

Assessment of the use of a training program

27 JUNE 2018



NEW SOUTH WALES AUDITOR-GENERAL'S REPORT

SPECIAL REPORT

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The roles and responsibilities of the Auditor-General, and hence the Audit Office, are set out in the *Public Finance and Audit Act 1983* and the *Local Government Act 1993*.

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In accordance with section 52B of the *Public Finance and Audit Act 1983*, I present a report titled
'Assessment of the use of a training program'.

A handwritten signature in black ink, appearing to read 'Margaret Crawford'.

Margaret Crawford

Auditor-General
27 June 2018

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Section one

Assessment of the use of a
training program



1. Introduction

This audit assesses the effectiveness and economy of the Department of Finance, Services and Innovation's, including Service NSW's, use of the Franklin Covey '7 Habits' program (the Program). On 15 March 2018, the Hon. Victor Dominello MP, Minister for Finance, Services and Property, requested the Auditor-General conduct this audit under section 27(B)(3)(c) of the *Public Finance and Audit Act 1983* (the Act).

About the agencies

The Department of Finance, Services and Innovation (the Department) is the lead agency of the Finance, Services and Innovation cluster. The Department has a number of divisions and business units, including: ICT and Digital Government, Property and Advisory Group, Better Regulation, NSW Fair Trading, Government and Corporate Services, and Revenue NSW. At 30 June 2017, the Department (excluding Service NSW) had 5,239 full-time equivalent staff.

Service NSW is a central point of contact for customers accessing NSW Government Services. It is a Division of the Finance, Services and Innovation cluster and operates as an executive agency. As an executive agency, Service NSW is led by a Chief Executive Officer, who is responsible to the Minister for Finance, Services and Property but appointed by the Secretary of the Department of Finance, Services and Innovation. Service NSW was established in 2013 and has operated under the Finance, Services and Innovation cluster since July 2015. At 30 June 2017, Service NSW had 1,989 full-time equivalent staff.

About the Program

The Program that the Department and Service NSW are implementing, and which is the subject of this audit, is a professional development training course which focusses on organisational culture emphasising personal effectiveness, leadership development and change management. All staff in the Department and Service NSW will receive the training, which involves:

- a 360-degree assessment where every staff member receives feedback from their manager, direct reports, and peers
- a two-day training workshop, which will be delivered face to face by accredited facilitators
- 2 years of online access to all training materials created by the provider of the Program.

As part of the licensing arrangement purchased by the agencies, the Program also provides access (at no extra cost) to the full range of the provider's training and development courses that might be useful for other learning and development activities. This includes courses to improve staff capability in communication skills, leadership, productivity and customer engagement. The Department is considering using one of these courses to develop leadership capabilities. Service NSW has integrated three of these courses into its people development curriculum.

Service NSW commenced the first sessions of the Program in May 2017. At 24 April 2018, around 1,000 staff had undertaken the training. Service NSW expects all staff to complete the Program by June 2019.

The Department of Finance, Services and Innovation commenced the first sessions of the Program in August 2017. At 18 April 2018, around 175 staff had undertaken the training. The Department expects all staff to complete the Program by December 2019.

Audit objective and criteria

The audit sought to assess the effectiveness and economy of the Finance, Services and Innovation cluster's use of the Program. In making this assessment, we considered whether:

1. the Program is being used effectively, including whether
 - a) there is an identified need for the Program
 - b) the use of the Program meets the identified need
 - c) Finance, Services and Innovation cluster agencies evaluate the effectiveness of the Program
2. the Program is economical, including whether:
 - a) the procurement complies with all relevant policies and processes
 - b) funding and resources allocated to the Program are reasonable.



Conclusion

The Department of Finance, Services and Innovation, and Service NSW developed workforce strategies which identified a business need to improve organisational culture and staff engagement. The Program met the identified business needs and both agencies negotiated value for money contracts for the delivery of the Program when compared to other available options for training all staff.

However, the agencies did not document evidence to show that training all staff members was necessary to meet their business needs, as compared with training fewer staff members at a lower overall cost. As a result, we are unable to form a view on whether the approach to train all staff members was economical. The agency heads have subsequently provided information supporting their decisions to train all staff members. This information indicates their decisions were based on evidence that this would meet the goals of their workforce strategies, including improving employee engagement scores and organisational culture change.

The Department is paying \$1,320,700, over three years, for up to 5,600 staff to participate in the Program (\$235.84 per person). Service NSW is paying \$595,000, over two years, for up to 2,400 staff to participate in the Program (\$247.92 per person).

The agencies are collecting the data they need to evaluate the Program and there is some evidence that the Program is achieving its objectives in Service NSW. Due to the timing of this audit, there is not yet enough information available to comment on whether the Program is achieving its objectives in the Department.

Sector-wide learnings

Implementing robust learning and development frameworks

1. Agencies should evidence decisions about how proposed learning and development opportunities will meet staff and business needs - both in the program design, and through evaluation. In many cases, organisations may have unique needs or circumstances, or may want to trial innovative approaches to improving organisational capability. Innovation should be encouraged, to avoid the risk that agencies are locked into outdated training and development models. However, such approaches should be balanced by ensuring that business needs are well scoped and defined.
2. Agencies implementing innovative or new approaches to learning and development should build-in iterative evaluations (such as pulse surveys, or collecting post-participation qualitative feedback) to ensure that the training is delivering on intended benefits, and to inform improvements to ongoing rollout.
3. Agencies implementing innovative or new training programs should ensure they build enough flexibility into contracts so that they can assess how well programs are meeting staff and business needs, and use evidence to inform whether further rollout should occur.



Recommendations

Section two of this report provides further information on the issues that these recommendations seek to address.

1. We recommend that the Department of Finance, Services and Innovation:
 - a) improve the guidance provided to NSW Government agencies engaging in direct procurement negotiations
 - b) establish specific targets in its learning and development evaluation framework and measure how effectively the Program is assisting it to achieve these targets.
2. We recommend that the Department of Finance, Services and Innovation, and Service NSW:
 - a) conduct post-completion reviews of the Program procurement processes in line with ICAC's 'Guidelines for managing risk in direct negotiations'
 - b) assess the results of their 2018 People Matter Employment Surveys to evaluate whether the Program is achieving intended business benefits, including culture change. This evaluation should inform a decision on whether implementation should continue.



2. Assessment of the use of a training program

2.1 How the Program meets business needs

The Department and Service NSW used evidence-based workplace strategies to identify the need for the Program

Service NSW

In 2016, Service NSW began implementing an organisation-wide strategic plan that included the goal of creating a world class team that attracts and retains the best talent and nurtures their workplace culture. To do this, Service NSW began developing a People Development Strategy in 2016. The development of the strategy was informed by:

