achievement of productivity improvements may be impaired;
- the overall skill base of the public service may have been depleted over recent years from the retrenchment of large numbers of competent and experienced staff;
- the capabilities and skills of departmental staff may not be developed to their full potential;
- departmental resources may not be effectively utilised and consequently unnecessary costs may be incurred if training and development strategies have not been directly related to departmental goals and the needs of staff;
- departments may not be taking advantage of opportunities to reduce training costs, such as arranging for external organisations to develop in-house courses for departmental staff to run, purchasing services across agencies in bulk rather than individual arrangements and exploring outsourcing opportunities; and
- firms may not be engaged on an objective basis.

4.21 In addition, the successful implementation of major financial management reforms may be at risk if staff do not possess adequate financial expertise to administer these changes. In this regard the Public Accounts and Estimates Committee, in its *Interim Report on the State's Budget and Financial Management Framework*, May 1994, expressed concern as to whether there was sufficient qualified accounting resources within departments to administer the Victorian Commission of Audit's recommendation for a shift towards accrual-based planning and reporting. The Committee reported that the Department of Finance was co-ordinating an extensive training program to meet this need.

4.22 The audit examination in 3 agencies confirmed that the Government may be at risk as, in some cases, resources devoted to training and development activities had not been managed effectively and efficiently and had not focused on core functional responsibilities. In audit opinion, the need for certain training activities in the past and the relevance of attendance of some participants is questionable. As such, in some cases unnecessary costs have been incurred in course development, trainer involvement, accommodation and attendee time. Detailed comment concerning these issues is contained in Part 5 of this Report.

4.23 The audit disclosed that the Office had not undertaken a comprehensive cross-sectional assessment of the risks facing the Government from the implementation of government policy relating to personnel practices, including training and development. As such, the scope of this performance audit involved a more detailed examination in the various government agencies than would otherwise be the case.

4.24 In relation to risk assessment, audit considers that there is a need for a central agency responsibility to identify areas where agency operations could pose substantial risks to the public and the Government if personnel are inappropriately trained. The expertise in personnel management available within the Office and the Commissioner's authority to review the performance of Department Heads make it the agency best equipped to assess such risks from a State perspective.

□ **RESPONSE** provided by Acting Public Service Commissioner

There is continuing debate concerning the role of a centrally-driven cross-sectional assessment as the focus has been on the roles of separate departments rather than the public service as a whole. Department Heads have the full responsibility for the implementation of personnel management policies within their departments. They are accountable for their performance to the government. Under section 57 of the Public Sector Management Act, the Commissioner has the power to review the performance of Department Heads (which includes an assessment of personnel management performance) and report to the appropriate Minister or Ministers.

The potential risks in the event of unsatisfactory professional development practices in departments generally relate to activities that are not appropriately directed toward the needs identified in corporate and business plans and, of lesser importance, inefficiencies in poorly delivered development and training.

The Office, through the Human Resource Management Improvement Initiative, is developing a process for the linking of Strategic Human Resources Planning and Development to the organisational Business Plan. This process will be developed and tested in a pilot agency. A best practice paper outlining the process and strategies is to be published and disseminated to departments.

The issue of poor design or application of developmental strategies is addressed by the Office through sharing information on best practice (presentations at the Staff Development Practitioners' Network and publication of best practice papers).

The issue of risk assessment is also to be addressed through the development of a framework of management competencies which will enable departments and the public service as a whole to assess the strengths and weaknesses of management.

INTELLECTUAL CAPITAL

4.25 Intellectual capital refers to the collective mental capacity and accumulated stock of skill, knowledge and experience of the workforce in line with the defined core competencies of the public sector.

4.26 The Office shares with departments a responsibility for ensuring adequate competence in the executive service and lower levels of management. With this in mind, it has set a goal to *"establish and maintain a framework for the attraction, retention, development and optimum use of high calibre executives as a corporate resource for the Victorian public service and agencies"*.

4.27 Audit was informed by the Office that the immediate focus is on ensuring adequate management skills in the public service and, in the medium-term, will address additional skills of public service-wide importance such as policy analysis and development.

4.28 In order to build and maintain a high level of intellectual capital, audit supports the Office's lead role in ensuring that the following management competencies are stressed in implementing the Management Improvement Initiative:

- people and performance management skills, including the capacity to deliver quality outcomes;
- a business approach to financial management;
- ability to manage change and operate strategically;
- expertise in using information technology as a strategic tool for economic development; and
- contract management skills in relation to functions which have been outsourced.

4.29 In audit opinion, **the acquisition of the above competencies will provide a management team capable of efficiently and effectively implementing the policy agendas of government.** Further audit comment concerning the issue of maintaining an acceptable level of intellectual capital in the public sector is contained in Part 8 of this Report.

STRATEGIC APPROACH TO TRAINING AND DEVELOPMENT

4.30 According to the Office, training and development is to be focused top-down. To commence this process the Office has facilitated forums for Department Heads. These activities have been followed by forums for Deputies and the Executive Development Program which is targeted at Executive Officers. The Office's contribution to training below the executive level is through supporting the Public Sector Management Course.

4.31 The rationale for this approach is a firm belief that a successful change needs to be effectively led by senior management who have the required competencies to train and develop their staff. The Office expects that departments will undertake their own activities which address the needs of executives and staff in non-executive categories.

4.32 To complement the top-down approach to management training adopted by the Office, some training needs to be focused immediately on lower level management, to ensure that the Government's policies are delivered in the most efficient and effective manner.

DEVELOPMENT OF CENTRAL PRINCIPLES

4.33 Audit was informed by the Office in early 1993 that discussions were held with staff development practitioners in departments concerning the provision of guidelines for best practice with regard to training and development. There was general agreement among practitioners that the time was not appropriate for issuing guidelines in that area as the immediate focus was on downsizing. The Office also advised audit that departments preferred to focus on principles supported by good practice examples and strong departmental participation.

4.34 In mid July 1994, audit suggested a range of principles that should be considered in the development of best practice guidelines for issue to departments. It was encouraging to find during the audit that the Office was in the process of finalising principles for the provision of staff development and training.

4.35 The responses received from the Office to each of the audit suggestions are outlined below.

- Corporate plans to drive the training and development of staff, supported by human resource development strategic plans.

□ **RESPONSE** provided by Acting Public Service Commissioner

The linking of human resource development to the corporate plan is being addressed through the Management Improvement Initiative.

This matter is also addressed in the "Principles for the Provision of Staff Development and Training in the Victorian Public Service" developed by the Office.

- Annual performance development programs to address critical competencies and staff needs, based on the outcome of performance and development review schemes.

□ **RESPONSE** provided Acting Public Service Commissioner

This issue is addressed in the "Principles for Provision of Staff Development and Training in the Victorian Public Service" and the Office is looking at developing an example personal development program through its pilot project with a major department.

- Specification of acceptable parameters for the average number of days per employee and the percentage of payroll to be applied to training and development annually.
- The extent of training time and expenses expected to be met by employees rather than government.
- Equity of access between groups to be advocated, e.g. according to gender, location and occupational category.

□ **RESPONSE** provided by Acting Public Service Commissioner

Such detailed prescription is contrary to staff development best practice. The purpose of staff development is to satisfy the organisation and government's needs, rather than to simply provide development for staff.

Similarly, while it is appropriate to ensure that people are not disadvantaged in access to development, the primary aim is achieving organisational outputs rather than simply giving equal development to individuals. The equity in access to development opportunities is not measured by the volume of developmental/training opportunities that individuals receive. Rather, our aim is to ensure that all those who need development for the achievement of organisational outputs are given it, to the extent and in the form that they need it.

However, while the focus of training and development is on specific needs as indicated by workplace performance, it is essential to consider overall merit and equity issues as well. As a general indication, the representation of disadvantaged groups in development and training reflects their proportion of the workplace population.

The consideration of merit and equity requirements is one of the key principles for the provision of staff development and training in the Victorian public service which the Office is presently promulgating.

- Procedures for outsourcing any part of the training and development function, and use of private firms to conduct training courses.

□ **RESPONSE** provided by Acting Public Service Commissioner

Issues involved in outsourcing of human resource management are the subject of a current Management Improvement Initiative project which is being undertaken in consultation with departments.

- The use and management of development activities including on-the-job training, study and examination leave and attendance at workshops, seminars and conferences in Australia and overseas.
- The use of placement opportunities such as higher duties and secondments.
- The adoption of career path management and support through position, classification and broad-banding structures.

□ **RESPONSE** provided by Acting Public Service Commissioner

The issue of various developmental strategies is covered in the "Principles for Provision of Staff Development and Training in the Victorian Public Service". Department Heads are accountable for the management of their own resources. The Office will continue to work with departments to promote research findings and the sharing of successful strategies.

- The introduction of succession planning.

□ **RESPONSE** provided by Acting Public Service Commissioner

The Office is currently working with the State Co-ordination and Management Council to develop a range of opportunities to improve the management of succession to most senior positions within the public service.

- The sharing of training resources between departments.
- The promotion of consistent training strategies to facilitate mobility and change in the departmental sector.

□ **RESPONSE** provided by Acting Public Service Commissioner

Sharing of training resources between departments is being addressed through the Staff Development Practitioners' Network. In terms of consistency the Office focuses on consistency of principles and values, with freedom given to agencies to make the most appropriate decisions in relation to the achievement of their organisational objectives. Staff mobility and organisational change will be facilitated by development of generic core competencies.

- Measures for departments to assess the effectiveness of training and development activities.

□ **RESPONSE** provided by Acting Public Service Commissioner

The issue of evaluation of development and training is addressed initially in the "Principles for the Provision of Staff Development and Training in the Victorian Public Service" and, in the medium-term, the Office will conduct research on best practices and promulgate findings to departments.

- Annual reporting requirements for departments to explain to the Office the way in which the guidelines have been implemented.

□ **RESPONSE** provided by Acting Public Service Commissioner

Reporting requirements will be covered in the "Principles for the Provision of Staff Development and Training in the Victorian Public Service".

The only matter in which the Commissioner has responsibility to ensure compliance (and to receive annual reports) is merit and equity. Section 45 (1)-b, Public Sector Management Act.

There is no intention to introduce a reporting requirement in the area of professional development and training as that would run counter to the current directions in terms of accountabilities in the public service.

However, the Office is working with departments to develop consistency in the way people management issues and statistics are reported to management. This will facilitate reports of aggregate data to government as appropriate.

As far as possible, we work in collaboration or in partnership with departments and training strategies have been accomplished or are being pursued collaboratively. As other reporting and benchmarking approaches are agreed, the Office will move to include key aspects of development and training.

4.36 In audit opinion the intention of the Office to provide broad principles to departments on training and development that are only advisory in nature, without any degree of compulsion for implementation and central monitoring of compliance, could expose the Government to substantial risk. If guidance is to be by way of broad principles, which departments could readily acquire from a multitude of other sources, the vagueness of this arrangement would severely diminish the usefulness of the Office's role in promoting consistency in best personnel policy and practice and raise doubts as to its cost effectiveness within agencies.

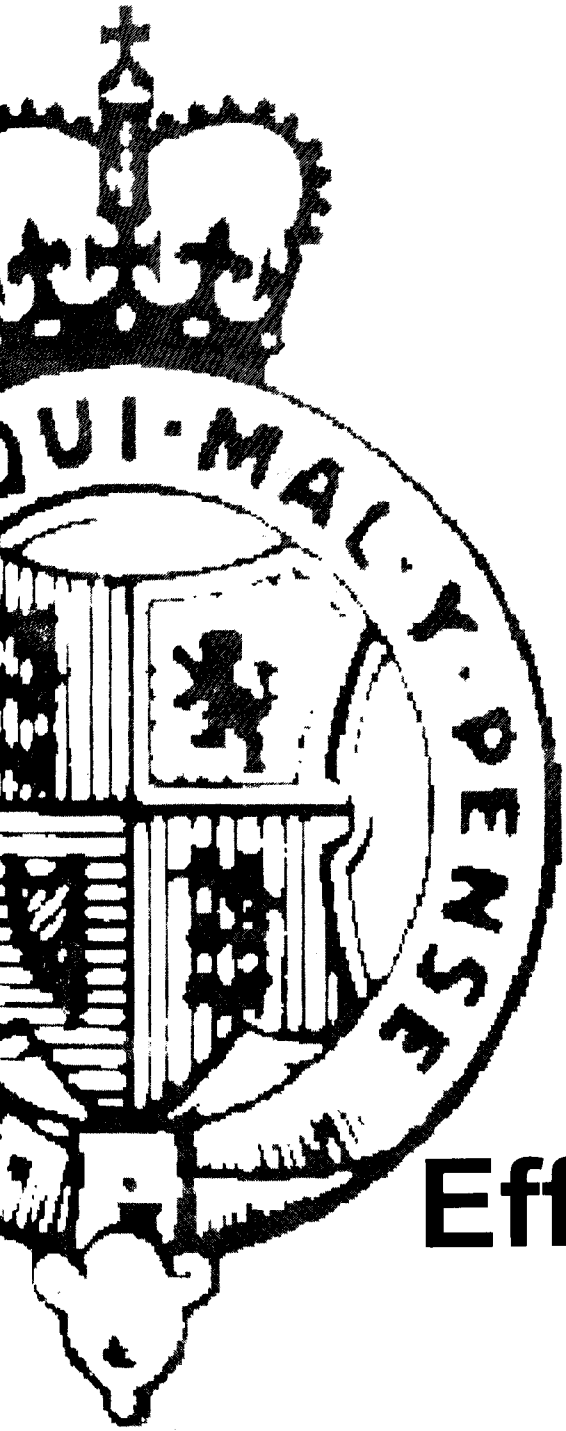
4.37 The **central monitoring** process advocated by audit could simply require the preparation of a concise report annually by each agency outlining the extent to which the centrally-issued principles have been applied. **The process need not be a cumbersome bureaucratic process but rather a streamlined evaluative mechanism for enhanced accountability to the Government and the Parliament in relation to personnel management practices.**

OVERALL CONCLUSION

4.38 In promoting consistency and excellence in best personnel management practice and providing strategic advice on emerging issues impacting on personnel management, audit is of the view that further consideration needs to be given by the Government to the following training and development issues:

- **A cross-sectional risk assessment needs to be undertaken at a central agency level;**
- **Departments should be encouraged to implement the principles to be promulgated by the Office, if such principles are to be of value;**
- In order to ensure that potential risks are addressed by departments and provide accountability, **a high level monitoring system should be established which requires each department to provide a report to the Public Service Commissioner annually.** Departments, in providing such a report, should outline the processes in place for managing the training and development function in line with the principles contained in the central guidelines. The existing process, whereby the Public Service Commissioner has the authority to review the performance of Department Heads in certain circumstances, could include an evaluation of the management of training and development. Where departments have chosen to depart from any of the prescribed practices, the rationale for such deviations should be explained. This process, if adopted, would assist the Public Service Commissioner in assessing the management of training and development within the departmental sector, evaluate any potential risks and provide strategic advice to the Government and the Parliament on any emerging issues of significance;
- **An adequate level of consistency needs to be applied in training strategies to facilitate mobility and change;**
- **A culture needs to be fostered whereby:**
 - results are expected to be demonstrated from training provided internally by government;
 - some form of external training and development is an individual's responsibility;
 - training is regarded as an opportunity; and
- **The Office should continue to maintain an executive database of the experience and qualifications of all Executive Officers, extended to include competencies.**

Part 5



Effectiveness of Training Activities

OVERVIEW

5.1 It was not possible to evaluate the effectiveness of service delivery by agencies in key program areas due to the lack of performance information relating to program outcomes, therefore audit could not assess the extent to which training and development had contributed to improving organisational performance. However, it was pleasing to find some limited examples where the review of performance had led to the identification of training needs.

5.2 In considering available analyses of the distribution of training activities, the audit revealed uneven distributions in agencies in relation to the training undertaken by staff of different classifications, gender, location and salary levels. While recognising that effective training relates to actual needs, and that unequal distributions may not necessarily reflect any training disadvantage, agencies should monitor and review these variations as part of ensuring that all staff training needs are adequately met for organisational purposes.

5.3 Although agencies had not in all cases established overall training strategies addressing their major business functions, recent strategic changes such as the development of industry programs and initiation of corporate human resource development strategies in the Department of Agriculture, and the appointment of executives with staff development responsibilities in the Department of Conservation and Natural Resources, are significant developments in this respect.

5.4 From an individual staff viewpoint, audit found that course participants considered the quality of training courses in terms of content, presentation, structure, design, flexibility and venue to be good and that courses were regarded as relevant to their needs. However, the audit also disclosed that:

- some courses would have been more beneficial if they had been conducted as an on-the-job training program;
- in many cases, participants and their supervisors considered their skills or knowledge were between satisfactory and excellent prior to attending the course;
- certain skills learned in training courses were not applied on a frequent basis when participants returned to the workplace; and
- there was only a limited evaluation of the effectiveness of training courses by the agencies reviewed.

5.5 As such, audit concluded that scarce resources devoted to training activities have in some instances not been applied efficiently and effectively as participants on occasions have received formal classroom training which audit considered either inappropriate or unnecessary. The conduct of training which is not needed results in agencies incurring unnecessary costs involved in course development, trainer involvement, accommodation and attendee time.

□ **RESPONSE** provided by Secretary, Department of Transport

VicRoads has a comprehensive training and development strategy addressing major business functions. This is updated on an annual basis in conjunction with the business planning process.

INTRODUCTION

5.6 At the macro level, one of the Government's aims is for high quality education and training services to be provided in order to improve the skill base and flexibility of the workforce. This approach is designed to assist the Government in achieving its economic and financial reforms.

5.7 As the conduct of high quality training is an integral component underpinning the Government's policy agenda, audit's evaluation of the effectiveness of training in the public sector is intended to provide constructive comment as to whether:

- training services are in fact achieving intended results; and
- there is a need for improved practices to be applied to the management of the training function.

5.8 In audit opinion, the effectiveness of training services would be enhanced if:

- training addresses organisational needs and recognises corporate culture;
- training targets staff needs;
- the quality of training is of a high standard; and
- training ultimately achieves the intended results.

5.9 Based on the above considerations, audit identified 8 attributes for an effective training function. Chart 5A provides a grouping of these effectiveness attributes.

CHART 5A
EFFECTIVENESS ATTRIBUTES FOR TRAINING



5.10 Audit comment throughout this part of the Report is presented according to the abovementioned effectiveness attributes.

DO TRAINING SERVICES ADDRESS ORGANISATIONAL NEEDS?

5.11 Audit found that until recently, little attempt has been made by agencies to ensure that training activities were linked to program outcomes, as measured by performance indicators and properly defined competencies. Based on this finding, audit concluded that it is highly unlikely that training services fully addressed organisational needs. In reaching this conclusion, issues examined by audit related to whether:

- professional development practices addressed the need to improve agencies' program outcomes;
- major functional areas of activity of agencies were covered; and
- the distribution of training according to various staffing profiles was appropriate.

□ **RESPONSE** provided by Secretary, Department of Transport

VicRoads has linked training to business and program outcomes for 4 years and contends that its training fully addresses overall organisational needs.

Relevance of training in the context of improving program outcomes

5.12 In order to assess whether the training of staff has met organisational needs, program performance would have to be evaluated by agencies against objectives and targets to identify any non-performing areas or unsatisfactory program results. An examination of such areas would indicate whether improved management of training activities could contribute to more efficient and effective service delivery.

5.13 An evaluation of training in the context of program outcomes requires the existence of mechanisms to assess operational performance and a means of linking training provided to this performance. While performance indicators had been established by agencies in a number of areas and performance measured using these indicators, qualitative and quantitative performance measures had not been established in all cases, nor were performance indicators linked to properly defined competencies. The effectiveness of training in most cases could not be evaluated by audit due to the absence of this information.

5.14 In a general sense, the effectiveness of training can be gleaned from impressions of performance and an assumed link to training. Examples include the performance of Victorian firefighters in the New South Wales bushfires, which is likely to reflect the quality of the Fire Management Training Program, and the probability that continued professional development through higher education by Department of Agriculture scientists is likely to have contributed to the reputation and achievements of the Department in improvements to agriculture over a long period.

5.15 It was pleasing, however, to find some instances where, through the initiative of agencies, specific training strategies had been implemented to correct inadequate operational performance. These areas related to:

- the administration of Crown lands in the context of improved map interpretation and the operation of the fisheries service in terms of enhancing customer service and community education at the Department of Conservation and Natural Resources;

- the role of extension officers where the Department of Agriculture is planning to re-introduce a comprehensive training program for base grade staff in the extension role;
- the reduction in the road toll which could be attributable, in part, to training provided by VicRoads to road safety educators, roadworthiness testers and staff involved in accident prevention programs; and
- the establishment of the safety training program by VicRoads, in response to high costs associated with occupational health and safety, contributed to a 50 per cent reduction in the number of WorkCover claims.

5.16 Notwithstanding that training in agencies was generally not based on clearly demonstrated organisational needs, the Department of Agriculture informed audit that the relevance of its training and development to program outcomes was assured due to staff understanding their work priorities, scarce financial resources and the application of appropriate approval processes. The Department also advised that the concept of its Work Performance Planning process, which is designed to assess progress of staff against pre-determined work plans and identify any need for training and development of staff, would ensure the linkage of training and development to corporate program needs.

5.17 In terms of organisational success attributable to professional development, the Department of Agriculture considers that emphasis on professional development over many years has ensured its position of pre-eminence in major areas of science research. The *1990 Review of Agricultural Research in Victoria*, which involved a comprehensive investigation of the Department's research activities, stated that the Department "...has played an important role in improving agricultural productivity in Victoria and Australia". Furthermore, the Department's scientists were acknowledged by the Review as continuing to make valuable discoveries and have national and international reputations in their fields. The Review identified that a major contributing factor to this reputation was likely to be the commitment of professionals to self-education, through doctorates and masters degrees and to the high level of seminar and conference involvement.

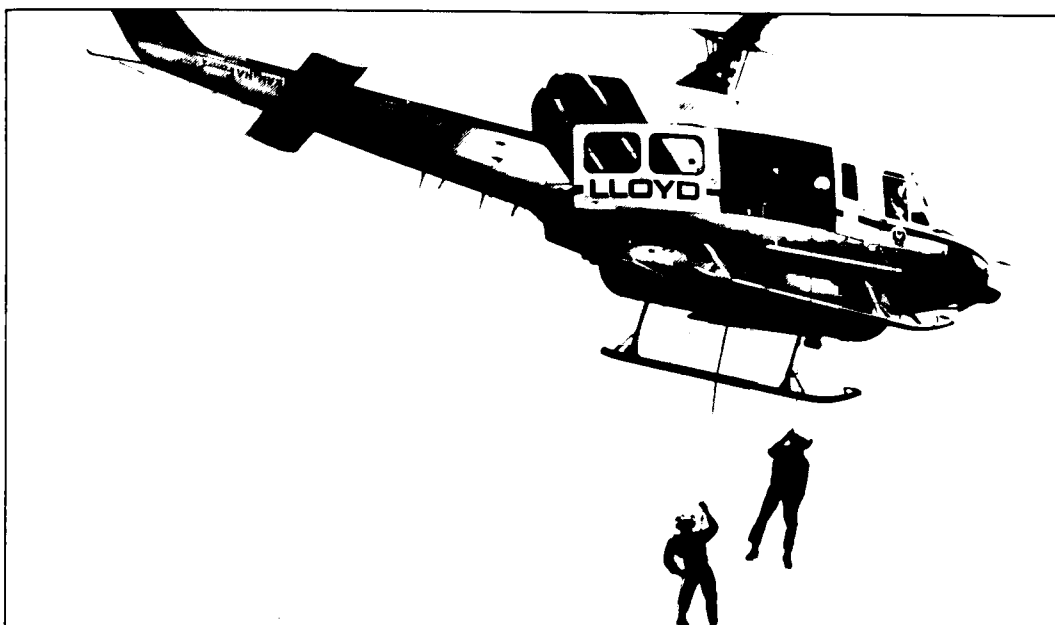
5.18 Nevertheless, it is audit's view that as a general principle, in the absence of continuous assessments of whether qualitative and quantitative performance outcomes have in fact been achieved, it is not possible to be assured that professional development activities have been appropriately targeted in terms of achieving quality results for public sector agencies.

5.19 Audit acknowledges the inherent difficulties involved in measuring the achievement of service delivery objectives and linking unsatisfactory performance to the standard of training or, in fact, the need for a greater focus on training. However, to ensure that scarce resources are channelled into the most important areas, organisations need to be assured that training activities are directed towards organisational needs. Without establishing training needs from an organisational viewpoint, it is not possible to adequately ensure the effectiveness of training activities.

Is training linked to major functional areas of activity?

5.20 A number of professional development activities were undertaken in direct response to major organisational priorities, based on statutory requirements or risk management principles, such as:

- fire management training at the Department of Conservation and Natural Resources;
- training in quarantine and regulatory services and controlling the spread of exotic diseases by the Department of Agriculture;
- customer service, quality assurance and management training at VicRoads; and
- occupational health and safety training programs which focus on agency priorities.



Fire management training arranged by the Department of Conservation and Natural Resources.

5.21 Notwithstanding these activities, audit found that training programs had not been identified for some major business areas and responsibilities. Organisationally-focused training was generally reactive to critical priorities (such as fire management) or management perceptions (for example, contracting-out of functions and customer service), whereas individual training strategies tended to focus on skills to perform the task and maintain up-to-date knowledge.

5.22 In developing training strategies, organisations had not in all cases systematically addressed the need for training in terms of their corporate and business programs. As such, certain major functional areas of responsibility were not adequately covered in training programs. For example, training programs had not been established for areas such as national parks and various agricultural industries. Functional and technical training in the Department of Agriculture was derived mostly from work experience and seminars or conferences, rather than also through formalised training strategies serving defined skill and knowledge requirements of science activities and business areas. In addition, the audit revealed that formal training programs had not been established for chemical standards and animal health activities in general field operations or for policy and other head office divisions.

5.23 The decentralised management structure of the 2 departments examined by audit was a major factor in determining the organisation of training in that:

- instead of an overall training program supporting major business functions, derived from a corporate needs analysis, training was usually on a needs basis in response to individual perceived needs; and
- without centrally-developed and co-ordinated training plans to address organisational-wide priorities, such as compliance with standards, regulatory activities and personnel, training was at the discretion of line management in regions and institutes.

5.24 The following strategic initiatives recently implemented in the 2 departments reviewed should provide a sound organisational focus for future training activities:

- the introduction in the Department of Agriculture of industry programs which provide business plans for each industry area of the Department; and
- the establishment by the Department of Conservation and Natural Resources of senior management responsibility for training and development within each business area.

5.25 Other initiatives introduced by the Department of Agriculture are intended to provide more central oversight of the major training activities, namely:

- assignment of responsibility to a Regional Manager for the establishment of a training and development program for officers involved in the provision of extension services;
- appointment of a Chief Scientist with responsibility for science training across the major research institutes; and
- commencement of a Professional Development Skill Strategy, initially for the science workforce.

5.26 Each department is planning to develop Human Resource Development strategies within the major business units to cover the training and development requirements of major business areas.

5.27 In VicRoads the corporate and annual business planning process incorporated specific human resource strategies designed to address organisational training needs. As a result, new corporate initiatives in the areas of customer service, quality management and contract administration have been supported by training programs.

5.28 In audit opinion, organisations should ensure that key areas of responsibility aligned to major business areas are addressed in training activities on a needs basis. As part of this process, agencies will need to ensure that the training elements of organisational-wide matters, such as adherence to appropriate industry, financial or environmental standards, are addressed in business plans.

Is the distribution of training appropriately meeting organisational needs?

5.29 The audit revealed significant variations within agencies in the extent of training received by individuals, with a number of staff having had no training whatsoever over a 12 month period, while others had up to 20 days.

5.30 While recognising that the distribution of training provided to staff will necessarily be disproportionate depending on their respective needs, from an organisational perspective it is important that managers evaluate the allocation of training according to:

- broad themes such as managerial compared to technical;
- business areas;
- budget allocations;
- staff classifications and salary bands;
- gender; and
- location, for example centralised compared to regionalised.

5.31 Significant variations in the composition of training according to these categories may disclose that the direction of training is not appropriate to meet the priority needs of the organisation and should act as a trigger for further training.

5.32 Most agencies did not undertake detailed analyses of the way in which training was stratified. In the absence of such analyses, audit accessed the limited information available within the agencies to examine the distribution of training according to the abovementioned categories. This examination disclosed a number of significant variations, examples of which are discussed below. Determination of the justification of these variations was beyond the scope of the audit. In order to demonstrate the importance, from an effectiveness standpoint, for agencies to be aware of, and evaluate, this information on a continuous basis, a selection of the information extracted by audit is included in the following table and charts in this section of the Report. **Substantial variations of the nature disclosed should signal areas to be investigated by management to provide assurance that the pattern of training continues to be consistent with organisational strategies.**

5.33 In audit opinion, agencies need to evaluate the appropriateness of the way in which training resources are distributed to be assured that training is effectively allocated to meet organisational needs.

Distribution of training according to broad training themes

5.34 Following the amalgamation of the former Road Traffic Authority and the Road Construction Authority in 1989, VicRoads made a concerted effort to develop the managerial and interpersonal skills of its staff and the majority of its centrally provided training was devoted to improving these skills. This strategy resulted in significantly more management and personal training than technical training when compared to a range of organisations included in a benchmarking exercise conducted by VicRoads. The information generated from this exercise is summarised in Table 5B, which allocates training days between technical, management and interpersonal skills, and compares this allocation with the average composition of training in the sample of organisations.

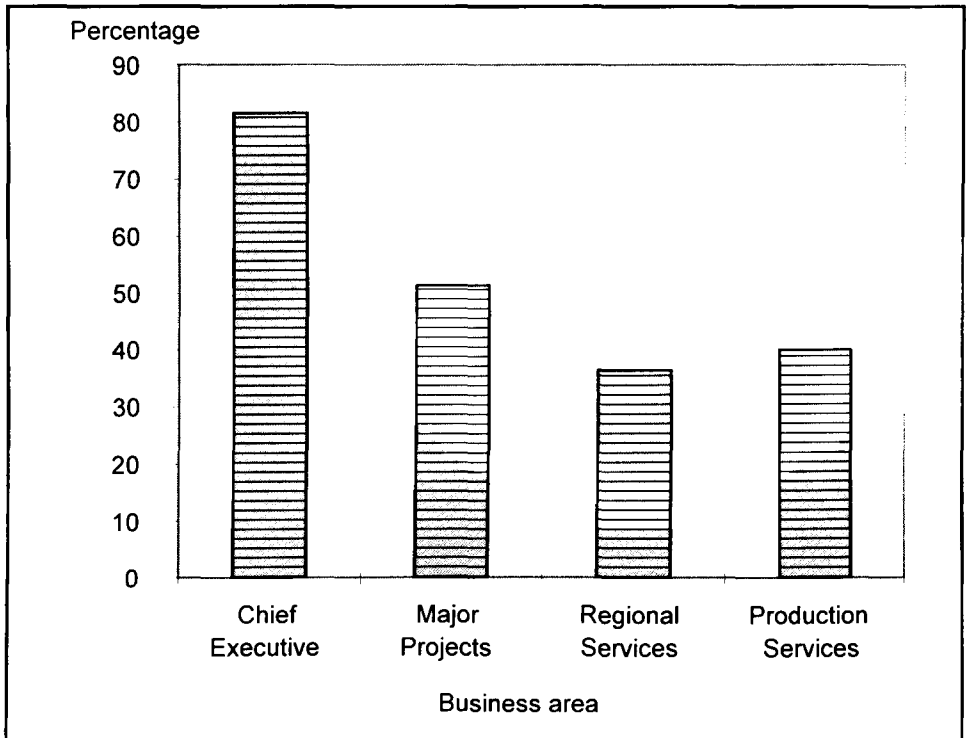
**TABLE 5B
BREAKDOWN OF TRAINING IN VICROADS
COMPARED WITH BENCHMARK, 1993**

Type of training	Average benchmark percentage	VicRoads percentage	Percentage variance
Technical	54	13	(76)
Management	20	50	150
Personal development	26	37	42

Comparison of training between business areas

5.35 The audit disclosed that during 1993-94, 41 per cent of VicRoads staff did not receive any training. Chart 5C outlines the percentage of staff within each business area who did not receive training. These percentages range from a maximum of 82 per cent for the Chief Executive's business area to 36 per cent for regional services.

**CHART 5C
PERCENTAGE OF STAFF NOT RECEIVING TRAINING
BY BUSINESS AREA, 1993-94**

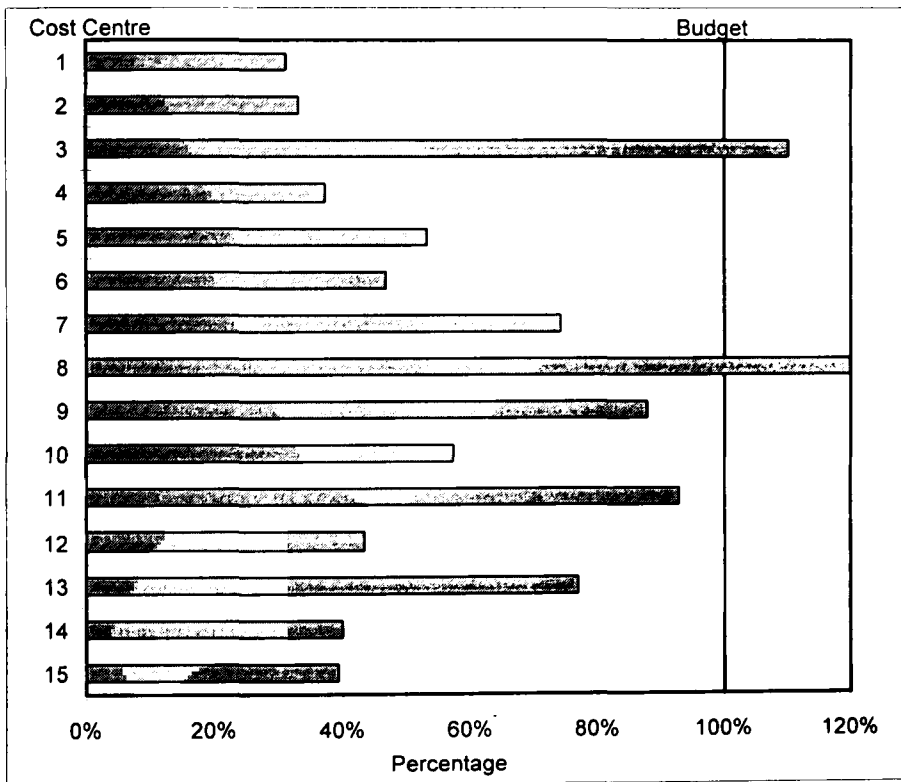


5.36 Although the information used in the above chart does not include externally provided training purchased directly by regions or most internally provided technical training, it does constitute approximately 75 per cent of the total training days provided (representing 50 per cent of training costs). After allowing for the inclusion of these additional courses, it is likely that one in 3 staff did not receive any formal training in 1993-94.

Training expenditure compared with budget

5.37 Information obtained by audit comparing budgeted with actual internal training expenditure for 1993-94 across 15 cost centres within VicRoads is outlined in Chart 5D.

CHART 5D
VICROADS TRAINING EXPENDITURE COMPARED WITH BUDGET, 1993-94



5.38 As indicated in the above chart, the majority of the agency's cost centres did not expend their 1993-94 budgeted internal training allocations. In some centres, expenditure was less than 40 per cent of budget.

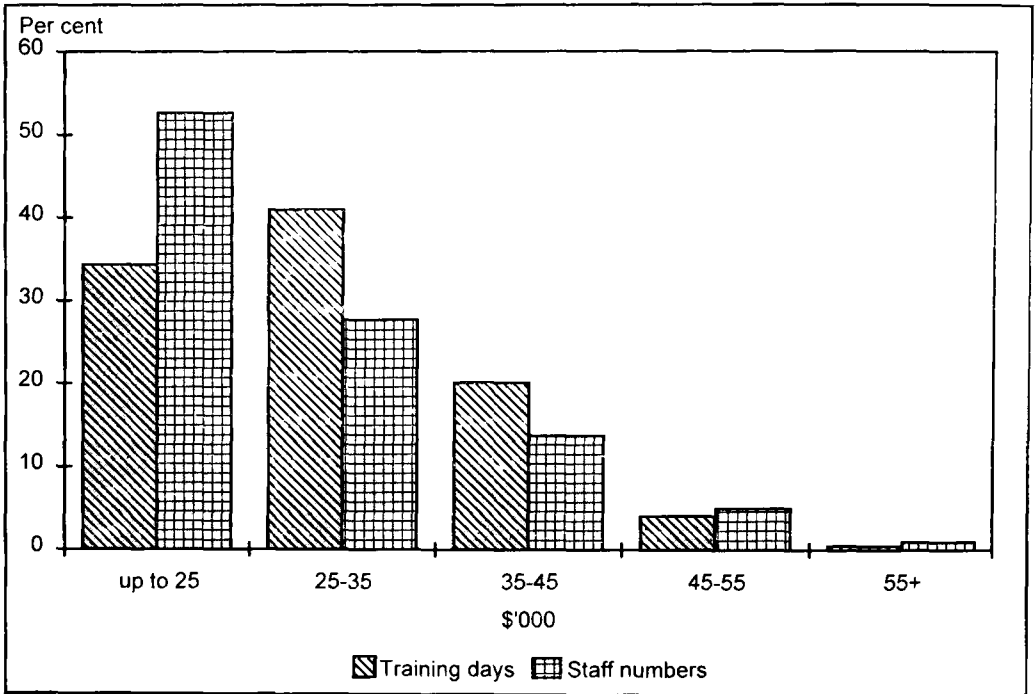
5.39 The under-expenditure by many cost centres on training is likely to have resulted from factors such as:

- finalisation of budgets prior to completion of staff performance appraisals;
- uncertainty as to future training requirements in centres under consideration for outsourcing;
- organisational restructuring and downsizing; and
- budgets based on the Federal Government's training guarantee requirements rather than objectively determined according to organisational and staff needs.

Distribution of training days according to salary categories

5.40 Chart 5E compares the percentage of training with the percentage of staff according to particular salary categories within the Department of Conservation and Natural Resources.

CHART 5E
DEPARTMENT OF CONSERVATION AND NATURAL RESOURCES,
PERCENTAGE OF TRAINING DAYS RECEIVED COMPARED WITH
THE PERCENTAGE OF STAFF NUMBERS BY SALARY, 1991-92

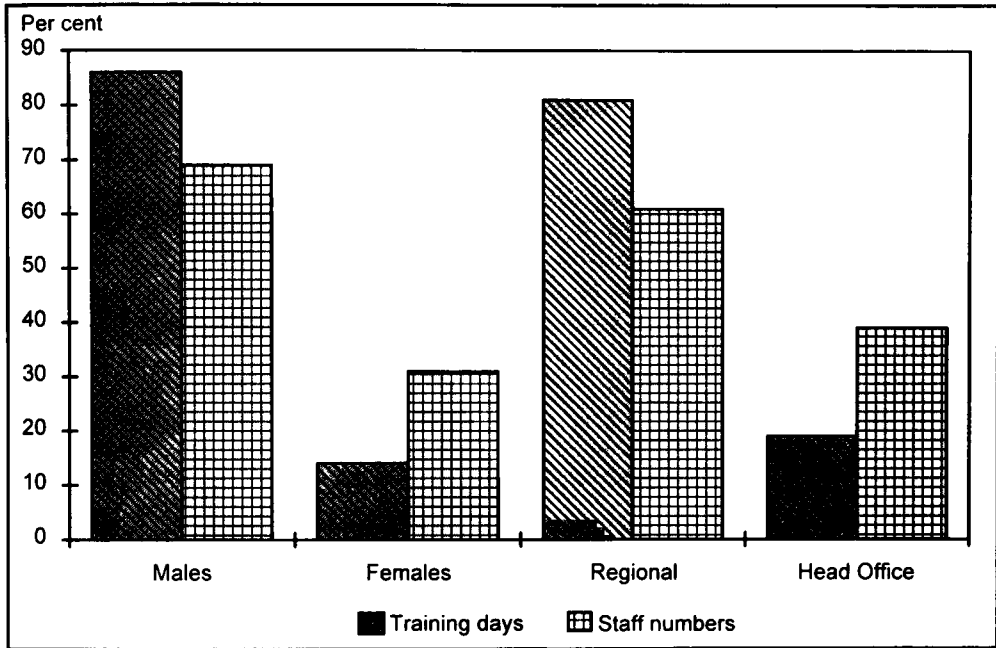


5.41 The above chart shows that staff earning between \$25 000 and \$45 000 comprised 41 per cent of total workforce and received 61 per cent of training. By way of contrast, staff earning up to \$25 000, who comprised 53 per cent of the total staff, received 34 per cent of training days.

Allocation of training between gender and location

5.42 Chart 5F compares the percentage of training with the percentage of staff according to gender and location within the Department of Conservation and Natural Resources.

CHART 5F
DEPARTMENT OF CONSERVATION AND NATURAL RESOURCES,
PERCENTAGE OF TRAINING DAYS COMPARED TO STAFF NUMBERS,
BY GENDER AND LOCATION, 1991-92



5.43 The above chart indicates that males received proportionally more training than females and regional staff received substantially more training than head office staff.

5.44 In summary, without regular analyses of information on training such as that presented in this section, management cannot be assured of the effectiveness of training in terms of meeting organisational needs.

HAVE TRAINING COURSES BEEN DEVELOPED TO MEET STAFF NEEDS?

5.45 The audit disclosed that, in the majority of cases, participants considered courses to be relevant to their needs.

5.46 However, the audit also found that in the 2 departments, 60 per cent of course participants that responded to the audit questionnaire were not consulted regarding their training objectives in terms of competencies, prior to attendance. In relation to the level of skills of participants prior to training, audit acknowledges that for a variety of courses, including those providing advanced skills, a high level of knowledge may be a pre-requisite for acceptability to the course. Nevertheless, the audit disclosed that 25 per cent of participants surveyed, who had a satisfactory to excellent pre-course knowledge of the subject area, attended training courses which appeared to be more relevant to participants with minimal skills. In such cases, it is questionable whether all of these participants had an urgent need for training in the first instance.

5.47 If training courses are conducted without ascertaining the training objectives of candidates according to their competencies and level of knowledge, there is a greater likelihood that the course content may not be entirely relevant to meeting the training needs of participants.

□ *RESPONSE provided by Secretary, Department of Transport*

Participants on training courses are initially assessed in relation to perception of prior knowledge and skills and course objectives. This occurs in the first session of training courses. VicRoads has found that, while pre-assessment may rate skill levels as high, comparison with course objectives at training venues by trainers changes the self perception assessment.

QUALITY OF TRAINING

5.48 In the majority of cases a high level of satisfaction was expressed by participants with regard to course content and presentation. In most instances, practical and relevant examples were used, objectives were clearly stated, activities had a logical flow and course notes were of a high standard. In addition, most participants found that the complexity of material covered was at an adequate level. In terms of presentation, the majority view was that course presenters gave sufficient attention to the needs of participants, demonstrated flexibility in teaching methods and had an in-depth knowledge of the subject area.

5.49 In most cases the scheduling of the training courses was at an appropriate time in terms of work commitments and participants' stage of development. Participants also felt that course attendance led to an increase in their skills and knowledge.

5.50 Despite this overall view that the quality of training delivered in a formal context was of a high standard, the audit revealed that the mode of training by way of structured classroom exercises may not have been necessary in some cases. Between 20 and 30 per cent of participants that responded to the audit questionnaire indicated that the formal training courses attended would have been better conducted as on-the-job training exercises, which raises doubt as to whether these participants required training in a formal context. In these circumstances, the appropriateness of the quality of training in terms of method of delivery is questionable.

5.51 It is pleasing to find that training in the 3 agencies reviewed was generally regarded by agency staff to be of high quality in terms of course content and presentation.

ACHIEVEMENT OF INTENDED RESULTS

5.52 In addition to ensuring that training focuses on organisational and staff needs and is of a high quality in terms of course content and presentation, it is also essential from an effectiveness viewpoint that sufficient opportunities are provided to enable acquired skills and knowledge to be applied productively on return to the workplace. It is also desirable that evaluative mechanisms be in place to measure the extent of any improved performance in service delivery from training activities.

5.53 Audit findings in relation to the application and evaluation of training are outlined below.

Application of training received

5.54 The value of new skills and knowledge acquired through training activities is maximised when applied on return to the workplace. Transfer of learning to others is also a useful means to assist the application and retention of learning.

5.55 Where staff are not provided with the opportunity nor encouraged to exercise their learning in the workplace, effectiveness of training is likely to be reduced.

5.56 The expected frequency in which new skills are used will vary according to the nature of the skills, the staff concerned and the work situation. While some skills can be expected to be applied immediately and used often, others may be used only infrequently according to demand, as may be the case with exotic disease management, fire management, stress counselling and disciplinary skills. Where use of new skills is infrequent but predictable, as in the case of budget preparation skills, it is advisable to undertake training immediately prior to the expected need for such skills.

5.57 Where there may be a long lapse of time between training and operational use of skills, it is generally recommended that training should be followed by a specific application project and mechanisms be established to ensure that the newly acquired skills and knowledge are applied in the workplace. Some training programs, for example the Office of Public Service Commissioner's management education program, and senior management training programs in VicRoads require participants to complete a suitable post-training project before training is recognised as complete. In addition, VicRoads made extensive use of learning contracts to encourage the application of skills acquired by course participants.

5.58 The audit found that in the Department of Conservation and Natural Resources and VicRoads approximately 20 per cent of course participants surveyed only used their newly-acquired skills less than once per month.

5.59 The most common causes cited by the respondents for the low use of skills were a lack of:

- interest in the topic by colleagues;
- supervisors' commitment to provide on-the-job guidance and support; and
- sufficient time to use the newly acquired skills.

5.60 While it is acceptable that for various courses, skills are used on an infrequent basis, the audit revealed that for more practical courses, such as those relating to computer skills, participants had used newly acquired skills less frequently than once a month.

5.61 The audit also revealed that approximately 50 per cent of course participants shared their newly acquired knowledge and skills with their colleagues, generally through discussions with their peers or by providing course materials to other staff members.

5.62 In audit opinion, the effectiveness of training could be improved if agencies implemented strategies to ensure that the learning acquired from training activities was adequately applied and shared in the workplace. Such strategies could include:

- introduction of learning contracts, post-learning action plans and specific task or project assignments;
- development of benchmarks for the frequency in which skills should be applied; and
- establishment of procedures which require staff, who have been chosen to attend training courses, to convey the skills and knowledge acquired to work colleagues.

Evaluation of training

5.63 Discussions between audit and organisations within and outside the public sector indicated that, while many maintained records of training and development activities, the efficiency or effectiveness of training programs was rarely evaluated.

5.64 Nevertheless, if the public sector is to be a leader in best practice, in the context of managing training services, the outcome of these programs in terms of improved performance needs to be subject to on-going evaluation. In relation to individuals, improved performance may result from staff learning new skills and through changed behaviour, while organisational performance is likely to be enhanced as staff become more productive and customer-oriented. Training activities can be evaluated by:

- obtaining feedback on participant reaction immediately following attendance at training courses, through the use of course evaluation sheets and debriefing with the appropriate supervisor;
- assessing direct skill improvement of participants;
- measuring improvement following training courses by comparing the level of performance of individuals or a group of individuals, subsequent to their receipt of training, against performance goals and targets established prior to the training; and
- measuring all significant program results through the development of suitable performance indicators such as increased customer satisfaction, reduced costs, improved efficiency and quality of outcomes, higher staff morale and fewer grievances.

5.65 The audit revealed that evaluation of training activities was generally limited to immediate feedback through the use of course evaluations and informal supervisor discussions. Informal evaluation through supervisor observation and staff/supervisor discussions was generally not documented or quantified. More formalised processes were evident through the application of Skills Development and Learning Contracts by VicRoads which provided an assessment of appropriate skills by participants and supervisors before training and 8 weeks subsequent to training.

Evaluation through feedback and debriefing

5.66 In the majority of cases, the 2 departments used evaluation sheets to seek immediate participant feedback after training activities.

5.67 Audit was informed that information gained from broad-based participant surveys in the Department of Agriculture was used to improve some training courses and assist in making decisions regarding future service providers.

5.68 In terms of more thorough post-training assessments, the audit disclosed that only a few detailed evaluative exercises had been carried out with a view to future course improvement. For example, the Department of Conservation and National Resources undertook a detailed review of participants who attended its *Service Management Program*.

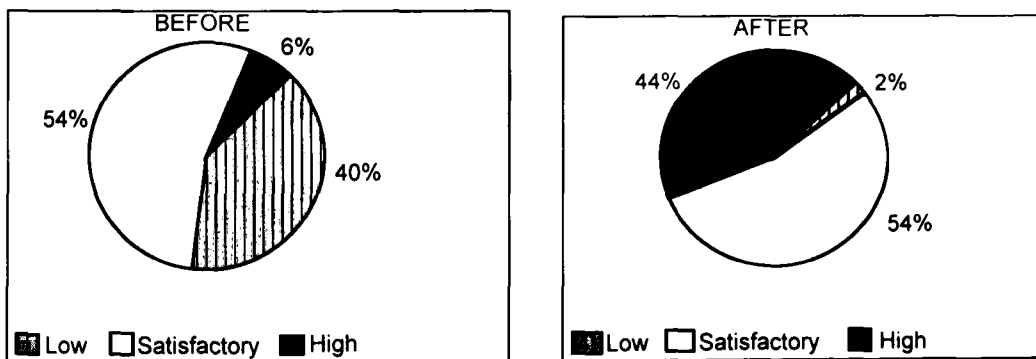
5.69 Supervisor debriefings as a means of evaluation occurred in only 50 per cent of cases.

Improved skills and knowledge

5.70 The competency-based Fire Management Training system undertaken by the Department of Conservation and Natural Resources was an example outlined to audit where skill improvement is evaluated. Training involves formal steps to assess each participant's skills before training against required competencies, nominate training in respect of the existing skill level and skill improvement target, and measure skills after training. In most other training activities examined during the audit review, the skills and knowledge of course participants had not been evaluated either before or after training activities.

5.71 As it was clearly not possible for audit to evaluate skill improvement along these lines, the audit requested participants and their supervisors to rate pre- and post-training skill levels. Analysis of responses from staff at the Department of Agriculture revealed perceptions that skills and knowledge had been increased significantly by the training. Chart 5G illustrates this position.

CHART 5G
DEPARTMENT OF AGRICULTURE,
IMPROVEMENTS IN SKILL LEVELS FROM TRAINING COURSES



5.72 While audit acknowledges the lack of objectivity in staff perceptions of increased skill and knowledge, especially given the absence of clearly established competency definitions, the above chart indicates that approximately 40 per cent of course participants were considered to have possessed less than satisfactory skill levels, while the skills of 6 per cent were considered to be high before the training courses. In contrast, the perceptions were that subsequent to training only 2 per cent of course participants had less than satisfactory skills, while 44 per cent were considered to have a high level of skill. In addition, over 50 per cent of participants had a satisfactory skill level prior to course attendance. Responses indicated a similar situation in other agencies.

5.73 It is not possible to determine from the above analysis whether the perceived increase in skill and knowledge contributed to improvements in productivity or performance. Supervisors advised audit that agencies benefited by staff:

- establishing more contacts and increasing their credibility;
- introducing new techniques to their work programs;
- having an increased awareness of the industry with which they are concerned;
- increasing their skills in areas such as presentation, team building, quality control and time management; and
- providing a safer work environment.

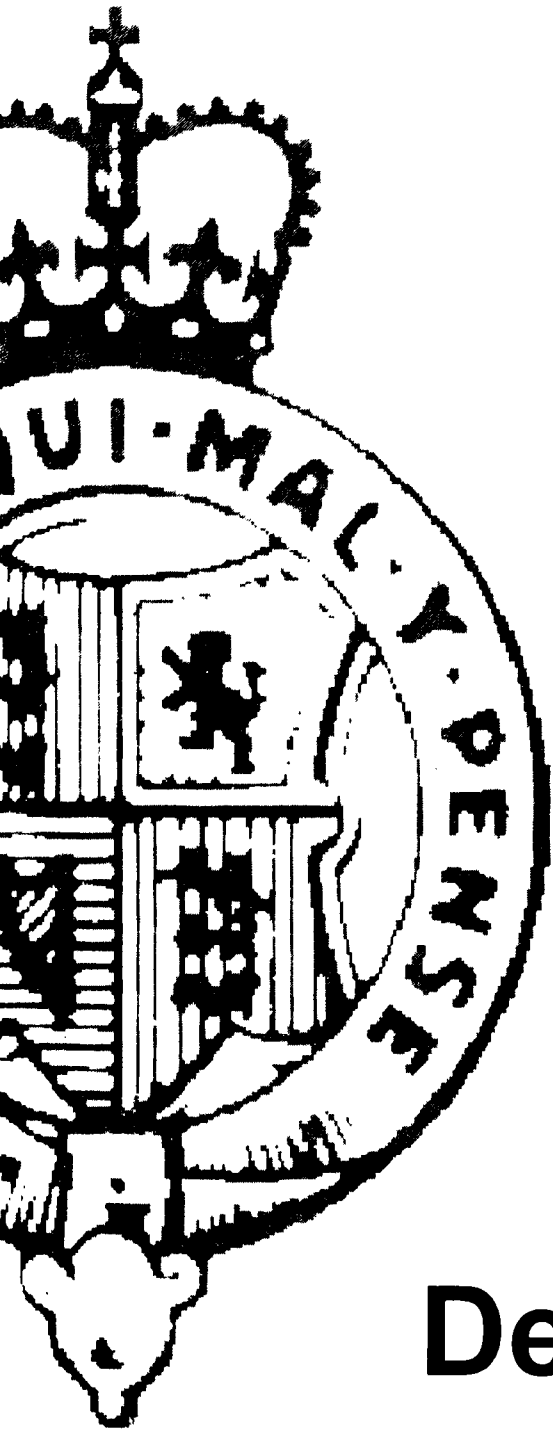
5.74 In the absence of prior standards for optimal skill levels in the form of competency statements and skill improvement targets for training, agencies are not in a position to adequately assess the effectiveness of training activities.

5.75 Audit acknowledges the practical difficulties involved in evaluating the effectiveness of training courses. These difficulties are compounded by the lack of properly prepared competency statements. Without wishing to advocate an unnecessary administrative and cost burden on agencies, in view of the magnitude of funds devoted to training, consideration should be given by other government agencies to adopting practices similar to those in place within the Department of Conservation and Natural Resources and VicRoads for the measurement of the benefits from training.

5.76 In order to evaluate the effectiveness of training, agencies could formalise evaluative processes for major training activities by:

- **ensuring that supervisors and participants undertake pre-course briefings on the objectives and intended benefits of training and establish prior skill levels and improvement targets in terms of established competencies;**
- **setting guidelines for post-course evaluations to measure the results of training activities against prior skill and knowledge, and previously established goals and targets; and**
- **establishing a performance management system covering individual, unit and organisational performance for evaluating the management of training activities.**

Part 6



Development of staff

OVERVIEW

6.1 Agencies have not effectively utilised the wide range of potentially valuable development opportunities for their staff. In addition, the benefits to be gained from the attendance of staff at developmental activities such as workshops, seminars and conferences may not be fully realised by the agencies due to the lack of overall management and co-ordination of these activities with training activities, within the framework of a human resource development strategy.

6.2 While each agency engaged in a number of development activities, with significant benefits perceived to be specifically derived from seminars, conferences and further education, the audit disclosed that needs and objectives were not adequately established for these activities and the outcomes of activities were not evaluated. In addition, a number of potentially useful development opportunities were not used to any great extent and staff development plans were not satisfactorily established in agencies.

6.3 Practices found in the Department of Agriculture which could be beneficially adopted by agencies included:

- giving priority in conference attendance to staff presenting papers, thereby enhancing the reputation of both the agency and its staff; and
- encouraging staff to continue with further education which addresses organisational goals.

INTRODUCTION

6.4 Staff development primarily focuses on preparing employees for future job responsibilities and enhancing their career planning and management.

6.5 Major private sector organisations contacted by audit encouraged their staff to develop strategies for their future in the form of *career plans*, with the emphasis on each individual to be responsible for managing his or her own career. There was a trend in organisations contacted by audit towards creating a learning culture which recognised the workplace as a learning environment and encouraged staff to continue their education throughout their career.

6.6 Training and development activities serving individuals' career plans and organisational skill needs are generally organised into individual staff development programs. These programs can make use of a range of development strategies in addition to formal training.

6.7 The findings of the audit review in relation to the way in which staff development was managed are discussed under the following headings:

- Staff development activities;
- Staff development strategies; and
- Career development.

STAFF DEVELOPMENT ACTIVITIES

6.8 Staff development activities, other than formal training, commonly employed by organisations include:

- participation by staff in formal activities such as workshops, seminars and conferences;
- learning in the course of work activities;
- appointment of staff to positions providing developmental experience, including short-term appointments such as higher duties and secondments;
- job and staff rotation programs;
- assignment of staff to corporate activities, task forces and special projects;
- placements in external organisations located in Australia or overseas;
- continuing education at an individual's discretion;
- performance feedback; and
- programs to foster intellectual exchanges with peers.

Workshops, seminars and conferences

6.9 Workshops, seminars and conferences are among the most common development activities, and are regarded as particularly important by science-based organisations in terms of the opportunities for staff to develop personal networks and enhance their reputation and professional standing. These activities are regarded as cost-effective mechanisms in major functional areas to promote knowledge, develop new methods and facilitate transmission of ideas.

6.10 Audit found that the effectiveness of seminar and conference attendances at major interstate and overseas events in serving organisational and individual objectives was enhanced by procedures which required staff to submit applications stating individual learning objectives and projected organisational benefits. Seminars and conferences also enabled research staff to assess their work against other research.

6.11 The widespread use of workshops, seminars and conferences as development activities was evident during the audit as over the past 12 months:

- at the Department of Conservation and Natural Resources, 124 respondents attended 110 activities; and
- at the Department of Agriculture, approximately one-third of all professional development activities were in this category.

6.12 The Department of Agriculture made extensive use of interstate conferences with 40 staff attending 23 conferences during the period July to December 1993, generally on the basis that papers were presented.

6.13 The audit revealed a high degree of staff satisfaction with workshops, seminars and conferences in terms of appropriateness of learning method and presentation quality. Audit was advised by staff that course objectives were understood prior to attendance.

6.14 Internal workshops, seminars and conferences were an important means of training and imparting and exchanging knowledge. These types of activities were particularly useful in relation to major functional areas or disciplines such as land protection and flora and fauna areas at the Department of Conservation and Natural Resources and animal health at the Department of Agriculture.

6.15 However attendances, particularly at external events, were generally not organised on the basis of established needs and objectives as part of a formalised staff development process. For example, in the Department of Agriculture only 2 of 50 attendees surveyed indicated that the need had been identified as part of the staff development review process.

6.16 As attendance at external workshops, seminars and conferences tended to be determined largely by availability and individual discretion rather than departmental and divisional priorities or needs identified in the personal development review process, the topics and attendees may not have been the most appropriate choices in terms of organisational goals or personal development programs.

6.17 In recent times, several factors such as budget constraints, staff downsizing, departure of some senior staff and the general effects of reorganisations have caused a decline in the use of annual conferences in some functional areas and disciplines. Nevertheless, in the case of the 2 departments, internal seminar and conference programs are expected to be important elements in the newly developed industry programs and business areas.

6.18 A planned approach to implementing staff development strategies based on needs and objectives and appropriate evaluative mechanisms should be established for workshops, seminars and conferences.

Work-based learning

6.19 Work-based activities involve the allocation of work which is both productive and at the same time provides a learning and development opportunity. These activities may be in the employee's current work situation or a different situation, and may involve working with an experienced officer. An advantage of this type of activity is that learning is provided where and when it is needed.

6.20 Although work-based learning was extensively used by agencies, individual performance planning processes did not address this development strategy, there was a lack of documentation to support this form of learning and these activities were not formally evaluated. In certain areas the capacity for work-based learning was inhibited due to the sparse distribution of staff, as an individual may be the only worker in his or her specialist area in the particular geographical location or institute.

6.21 Specific examples of work-based activities in the Department of Conservation and Natural Resources were by way of interchange group visits which rangers found a valuable source of education, and the mentor system where less experienced technical staff worked with more experienced officers. Audit found that these practices were not managed in a structured manner and that owing to staff reductions, the practices in most cases had been discontinued.

6.22 Agencies need to promote the value of work-based learning strategies, and establish guidelines to alert managers to the use of these opportunities and appropriate processes to follow when implementing such strategies. As part of this process, techniques for formalising and recording the use of work-based learning strategies should be established. In view of the need to avoid incurring excessive overheads, it is essential that the progressive outcomes from implementation of these strategies be fully evaluated to ensure the benefits outweigh the costs.

Short-term appointments for developmental purposes

6.23 Discussions between audit and the private sector clearly demonstrates the value that sector places on the provision of development opportunities from a staff and organisational perspective. In the public sector, appointments for individual and organisational staff development purposes can include secondments and higher duty assignments to provide staff with experience and enable organisations to assess the potential ability of the individual for career advancement.

6.24 Appointments of staff in an acting capacity may, in many cases, be an essential element in staff development and in assessing an individual's suitability for higher level work or responsibility. Secondments and other lateral movements can be valuable in extending an individual's knowledge, skills and understanding of the organisation's business and clients.

6.25 Although appointments for development purposes were used in some instances in the 3 agencies reviewed, the practice was generally not formally recognised by the agencies. Audit found that the ability to perform the necessary duties was usually regarded as the main priority in arranging short-term appointments, rather than a developmental opportunity as:

- Development goals were not identified and evaluative processes were not in place. For example, the audit found that, although 16 per cent of staff in the Department of Conservation and Natural Resources were in acting or secondment positions, such appointments were not linked to development needs and performance of appointees was not evaluated against prior objectives; and
- Strategies outlined in staff development review systems did not generally include the use of short-term staff assignments.

6.26 Agencies need to implement strategies which recognise the importance of utilising higher duty assignments and secondments as a means of developing staff.

Job and staff rotation programs

6.27 It is widely recognised in staff development literature that most adult learning takes place on-the-job and that after 2 to 3 years the learning curve is diminished. As a consequence, many successful organisations actively promote staff mobility as an important development activity for their middle and senior managers. Staff mobility or rotation programs can involve regular staff movement, e.g. every 3 years, or alternatively, assignments for shorter periods such as between 6 and 12 months. These programs can provide varied and challenging work environments for staff and facilitate the development of a multi-skilled, knowledgeable and adaptable workforce.

6.28 While rotation programs were not found to be a prominent feature of staff development in agencies, some examples were revealed during the audit which should be mentioned. VicRoads introduced the *Young Engineers Scheme* which is used to rotate engineers within the organisation, and had previously operated the *Job Swap Scheme* which was designed to facilitate mobility among managers. Rotation had also been used in connection with basic training of new staff. In prior years, the Department of Agriculture had operated an induction program for extension staff which involved a number of placements. Following suspension of this program, the Department advised that it is planning to re-introduce extension officer training programs which incorporate a structured framework for the movement of officers through a number of activities.

6.29 A major impediment to the introduction of rotation programs, which was recognised by management and staff, is that in geographically dispersed organisations, staff are reluctant to accept movements which involve a physical relocation within the State. Notwithstanding the inconvenience associated with such relocation, most managers acknowledged that a rotational scheme would provide benefits to both themselves and the organisation.

6.30 To broaden staff skills and experience, agencies should consider benefits to be realised in promoting staff mobility through rotation programs. The policy of transferring staff to create a skilled and flexible workforce which can adapt to change, needs to be outlined in key selection criteria, employment contracts and agreements.

Specific assignments and corporate activities

6.31 It is generally recognised that involvement in activities such as working parties and specific projects, which have a corporate focus, can be beneficial both to an individual's development and in terms of increasing their value to the organisation.

6.32 The audit revealed that policies to utilise such activities within staff development strategies had not been fully developed by agencies, and practices varied between agencies.

6.33 In most cases, the allocation of personnel to task forces and special projects was primarily determined by the skills and abilities required for the job and staff availability, rather than also as a developmental measure. However, audit was informed that in some cases, staff were encouraged to participate in corporate activities such as working parties as part of their development. For example, in the Department of Agriculture the extent and range of planning activities provided considerable scope for staff involvement.

6.34 When opportunities arise for staff to be utilised on a working party or specific assignment, agencies should have a formalised approach to selecting candidates, not only on the basis of current skills and abilities to perform the required tasks, but also in the context of developing staff for future higher profile duties in the organisation.

External placements

6.35 Several managers identified the need for staff to improve their skills and knowledge by working in, or visiting, other organisations. Opportunities advocated by managers included:

- interchange with the Department of the Premier and Cabinet in order to develop policy skills; and
- secondments of research staff to industry and field positions located in Victoria and interstate.

Continuing education

6.36 Continuing educational activities are considered in most organisations to be of considerable importance in the longer-term development of staff. In particular, for certain professionals, such as veterinary officers and engineers, retention of their professional status requires the maintenance of a level of continuing education as defined by the standards of their professional associations. Apart from the direct benefits of continuing education to individuals, an agency's reputation and credibility may depend on the maintenance of the professional standing of staff where statutory responsibilities are attached to key positions. In addition, while the main theme in this Report focuses on agency and staff responsibilities in educational development, an important factor in this regard is the availability of appropriate study centres and programs at educational institutes.

6.37 The audit revealed that continuing education was widely supported, particularly in the Department of Agriculture and VicRoads, through:

- management encouragement to individuals in pursuing further education;
- the operation of study leave programs which provide assistance in the way of paid leave on a part-time or full-time basis; and
- subsidising educational fees in some cases.

6.38 In addition, significant co-operative relationships with tertiary institutions had been established to re-inforce the provision of educational programs such as:

- joint development by the Department of Conservation and Natural Resources and several TAFE colleges of an Associate Diploma course for technical officers;
- appointment of senior staff of the Department of Agriculture to associate professorships at certain universities;
- engagement of staff at the Food Research Institute of the Department of Agriculture in a range of work-based Masters and PhD studies, jointly supervised by the Institute and the university concerned; and
- the joint development with the Royal Melbourne Institute of Technology of VicRoads Executive Development Program.

6.39 Continuing education is an area regarded by agencies as important and to which they have substantial commitment. Agencies would benefit by encouraging staff to take responsibility for continuing career-long education and by making staff development requirements of professional bodies mandatory elements of staff employment contracts. Government agencies should be encouraged to liaise with educational institutions in regard to the provision of academic services that are appropriate to meet the needs of their workforce.

Performance feedback

6.40 Staff requirement for feedback was one of the instigating factors in each agency for the establishment of development review systems. Discussions with several staff revealed that the systems had been beneficial in this regard.

6.41 In audit opinion, management commitment to the maintenance of performance review systems, including performance appraisals, should be given high priority.

Intellectual exchange

6.42 Many training and development activities, particularly conferences and residential management courses, provide a forum which facilitates intellectual exchanges within and between organisations. Such exchanges are important to maintain knowledge, reinforce values, build networks and establish reputations.

6.43 The audit revealed that agency programs provided development opportunities for many staff through activities such as scientific seminars and conferences, external residential management programs, senior management forums and annual conferences of professional associations.

STAFF DEVELOPMENT STRATEGIES

6.44 Common practice in private and public sector organisations contacted by audit is to arrange training and development activities into individual development programs. In implementing the programs, it is generally recognised that, as with formal training courses, the various development activities are more effective if they serve a pre-determined need, are evaluated against clearly stated objectives and are consciously applied by the individual. Feedback on performance should be formalised, preferably in a learning contract.

Organisation of activities into development programs

6.45 Performance Development and Review (PDR) processes are the principal mechanisms used by agencies for determining staff development requirements and programs.

6.46 In examining the management of the PDR processes implemented by agencies, it was evident that in most cases these processes primarily addressed immediate skill needs to perform the responsibilities of the current job. The audit recognised that some non-training strategies such as temporary work assignments, external placements and public speaking at local events were identified in all agencies.

6.47 The audit found that:

- Development strategies generally focused on short-term needs related to current work activities rather than establishing longer-term development plans;
- The PDR schemes were not operating satisfactorily, in that the scheme had been discontinued in the Department of Conservation and Natural Resources and in the other 2 agencies more than 30 per cent of staff were not participating. Also, more than half of the staff surveyed in the latter agencies indicated that their PDRs did not include staff development goals and strategies; and
- With the exception of further educational activities and external assignments offered by the Department of Agriculture, development strategies predominantly emphasised training solutions, with little use of other development strategies.

6.48 Audit recognises that a number of factors inhibited the ability of agencies to utilise a variety of strategies as part of introducing development programs for staff. Particular matters included:

- guidelines for defining longer-term strategies had not been established by agencies;
- seminars and conferences were generally outside mainstream training and development program co-ordination;
- the review process, which involved confidential discussions between employee and immediate supervisor, did not facilitate development strategies requiring action outside the local work environment such as transfers or work experience assignments;
- while clearly documented programs existed for training opportunities, the range of non-training strategies available was not adequately conveyed to staff; and
- as many of the alternative development strategies absorb significant time, some managers may not consider their introduction to be feasible.

Needs analysis and evaluation

6.49 The audit revealed that use of the development strategies was generally not managed within a framework of needs analysis, learning objectives and subsequent evaluation. For example, agencies did not set objectives and evaluate the outcomes of using secondments and higher duties assignments.

6.50 To gain maximum benefit from utilising the range of staff development strategies which are available, agencies should:

- develop appropriate staff development policies and guidelines which emphasise the need to address long-term needs;
- establish a framework of needs analysis, prior learning objectives and evaluation; and
- publicise the various strategies which are available.

CAREER DEVELOPMENT

6.51 Career path planning or career management involves the matching of individual aspirations and development needs to organisational development and succession planning needs. Leading organisations currently place great emphasis on the role of each individual in managing his or her own career, while at the same time recognising the importance of career planning in order to maintain adequate skills at all levels and develop and make the best use of staff potential. An organisation can facilitate career development by the provision of an appropriate framework. Effective career management provides benefits for employees by alleviating the problem of professional obsolescence, maximising their prospects for career growth and improving their level of job satisfaction. Organisational benefits are also generated through improved workforce productivity, optimal placement of staff to make best use of their capabilities and reduced turnover of valued employees.

6.52 The audit found that minimal attention was given to career planning. Despite some positive elements, such as the implementation of the Annual Scientists' Assessment Panel process at the Department of Agriculture which addresses broad career paths for scientists and information dissemination by agencies, career development was not strongly supported in agencies. Also, the ability of staff to plan future career steps was inhibited by a lack of published career paths for particular disciplines and job categories and the absence of clear competency definitions for most positions.

6.53 In relation to organisational career management, agencies had not established adequate succession planning or manpower planning processes, and systems to formally assess career potential had not been developed. As such, there is a risk that in future the skills required for key specialist and management positions may not be available in the organisation. For example, there could be an emerging risk of this nature at VicRoads where the average age of senior management is in excess of 50 years and a formalised planning process had not been established to identify and develop staff for senior positions.

6.54 The audit also revealed that, while career planning had been recognised in the original aims of personal development review processes, less than 10 per cent of staff development reviews surveyed by audit had extended to career plans.

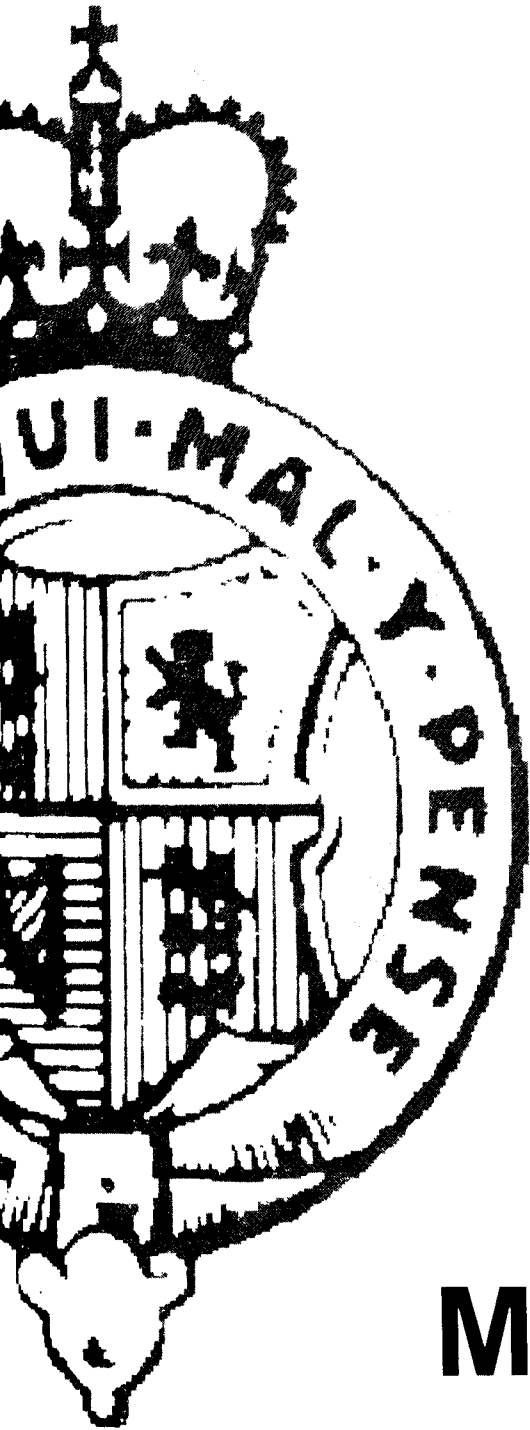
6.55 A major factor adversely impacting on career planning over recent years is the extent of organisational changes in the public sector. These changes have been accompanied by severe limitations on promotions and appointments imposed by workforce management restrictions applied to the budget sector. In addition, downsizing activities within agencies have greatly reduced the number of senior positions, a situation which is perceived by some staff as a barrier to career development.

6.56 Geographical dispersion of agency activities was also offered as a factor adversely affecting career planning in that staff were reluctant to pursue career choices which involved a change in work location. To address this situation, the Department of Conservation and Natural Resources advised audit that it has recently introduced conditions into employment agreements which outline the possibility that staff may need to be relocated.

6.57 To improve organisational effectiveness and efficiency, agencies should facilitate staff career development by:

- identifying a range of career paths to provide lines of career progression;
- assisting staff in career planning through career workshops and training in counselling techniques;
- establishing career planning as an element of the performance development review process, including the development of career plans which link individual and organisational needs;
- supporting organisational career management processes through the establishment of formal succession plans and critical skills inventories;
- establishing mechanisms for assessing employee latent attributes; and
- providing information on career opportunities, future business objectives, areas of growth, staffing needs, and the knowledge and skills required for positions.

Part 7



Management Framework

OVERVIEW

7.1 The effectiveness of training and development is critically dependent upon the organisational environment and the quality of management practices in place.

7.2 In evaluating the above factors against a framework of desirable management procedures for professional development established by audit, it was found that:

- the extent to which organisations had established strong corporate cultures varied between agencies;
- management were committed to the professional development of agency staff;
- agencies were in the process of establishing corporate and human resource development plans which focused on training and development;
- organisational structures inhibited the identification of skill needs and career paths for the professional development of staff;
- competencies and skill requirements were in the early stages of definition for critical positions;
- agencies need to establish systematic processes to evaluate performance as a means of guiding training and assessing its effectiveness; and
- management information systems were poorly developed.

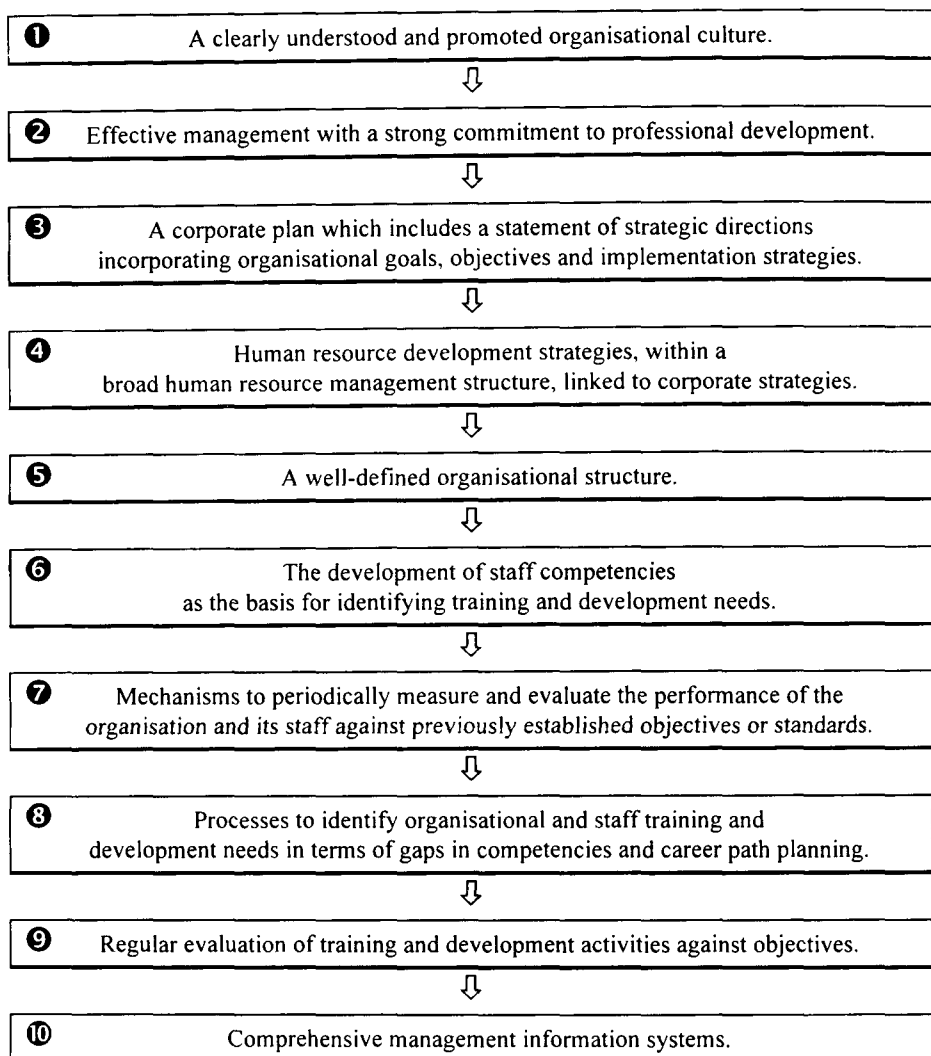
7.3 Audit considers that the desirable management procedures represented in the framework outlined in this Part of the Report should be considered by all public sector agencies in their pursuit of best practice in professional development.

INTRODUCTION

7.4 The discussions in Parts 5 and 6 of this Report indicated that if training and development activities are to be effective, they should serve both organisational and individual needs and be applied in the workplace to improve staff knowledge and facilitate behavioural change in order to enhance performance.

7.5 Training and development activities need to be delivered within an appropriate professional development framework if organisational and staff needs are to be effectively addressed and skills acquired from such activities productively applied in the workplace. Following audit research and detailed consultation with specialists, audit established a **framework of desirable management procedures** to provide a comparative standard against which to assess the practices in place for undertaking the training and development activities of the agencies reviewed. Chart 7A outlines this framework.

**CHART 7A
MANAGEMENT FRAMEWORK FOR PROFESSIONAL DEVELOPMENT**



7.6 Specific findings in relation to the management practices in place are detailed in the following paragraphs.

ORGANISATIONAL CULTURE

Introduction

7.7 Reference by audit to current literature and discussions with major organisations within the public and private sectors revealed that the *culture* of an organisation can generally be described as the values of the people within it, and their understanding of, and commitment to, the organisation's purposes, principles and policies.

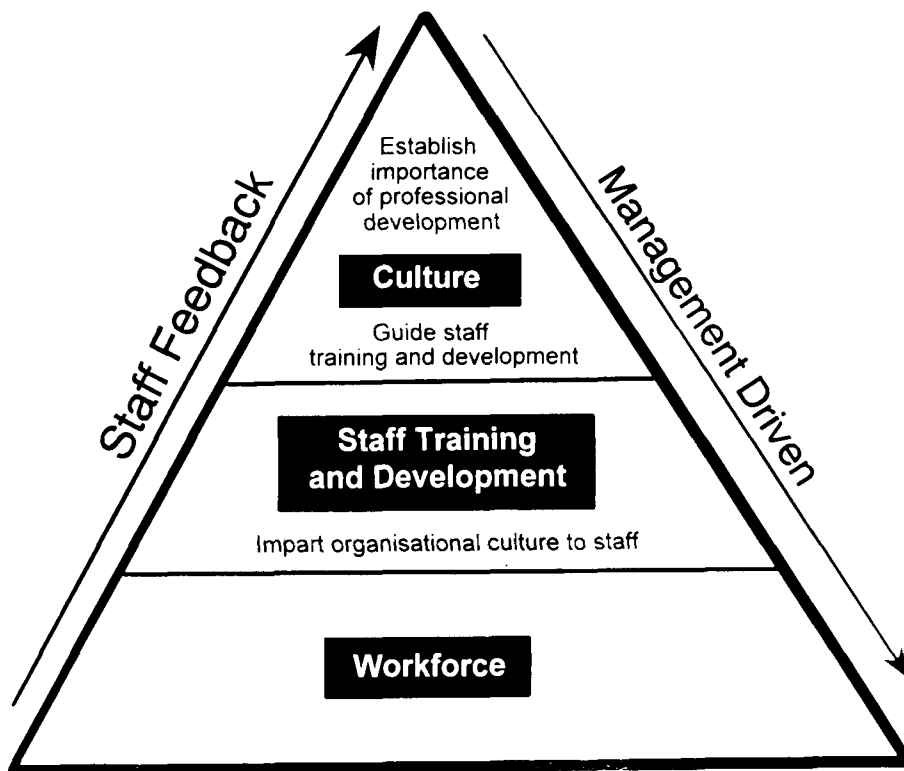
7.8 Published research shows that successful organisations have clear, distinctive and recognisable cultures which have often been deliberately and visibly fostered and are orientated towards the goals of the organisation. Alternatively, less successful organisations are usually characterised by the lack of a coherent culture or the existence of disparate cultures in different areas or at different levels within the organisation, which can result in staff uncertainty, misalignment of group, personal and organisational goals and low commitment to performance.

7.9 Organisational performance and even survival is dependent on the ability of organisations to adapt to and accommodate change. In this respect, the existence of a strong culture and management's commitment to this culture is critical to the organisation's ability to manage change.

7.10 Culture is important in the context of staff training and development activities as it can be used to establish the importance of professional development, create a learning environment and provide direction and purpose for these activities. Staff training and development activities can be used as a method of imparting organisational values and culture to staff and, through the provision of skills and knowledge, enable staff to adapt to and even take advantage of change.

7.11 Chart 7B shows the relationship between the culture of an organisation and staff training and development.

CHART 7B
RELATIONSHIP BETWEEN CULTURE
AND STAFF TRAINING AND DEVELOPMENT



Organisational values

7.12 The major organisational values identified to audit as desirable by the 3 agencies reviewed are outlined in Table 7C.

**TABLE 7C
ORGANISATIONAL VALUES**

<i>VicRoads</i>	<i>Department of Conservation and Natural Resources</i>	<i>Department of Agriculture</i>
■ Customer service	■ Quality service provider	■ Client focused
■ Quality service provider	■ Client focused	■ High quality service delivery
■ Professionalism	■ Responsible managers of environmental resources	■ Science excellence
■ Technical expertise	■ Personal culture of commitment	■ Performance oriented
■ Strong personal and management skills	■ Supportive of staff and their development	■ Personal culture of commitment
■ Performance oriented		■ Supportive of staff and their development
■ Supportive of staff and their development		

7.13 A number of commonly preferred values including customer service and quality in service delivery are evident in the above table. Of particular importance in respect of this Report was that support for staff development was recognised as an organisational value in all agencies. It was pleasing to find that these values were consistent with those currently promoted by the Public Service Commissioner and government policy.

Communication and promotion of culture

7.14 In order for staff to adopt the preferred culture, they need to be aware of the organisation's values. Senior management have an important role to play in developing and nurturing culture, through the communication of organisational values, beliefs and priorities to staff.

7.15 Methods commonly used to communicate and promote organisational values include:

- corporate plans;
- value statements;
- training courses;
- personal development reviews;
- internal literature; and
- staff meetings.

7.16 The use of the above communication methods varied between the 3 agencies. VicRoads used all of the above methods to communicate its desired values to staff. The Department of Agriculture made use of high level strategic plans, meetings, field days and personal contacts with its clients to promote values internally and externally.

7.17 In contrast, minimal action was taken by the Department of Conservation and Natural Resources to convey its organisational values to its staff. In particular, the audit found that:

- the Department's mission statement and statement of goals and objectives, while adequately outlining operational functions, did not include a statement addressing culture and organisational values;
- with the exception of courses specifically targeting new cultural priorities, audit was unable to identify any courses whose objectives included promoting organisational culture; and
- the Department had not effectively used its internal literature media to promote and reinforce its desired culture.

7.18 Although a strong distinctive culture had not been adequately developed, it is pleasing that the foundations of an effective culture now exist within the Department of Conservation and Natural Resources. For example, the audit revealed the existence of:

- clearly defined organisational functions with established goals and objectives which provide staff with a knowledge of the Department's business and future directions;
- high quality publications and visible achievements such as improved visitor facilities and recognisable uniforms; and
- initiation of meetings with staff to communicate values and directions.

7.19 Audit commends the 2 agencies whose cultures support staff development and promote a learning environment.

ROLE OF MANAGEMENT

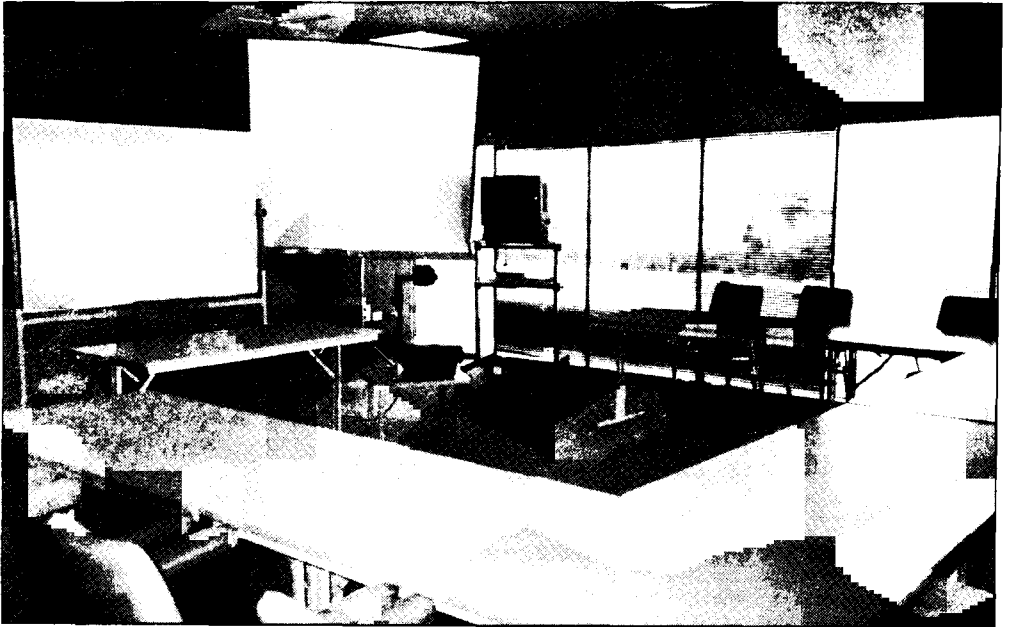
7.20 Management plays a key role in the training and development of staff, with the level of its support and commitment having a substantial influence on the success of this process. Discussions with organisations in the private and public sectors and researching of available literature, indicated that successful organisations are characterised by senior and line management who support the training and development function.

Senior management commitment to professional development

7.21 It was pleasing to find that action had been taken in VicRoads and the Department of Agriculture which demonstrated a strong commitment by senior management to staff and their development. Examples of such commitment included:

- development of culture and values statements, outlining the importance of staff development, which were included in corporate plans and, in the case of VicRoads, prominently displayed within the organisation;
- regular involvement by VicRoad's senior managers in people development activities such as opening training courses and seminars, giving presentations to staff and supporting the *Innovative Awards Scheme*, a scheme which rewards staff for the development of innovative mechanisms to improve productivity in the workplace;

- increasing the profile of training and development activities within VicRoads by providing specialist training facilities and placing greater emphasis on interpersonal and management training courses;
- development of a strong pervasive culture in the Department of Agriculture by managers to encourage staff to undertake training and further education;
- support for the Department of Agriculture's Annual Scientists' Assessment Panel which constitutes a significant investment to professional development in terms of senior management time; and
- establishment of personal development review schemes to identify and facilitate the provision of training and development activities.



Modern training facilities provided at VicRoads' West Gate Training and Conference Centre.

7.22 In addition, audit recognises that the Department of Conservation and Natural Resources has been subject to substantial organisational change during the past 3 years which has culminated in a significant restructure of the Department into 5 major business areas. Despite the operational difficulties during this period of change, senior management, in recognising the importance of professional development, has appointed a senior executive in each business area with responsibility for training and development.

7.23 **Audit is pleased that the senior management of the agencies reviewed have recognised the importance of training and development and have introduced a series of initiatives in this area.**

Line management commitment to professional development

7.24 As line management perform an important role in the identification of staff training and development needs and the facilitation of activities required to address these needs, their commitment to professional development is crucial.

7.25 In examining this issue across agencies, a strong commitment from line managers and supervisors to professional development was shown as:

- staff were encouraged to attend training courses and courses were sufficiently resourced;

- working environments were conducive to the application of skills acquired in training courses;
- most staff held the view that the primary responsibility for training was shared between management and staff; and
- many managers and supervisors assisted staff in the determination of training and development needs.

7.26 One aspect identified within agencies during this part of the review concerned the general absence of specific performance criteria within management employment contracts dealing with responsibility for professional development of subordinate staff. However, it was pleasing to note that VicRoads position descriptions placed a responsibility on non-executive managers for staff development.

7.27 The current level of line management commitment to professional development by agencies is commendable. In audit opinion, this level of commitment could be further enhanced by setting clear statements of responsibility for all levels of management in relation to professional development, which should be formalised in contracts and employment agreements.

People management skills

7.28 Effective managers possess strong people management skills, regard people as the most important asset of the organisation and are committed to professional development in order to improve productivity and performance of the organisation. This management approach involves assisting in the assessment of staff needs, providing resources for training activities, allowing staff time to participate in structured activities, establishing an environment in which staff can apply the acquired skills, supporting staff to learn on-the-job and creating opportunities for staff development.

7.29 In some organisations, especially those that mainly comprise staff with specialist skills, the majority of managers tend to be drawn from technical ranks. Without casting aspersions upon the managerial capacity of staff within the agencies reviewed, such organisations need to continually monitor whether adequate emphasis is placed on people management skills within their professional development strategies. Relevant matters for consideration include:

- people management skills needed to maximise staff potential;
- commitment and responsibility for staff training and development; and
- use of performance appraisals as a means to improve and develop staff performance.

7.30 By way of illustration, VicRoads was found to have introduced the following initiatives to address the dominance of technical staff in managerial roles:

- creation of business service manager positions within regions, which enabled non-engineers to be appointed to senior management positions; and
- provision of extensive training within a structured management development program which enabled managers with technical backgrounds to develop strong managerial skills.

7.31 In audit opinion, if adequate management training is not provided, especially in technical organisations, there is a risk that training and development activities for staff may not be given sufficient prominence as a workforce management practice.

CORPORATE PLANNING

7.32 A corporate plan identifies an organisation's broad goals and objectives and provide overall strategic direction by translating these goals and objectives into plans of action.

7.33 The effectiveness of organisations is determined by the extent to which they achieve their objectives. Training and development activities support organisations in the achievement of objectives by improving the performance of staff in undertaking the strategies established in the corporate plan. It is therefore necessary for a corporate plan to set clear direction for activities relating to human resource development.

7.34 Corporate plans developed by VicRoads and the Department of Agriculture incorporated statements emphasising the importance of people to their organisations and the commitment given to staff development. These statements clearly demonstrated that staff development is an important objective of these organisations. The VicRoads corporate plan also included strategies which established and promoted its corporate culture and values and made some reference to people management.

7.35 The audit revealed that, although all agencies reviewed had developed corporate plans, these plans did not generally include specific strategies designed to achieve corporate objectives relating to the professional development of staff.

7.36 In order to ensure that training and development activities are used in an effective manner to assist agencies in the achievement of their overall goals and objectives, corporate plans should be sufficiently detailed to provide directions and guidance in the determination of staff training and development needs.

HUMAN RESOURCE DEVELOPMENT STRATEGIC PLANNING

7.37 During the course of this review, audit consulted with certain Federal Government agencies and considered recent developments at the Federal level on human resource development issues.

7.38 Accepted practices at the Federal level require human resource development strategy plans which identify the key training and development activities needed for an organisation to achieve its corporate objectives. In complex, multi-functional and regionalised organisations, such as the agencies reviewed by audit, these plans are likely to exist at 3 distinct levels, namely:

- an organisational-wide plan which identifies broad goals and objectives, establishes organisational-wide training programs and defines responsibilities for training units;
- divisional or program level plans which document the training and development activities required to address the corporate strategies and local needs; and
- plans at line management level which address the individual needs of staff.

7.39 A joint publication of the Federal Public Service Commissioner's Management Advisory Board and Management Improvement Advisory Committee entitled *Strategic Planning for Training and Development*, February 1993, sets out the following 6 characteristics of an effective human resource development plan:

- an outline of the organisation's operating environment;
- a description of particular corporate goals and objectives, the achievement of which depends on training and development activities;
- identification of priority areas for training and development;

- details of the human and financial resources required for professional development;
- assignment of management responsibility at all levels for the training function; and
- establishment of mechanisms to monitor and evaluate training and development activities.

7.40 The audit found that it was only in recent times that the 2 departments had engaged in human resource development strategic planning. In this regard, the Department of Agriculture developed such strategies in 1993-94 for the first time, and the Department of Conservation and Natural Resources is yet to adopt its 1992 draft strategy.

7.41 The absence of appropriate human resource development strategic planning by most agencies until recently has adversely impacted on the effectiveness of their training and development activities in that:

- training and development programs have not been established or adequate technical training provided for all major functions identified in corporate plans such as National Parks and Flora and Fauna Management in the Department of Conservation and Natural Resources and important areas of agricultural standards and regulation in the Department of Agriculture;
- agencies have concentrated on their short-term needs, resulting in a greater emphasis on job-skill training compared to longer-term development activities;
- differences between desired and actual skills have arisen in a number of areas and occupations within agencies, e.g. skills gaps in some industry areas such as certain senior dairy industry positions have been identified by the Department of Agriculture;
- the absence of clearly defined direction for training and development and lack of dedicated resources identified in a human resource development strategic plan may have contributed to the non-completion in past years of certain major initiatives in the Department of Conservation and Natural Resources; and
- there was a general absence of succession planning.

7.42 To assist agencies in effectively achieving their corporate goals, it is essential that human resource development strategies, which include priority areas for training and development and appropriate management processes, be established.

ORGANISATIONAL STRUCTURE

7.43 A well-defined organisational structure outlining positions, roles, duties and relationships is an important catalyst for the identification of appropriate staff, their skill needs and career paths and staff development planning. It is essential that the structure be linked to the organisation's corporate objectives and desired outcomes.

7.44 The organisational profiles of government departments and some statutory authorities such as VicRoads have traditionally been characterised by:

- hierarchical structures which are principally based on positions and not people;
- position descriptions developed according to public sector formats; and
- work values and salary levels derived from assessments of duties associated with positions rather than the outputs of position holders.

7.45 Audit considers that there are a number of problems inherent in the above characteristics, namely:

- The rigid nature of the position-based structure makes it difficult for agencies to respond to environmental changes, e.g. varying demands for services from their customers and the Government, which in turn restricts implementation of any necessary changes in direction for training and development activities;
- Where positions are not linked to outputs, an objective method of determining staff performance cannot be established and, as such, there is likely to be an inadequate basis for the identification of appropriate training and development needs;
- The position-based structure limits flexibility in career development for specialist staff as it provides career progression aligned mainly to increasing managerial responsibilities rather than enhancing performance in the field of speciality. Restricted career development opportunities for specialist staff can lead to the loss of key expertise; and
- With a reward system which is not performance-based, there is limited incentive for staff to undertake training and development activities in order to improve performance.

7.46 The weaknesses outlined above have largely been overcome for most science officers in the Department of Agriculture by the introduction of the Annual Scientists' Assessment Panel (ASAP) process and the creation of new principal scientist classifications. The ASAP process allows for the promotion of scientists in recognition of demonstrated work achievements. The combination of the ASAP process and the new principal scientist classification levels has broadened potential career development opportunities for scientists.

7.47 If government agencies are to provide an appropriate environment in which training and development activities can be effective, they should:

- **establish organisational structures which link positions with outputs and results;**
- **develop staff remuneration frameworks which reward performance;**
- **review their current structures in order to identify changes which introduce more flexibility and provide management with greater scope to adapt to change; and**
- **consider the introduction of career paths for non-management staff, within each staff category.**

7.48 It is pleasing for audit to acknowledge that the initiatives currently under development by the Office of the Public Service Commissioner and through the Government's Management Improvement Initiative, which were addressed in Part 4 of this Report (and in particular Tables 4A and 4B), are designed to overcome the traditional weaknesses in public sector organisational frameworks described by audit in the above paragraphs.

7.49 These initiatives include:

- **introduction of a broad-banded classification structure for non-executive staff, which establishes 5 remuneration bands;**
- **movement towards a people-based rather than a position-based job classification system;**
- **flatter management structures; and**
- **provision for performance bonuses for certain non-executive salary bands.**

STAFF COMPETENCIES

7.50 Competency refers to a person's ability to perform at a satisfactory level in the workplace. According to literature examined by audit, the importance of setting competencies as the basis for defining job requirements, establishing performance standards and determining training needs is becoming increasingly recognised by major industry groups, professional associations and public and private sector organisations. The National Training Board, established by the Federal Government, has developed an Australian Standards Framework of 8 competency levels to serve as benchmarks for competency standards. Competency is defined within the framework as "*...the specification of the knowledge and skill and the application of that knowledge and skill to the standard of performance required in employment*".

7.51 As emphasised throughout this Report, training and development are key mechanisms used to improve the effectiveness of staff and organisational performance. A comprehensive set of competencies for all jobs within an organisation provides an appropriate benchmark for performance evaluation.

7.52 It is essential that competencies for jobs:

- be objective and measurable;
- provide sufficient details to clearly define the requirements of the job;
- be capable of consistent application across the organisation to facilitate staff movement;
- recognise prior learning of staff; and
- be based on the quality and quantity of output, rather than simply outlining the skills required for the job.

7.53 In the 3 agencies reviewed, audit found that, while position statements specified duties, qualifications and key selection criteria, the identification of properly defined competencies for major business and service support areas (with the exception of the Fire Training Management System in the Department of Conservation and Natural Resources) was at an early stage in that:

- VicRoads had developed 10 key generic competencies which included personal qualities, communicating ideas and information, and planning and organising activities. VicRoads had commenced work on specific staff competencies within its major operational areas; and
- The Department of Conservation and Natural Resources had commenced development of a competency structure, drawing on the core competency framework introduced in the Australian Public Service.

7.54 Audit acknowledges that traditional position statements have contained some degree of skill definition for a wide diversity of position descriptions. In the absence of the development of competency frameworks, agencies have not established consistent staff performance standards, and adequate career paths for all occupations. As such, agencies are not in the best position to ensure that staff training and development needs are adequately addressed.

7.55 While defining staff competencies can be a difficult, time consuming and costly process, audit considers that properly developed competencies are an important basis for effective training and development. To control the potential overheads in developing competencies, agencies should initially concentrate their efforts on major functional areas that attract the highest risk.

REVIEW OF ORGANISATIONAL AND STAFF PERFORMANCE

Organisational performance

7.56 As indicated in Part 5 of this Report, an assessment of performance requires the establishment of mechanisms that periodically measure an organisation's outputs and outcomes against its established objectives. This process requires the development of organisational objectives, performance indicators and targets, and appropriate information systems.

7.57 The importance of ongoing performance evaluation has been reinforced by the Government's Integrated Management Cycle. This Cycle, which is a key element of the Government's reform framework, establishes a fixed calendar for planning, resourcing, reviewing and reporting by government agencies.

7.58 The Government's emphasis for agencies to be clearly accountable for the services they provide, requires them to take greater responsibility for program evaluation.

7.59 Notwithstanding that, as recognised elsewhere in this Report, several mechanisms were in place in agencies to provide ongoing feedback on performance in some areas and a number of detailed organisational reviews had been undertaken, it is audit's view that in line with the thrust of the Government's Integrated Management Cycle, there is a need for further development of strategy plans and evaluative mechanisms within agencies. In this regard, the absence of clearly defined objectives and risk assessment strategies, established performance indicators, targets and management information systems for all major operational areas has impacted on the ability of agencies to review their performance and thereby adequately define training and development needs.

7.60 In addition, it was not always evident that the findings of detailed performance reviews on specific subject matters had been assessed in terms of ramifications for future training and development strategies.

7.61 In the absence of appropriate evaluative mechanisms, there is no objective basis to identify significant risks or other factors impacting on operational performance as well as any related implications for training and development.

7.62 It was, however, pleasing to find that in each of the agencies reviewed, attention was being given to developing objectives, performance indicators and targets, and determining strategies to evaluate organisational performance.

7.63 As indicated earlier, organisational performance evaluation is a primary method of assessing training and development needs and is an important means of identifying and evaluating training and development activities. With this in mind, **government agencies need to maintain ongoing evaluative mechanisms which compare operational performance against established standards and similar organisations.**

7.64 As part of this process, agencies should consider, prior to finalising their measures to evaluate organisational performance, the need to establish:

- risk assessment processes;
- formal processes to ensure performance deficiencies identified in organisational reviews and risk assessments are addressed through the creation of training and development activities;
- regular customer and staff surveys to obtain information on the effectiveness of service provision; and
- management information systems to collect and periodically generate performance information for management review.

Individual performance appraisal and development review

7.65 The commonly-accepted practice for managing individual performance is through an *individual performance appraisal and development review process* which involves both a periodic, formal appraisal of performance and regular less formal staff/supervisor communications. The process provides a forum for discussing immediate performance problems and longer-term development issues, identifying training and development needs and, where appropriate, strategies to improve performance.

7.66 To be effective, the review process requires agreement between staff and management on what is expected of staff in terms of tasks and competency levels in the short-term, and of defined career paths in the longer-term. Appraisal of staff performance against these expectations leads to the development of improvement strategies, involving training and development activities, which are usually outlined in the personal development plans.

7.67 Performance appraisal in the public sector can facilitate staff training and provide opportunities to develop staff for higher positions by:

- highlighting development potential or any skill deficiencies which can be addressed by training and development strategies; and
- identifying exceptional performance or development in terms of the expansion of responsibilities.

7.68 It was pleasing to find that the performance development review (PDR) processes established in VicRoads and the Department of Agriculture were useful in:

- improving individual staff performance;
- facilitating training activities to address staff needs;
- increasing the level of communication between staff and their supervisors; and
- assisting agencies in promoting their culture and values.

7.69 However, the audit disclosed that agencies had not maximised the potential benefits that could flow from their investment in implementing individual PDR schemes in that:

- the scheme established at the Department of Conservation and Natural Resources, which was subsequently abandoned, focused on the identification of training and development needs and lacked a performance appraisal element;
- the PDR schemes in the agencies reviewed focused primarily on training activities, with little emphasis given to other non-training solutions such as job rotation and higher duty assignments;
- in the absence of properly defined competencies, agencies did not have an objective basis for assessing staff performance;
- one in 3 staff responding to the audit survey had not completed PDRs; and
- the effectiveness of the PDR schemes was not regularly evaluated.

7.70 Apart from the use of PDR schemes, the audit identified a number of initiatives which had been taken by the agencies to determine particular training and development needs, including:

- an objective assessment of staff needs for fire services, based on comparison of staff performance with established competencies, in the Department of Conservation and Natural Resources;
- use of training consultants in VicRoads and the Department of Conservation and Natural Resources to assist line areas to identify and clarify training needs;

- a detailed needs analysis by the Department of Agriculture to initiate changes to its Annual Scientists' Assessment Panel process; and
- an annual needs analysis survey by the Department of Agriculture to develop the extension skills training program.

7.71 To maximise the benefits derived from the substantial investment in training and development and thus enhance the effectiveness of these activities, government agencies need to:

- **establish appropriate PDR schemes which:**
 - **assess staff performance, preferably using established competencies as evaluative criteria;**
 - **identify training and development needs;**
 - **include strategies to address the training and development needs identified; and**
 - **incorporate career development goals and plans;**
- **continue to improve PDR schemes through periodic reviews; and**
- **make greater use of other mechanisms for reviewing staff performance, such as staff surveys, to assess training and development needs.**

EVALUATION OF TRAINING AND DEVELOPMENT

7.72 In Parts 5 and 6 of this Report, audit commented that, while many organisations within both the private and public sectors maintained records of training and development activities, the efficiency and effectiveness of such activities was rarely evaluated. Audit emphasised that if the public sector is to be a leader in management best practice, the outcomes of training and development programs, in terms of improved performance, need to be subject to ongoing evaluation.

7.73 Training and development activities involve a significant amount of departmental expenditure. As with other investments, these activities should be evaluated to ensure that funding provided is used in the most efficient and effective manner.

7.74 As previously mentioned by audit, the evaluation of training in the Department of Agriculture and the Department of Conservation and Natural Resources consisted largely of identifying participant reactions through the use of course evaluation sheets and did not extend to assessment in terms of improved skills and achievement of organisational outcomes. In addition, on-the-job training and staff development activities were not evaluated in any of the agencies.

7.75 VicRoads by contrast, in recognising that scarce resources should only be invested in training activities where it could be demonstrated that there was a positive return to the organisation, has implemented its *Skills Development and Learning Contract* initiative to evaluate training activities in enhancing staff skills and knowledge.

7.76 In view of the significant amount of expenditure on training and developmental activities, agencies need to put in place adequate evaluative processes to determine whether their investment in training and development programs has been cost-effective.

MANAGEMENT INFORMATION SYSTEMS

7.77 In implementing a professional development program, it is important for an organisation to maintain comprehensive information systems which:

- record training and development activities and expenditure to enable the cost-effectiveness of these activities to be evaluated;
- provide an inventory of skills in the organisation; and
- support the planning of training and development programs in the context of addressing current and forecast skill gaps, and requirements expressed in staff development plans.

7.78 Audit found that in establishing a high level of management delegation to operating units, the 2 departments had not implemented information systems at a corporate level to ensure adequate central monitoring of training, development, skills and costs. Due to the widespread responsibilities of the agencies reviewed, decentralised training and development information systems were operated separately by divisions, regions and institutes. Training records varied in terms of level of detail and reliability.

7.79 In addition, the audit review disclosed several deficiencies in information systems maintained by agencies for training and development, including:

- absence of records of activities undertaken;
- lack of aggregated needs identified in PDRs; and
- minimal recording of costs including those relating to salaries, accommodation and travel.

7.80 During the review, audit found large variations in the amount of training received in the Department of Conservation and Natural Resources, with some staff having no formal training over 10 years of service, while others had in excess of 10 training activities in one year. Because of weaknesses in the Department's information systems, there was no evidence available to audit to indicate that the Department had confirmed that such variations were consistent with the training needs of the individuals concerned.

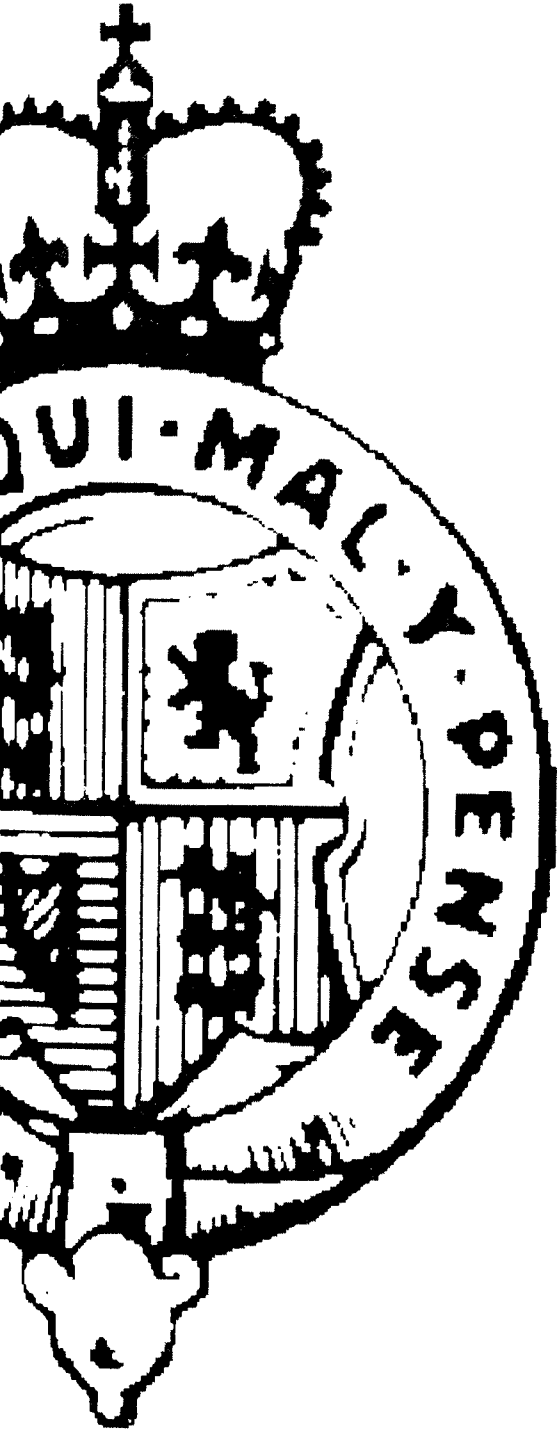
7.81 It was pleasing to find that, despite the poor quality of information systems in the past, all agencies were in the process of implementing new human resource information systems.

7.82 Agencies need to establish comprehensive management information systems to enable the consolidation of reliable and timely information regarding training and development activities for management and planning purposes.

□ **RESPONSE** provided by Secretary, Department of Transport

VicRoads, as part of the implementation of the Program and Resource Management System, is developing the required comprehensive information system to consolidate information on training and development activities. It is planned to implement this part of the system in March 1995.

Part 8



Intellectual Capital

OVERVIEW

8.1 Various environmental factors have impacted on the ability of agencies to effectively manage their intellectual capital. These factors include general constraints imposed by the public sector regulatory structure, successive periods of recruitment and promotion restrictions and, in recent years, significant budget constraints and downsizing policies.

8.2 In the absence of appropriate management information systems in agencies, audit was not in a position to assess the impact of the above factors on the standard and level of intellectual capital. Comment has therefore concentrated on the management of staff additions and departures. With this in mind, the audit revealed that:

- agencies had not maintained comprehensive statements of their skill requirements;
- following a period of recruitment restrictions, agencies were re-establishing intake schemes to further develop their stock of intellectual capital; and
- although agencies considered they had managed departure programs with great care, the sheer magnitude of the departures and the voluntary nature of the programs is likely to have resulted in a significant loss of skills and experience.

INTRODUCTION

8.3 Earlier parts of this Report have concentrated on the role of professional development in skilling and developing staff in relation to work requirements and to improve organisational performance. In a long-term sense, professional development is also an important factor in developing and maintaining the prime asset of any organisation, its stock of intellectual capital. As indicated earlier, intellectual capital refers to the collective mental capacity and accumulated stock of skill, knowledge and experience of the workforce in line with the defined core competencies of the public sector. Organisations, especially in scientific and technical fields, are critically dependent on securing a high quality specialist workforce. In addition to the development of existing personnel, the management of intellectual capital involves the assessment of current and future skill requirements, the acquisition of appropriate skills into the organisation through recruitment and the management of losses from departures.

8.4 The Victorian Commission of Audit, in its report of May 1993 on the condition of the Victorian public finances, drew on the experiences in New Zealand which showed that if the public sector is to be restructured significantly and new levels of responsibility established, financial management information systems and reporting processes will need to be upgraded. In such an environment, appropriate financial and accounting skills will be required. The Commission of Audit suggested that, as the economic climate in Victoria was similar to that which existed in New Zealand, there was a need for an infusion of financial and accounting skills into the Victorian public sector.

8.5 Generally recognised high priorities for intellectual capital focus on management and key professional skills. The importance of maintaining an adequate level of intellectual capital in an organisation is well illustrated in the Department of Agriculture, where external recognition of the standing of the Department's science quality is a key factor in international acceptance of the standard of Victorian food products and local acceptance by farming industries of agricultural improvement programs promoted by the Department.

8.6 The former Victorian Public Service Board introduced several schemes to assist agencies improve their intellectual capital, including the former Administrative Trainee Scheme, interchange programs and the Management Improvement Program. More recently, the Office of the Public Service Commissioner has introduced a Graduate Recruitment Scheme.

KNOWLEDGE OF SKILL REQUIREMENTS

8.7 Maintenance of an overall description of skill needs is an important basis to enable organisations to assess the impact of any future staff losses, recognise potential skill gaps and determine recruitment and development strategies to maintain required skill levels and address new priorities.

8.8 In examining this issue, audit found that agencies had not developed profiles of skill requirements, intellectual capital planning processes or mechanisms to address current and potential skill gaps. In general, agencies managed skilling through dependence on individual managers to identify and resource their immediate needs, with less emphasis on forward planning in terms of the organisational profile.

8.9 However, the need for a more systematic management of critical skills was recognised by the Department of Agriculture, following the identification of skill gaps in certain industry areas. In response to these findings, the Department is reviewing the key skill needs of industry areas and several scholarships have been established in collaboration with industry bodies. Other skilling needs identified by agencies to audit centred on commercial and marketing skills.

8.10 The recent reorganisation in the Department of Conservation and Natural Resources involved a complete re-definition of the staffing structure and skill requirements for all positions. Appointments to all positions have been made on the basis of merit, following advertisement and selection processes. These processes have enabled the Department to define its skills requirements and facilitated its capacity to meet future challenges.

8.11 All government agencies should maintain a profile of key skill requirements as an aid to effectively managing their development needs in terms of intellectual capital.

RECRUITMENT OF INTELLECTUAL CAPITAL

8.12 Intellectual capital needs to be regularly replenished by replacing skill losses, maintaining an appropriate staffing profile and improving the existing skill base. In addition, it is generally recognised that an intake of new staff enables organisations to access the enthusiasm, drive, vitality and new ideas which recruits bring with them.

8.13 Although economic stringency and challenging workforce reduction targets have affected agencies in recent years, the need for new staff intakes, despite the prospect of continuing downsizing, has been recognised. This reflects both an acknowledgment of the succession problems caused by the absence of new intakes over several years, and the value of such intakes to an organisation.

8.14 The recent redeployment programs, which have accompanied public sector downsizing, have been perceived by agencies as inhibiting recruitment due to pressure to redeploy staff. While such redeployees may meet basic work requirements, they do not necessarily bring new ideas and enthusiasm, and may not have high development potential. Recruitment of new staff, particularly graduates, was virtually abandoned across the Victorian Public Service for several years, although the Department of Agriculture has been able to employ new graduate and post-graduate scientists in temporary positions on funded projects.

8.15 Some consequences to agencies of the staff reduction pressures and staffing controls are listed below:

- VicRoads has not recruited base-level staff for 5 years as a result of its staff reduction program and, in the absence of appropriate ongoing recruitment, is at risk of failing to benefit from the infusion of new ideas;
- Recruitment of permanent scientists by the Department of Agriculture in recent years has been restricted to specific funding initiatives which contrasts sharply with its substantial recruitment programs in previous years involving between 20 and 40 new science graduates annually under cadetships and specific induction programs. As a result, it has been necessary for the Department to recruit scientists on a temporary basis without adding to its stock of intellectual capital; and
- Staffing figures in the Department of Conservation and Natural Resources indicate gaps in particular levels of experience due to periods without recruitment.

8.16 In addition to policy and economic constraints, audit identified several other factors which affect the ability of agencies to increase intellectual capital through the engagement of new staff, namely:

- the level of salaries, remuneration structures and career prospects within the public sector;
- the general availability of skilled, educated talent, which is ultimately dependent on the attractiveness to school leavers of particular employment fields, such as agriculture, forestry, civil engineering, minerals, economics or social work; and
- the nature and challenge of work opportunities and environment and the reputation of the agency as perceived by potential employees.

8.17 The Department of Agriculture advised audit that it had experienced difficulty recruiting high quality senior staff to new principal scientist positions due to inadequate salary levels.

8.18 The likely future shortage of skilled scientists in agriculture and related areas was identified 4 years ago as a key issue in the Department of Agriculture's review of research activities. For some positions, the Department negotiated secondments of overseas specialists, following worldwide searches to fill senior vacancies. A specific benefit of these secondments was the imparting of specialist skills and knowledge to departmental staff. In addition, the Department has created a modern, well-equipped research facility at its Food Research Institute which is at the forefront of an emerging area of significant research activity.

8.19 The audit revealed several initiatives taken by agencies to establish new staff intake programs in that:

- VicRoads re-commenced its recruitment program, with the planned engagement of 100 new staff in 1994-95;
- the Department of Agriculture recently re-established a limited entry strategy involving a cadetship program for 5 cadets in 1994; and
- the Department of Conservation and Natural Resources, in addition to opening its positions to applicants outside the Department, is participating in a public service-wide Graduate Recruitment Scheme.

DEVELOPING EXISTING INTELLECTUAL CAPITAL

8.20 In the long-term, an organisation's intellectual capital depends largely upon optimising the development of the inherent potential of its existing staff. Training and development activities, discussed earlier in this Report, are key elements underpinning this objective. The concept of intellectual capital emphasises the longer-term view of overall organisational skills to meet future challenges.

8.21 Organisations are beginning to realise that, in an environment of changing requirements, intellectual capital is more effectively and efficiently maintained through staff flexibility. Organisations contacted by audit recognised that strategies, involving detailed workforce planning based purely on numbers of specific specialists, created undue staff specialisation and the need for staff turnover or retraining in response to changes in organisational needs. In recognition of the high cost investment in each employee, organisations are now emphasising the need for staff, who have the potential, to develop in a number of areas and to continue to extend their learning. This trend is supported by professional development strategies which include general education, multi-skilling and staff mobility.

8.22 Such strategies are intended to enable organisations to maintain the value of their existing workforce as business needs change.

8.23 From an intellectual capital perspective, consideration should be given to implementing the following strategies:

- **broadening education and training programs, beyond serving the immediate skill needs of current work priorities;**
- **encouraging individual staff to continue their own education; and**
- **rotating staff within the organisation.**

STAFF DOWNSIZING

8.24 Staff departures in an environment of recruitment restrictions can be a major cause of decline in intellectual capital unless carefully managed.

8.25 As a consequence of government policy to substantially reduce staff numbers in the public sector, staff levels in the agencies reviewed have declined by an average of 40 per cent since 1989, with the largest reduction of 57 per cent in VicRoads. Staffing has been reduced by approximately 5 700 in the 3 agencies reviewed, with early retirement packages and voluntary departure packages accounting for 72 per cent of this reduction.

8.26 In the absence within the agencies of skill requirement profiles and skills databases, audit was not able to assess whether the introduction of departure packages had a detrimental impact on agencies' intellectual capital. Analysis of departure records did, however, reveal that the significant number of departures included highly classified staff with substantial experience.

8.27 Some examples of staff departures are listed below:

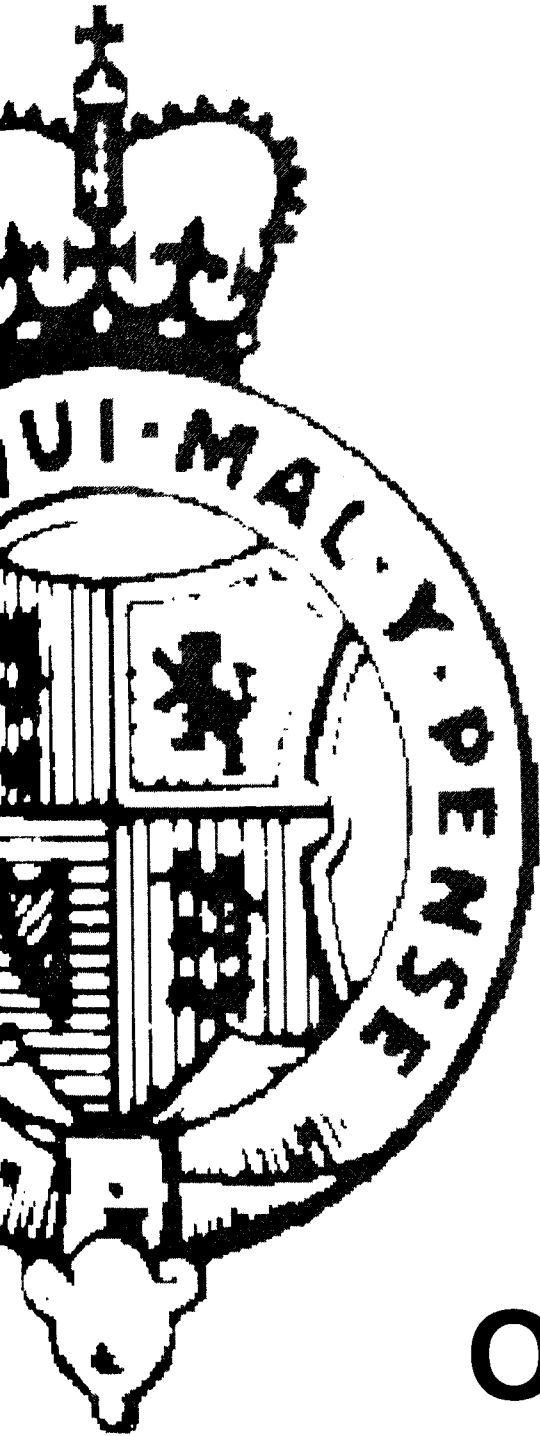
- Department of Conservation and Natural Resources - 216 staff with over 20 years of service;
- Department of Agriculture - 352 departures, with a broad spread of experience ranging from 2 years to over 25 years; and
- VicRoads - 421 staff with in excess of 25 years of service.

8.28 Audit was informed by the agencies that applications for departure packages were subject to stringent review processes by management to ensure that critical skills were not lost through the departure package schemes. Audit was also advised that, although experienced staff have ceased employment with the agencies, they have not in all cases been lost to the programs concerned. For example, many of the staff who left VicRoads are now employed by private sector organisations which provide services to VicRoads under contractual arrangements. In addition, specialist staff leaving the 2 departments have been employed in agricultural, timber and other industries, and the Department of Agriculture has traditionally been regarded as a source of skilled people for agriculture.

8.29 While recognising the above factors, audit considers that the absence of documented statements of agency skill needs and lack of records of staff skills and experience may have prevented agencies from adequately evaluating their skill losses in the context of total organisational needs.

8.30 As departures of the magnitude experienced in recent years within the public sector inevitably involve the loss of staff with many years of experience, it is reasonable to conclude that there will have been a diminution of skills at various levels. Experience leading towards the year 2000 will demonstrate whether, in fact, agencies have retained the necessary expertise to competently and critically manage outsourced work programs and accomplish more with less resources.

Part 9



Outsourcing

OVERVIEW

9.1 With the Government's emphases on improved efficiency, reduced staffing levels and core business activities in public sector agencies, training services are among those non-core activities which should be considered for outsourcing, either as an entire function or specific courses.

9.2 In considering outsourcing all or part of a training function, agencies need to ensure that appropriate contract management principles are applied in evaluating proposals, including the continued use of in-house resources, so that the most cost-effective alternative is chosen and any possible conflict of interest in the engagement of external providers is avoided.

9.3 While all agencies utilised external service providers in various ways, the audit focused on VicRoads due to its extensive use of external services and its recent detailed evaluation of outsourcing options. Approximately half of VicRoads training expenditure is incurred on the provision of external training through the engagement of up to 10 external providers in any one year.

9.4 The audit revealed that an internal review by VicRoads recommended against increasing the level of outsourcing in relation to the training function due to the current high level of outsourcing and the competitiveness of existing internal services. In respect of existing outsourcing on a specific course basis, the audit observed a reliance on experience and history in the management of external training consultants with a lack of formalised competitive tendering procedures for engagement.

INTRODUCTION

9.5 A key element in the Government's economic reforms relates to public sector agencies becoming more competitive. Outsourcing or contracting-out in-house services and support activities to specialist firms in the private sector is aimed at delivering government services to the public at the most competitive cost without sacrificing quality. Outsourcing is designed to enhance productivity, improve service delivery and contain costs. The training function is one of the autonomous operations of agencies potentially suitable for contracting-out, either totally or in relation to the presentation of specific training courses.

9.6 Of the agencies covered in the audit, VicRoads made extensive use of external consultants to conduct training, when compared with the other organisations. As such, this part of the Report is mainly devoted to the examination of management practices applied by VicRoads in the use of external training contractors.

9.7 To assess the management processes followed by VicRoads in engaging external consultants to conduct training courses, audit established the following criteria of desirable management procedures for an outsourcing arrangement:

- preparation of a business proposal to support each outsourcing decision;
- the decision to outsource compared with retention of in-house services be supported by the preparation of a cost-benefit analysis which takes account of the following matters:
 - in **economic terms**, comparison of benchmark costs of the specified function to be contracted-out with the estimated contractor costs;
 - overhead allocations relating to rent, use of the management information systems and cost of capital;
 - an assessment of who will bear the risks of the contract, e.g insurance and indemnities;

- costs associated with the tender process, contract administration and termination costs of redundant employees;
- **qualitative factors** such as:
 - defined performance standards;
 - differences in the organisation's risk exposure (pre-and post-contracting-out);
 - labour relations position;
 - ability to keep pace with various environmental and technological changes in the function;
 - financial stability of the contractor; and
 - timeliness of delivery.
- the use of a tendering process for the engagement of external consultants, and internal service providers given an opportunity to provide a tender;
- evaluative criteria based on competency, technical and cost considerations developed for the selection process;
- evaluation of tenderers by selection panel and formal approval of engagements by senior management;
- completion of a service agreement between the government agency and the selected consultants to protect the interests of the Government;
- where training is to be provided on a continual basis, the market is to be tested in each case and contracts not automatically rolled-over;
- the availability to the government agency of personnel skilled in contract management and who possess an understanding of the attributes of quality in the area covered;
- where possible, the engagement of more than one organisation in order to promote competition; and
- ongoing monitoring of the performance of contractors against the respective obligations under the service agreement.

OUTSOURCING EVALUATION

9.8 As part of its policy of evaluating the outsourcing of a number of its internal activities and services, VicRoads reviewed the potential to outsource its training function. The review, in early 1994, revealed that it was important for strategic reasons to retain in-house the training **management** function which includes activities such as determining the direction of training, identification of needs and measurement of effectiveness. Nevertheless, the **delivery** of training was considered appropriate for a detailed outsourcing investigation.

9.9 Given the Government's objective for agencies to investigate the appropriateness of outsourcing non-core activities, it was pleasing to find that VicRoads had conducted a detailed outsourcing review of its training function. The recommendation of the review team was that the training unit should be retained in its current form. This decision was primarily based on the fact that 55 per cent of training expenditure was already allocated to the engagement of external consultants and that further outsourcing would not generate significant cost savings or significantly improve the standard of training provided.

9.10 Although VicRoads recognised that the use of external consultants was in some cases more expensive than internally provided training, some training activities were outsourced as these consultants provided specialist knowledge and breadth of experience in the private and public sectors.

9.11 The audit examination of the processes adopted by VicRoads in its outsourcing evaluation disclosed the following:

- the review was undertaken in accordance with the guidelines established by VicRoads and its recommendation was subject to approval by the Corporate Management Group;
- to establish the efficiency and effectiveness of the internal training operation, VicRoads conducted a benchmarking exercise with 20 leading organisations;
- some overhead costs such as rental on the training facility, catering, administration of course nominations and printing costs were identified but excluded from the review on the basis that in the short-term these costs would continue to be met by VicRoads, regardless of the decision to outsource;
- costs associated with the displacement of employees as a result of contracting-out training services, such as redundancy payments or relocation costs, were not included in the review as externally provided services were already more expensive than internally provided services before the inclusion of these costs; and
- other risks resulting from the use of external contractors such as contract and organisational risks and their associated costs were not assessed in the review.

ENGAGEMENT OF EXTERNAL CONSULTANTS

9.12 Organisations conducting training activities should be aware of the need to provide adequate safeguards against risks associated with conflicts of interest in the engagement of external training providers.

9.13 The training unit at VicRoads employs up to 10 outside consultants to provide many of its training courses. The selection of these consultants was based on their performance in providing training to VicRoads over a number of years. Audit was advised that other consultants, who periodically approach the training unit offering their services, are assessed for inclusion in the training program.

9.14 The quality of the courses presented by the external consultants is monitored through course evaluation sheets completed by participants at the conclusion of each course. VicRoads advised audit that if a consultant is not meeting the required standard, a review of performance is undertaken. If poor performance is confirmed, the consultant is not engaged in the future.

9.15 Audit review of the training unit's use of external consultants disclosed that:

- formal policy and procedures for the engagement of external training consultants had not been developed;
- a formal competitive tendering process for the engagement of training consultants was not undertaken by VicRoads and consultants were not required to enter into service agreements;
- although VicRoads used internal and external participants to assess performance of external training consultants, independent observers were not used to complement this process; and
- a register of approved training consultants was not maintained.

9.16 In the absence of these controls, the training unit cannot be assured that external consultants are used in the most efficient and effective manner to provide training to VicRoads staff.

9.17 To improve the level of control over the way in which external consultants are managed, it is essential that:

- **policy and procedures adequately document the circumstances in which external consultants can be engaged, selection methods and criteria, the information to be maintained on each consultant and how their performance is to be assessed; and**
- **formal competitive tendering processes for the selection of external training consultants be introduced and service agreements established.**

□ *RESPONSE provided by Secretary, Department of Transport*

The performance of external consultants is measured and evaluated. Non-performers are not employed again and participants are not charged for the course. It is therefore in our interest to make sure we employ the best.

VicRoads is in the process of developing guidelines for the employment of external consultants.

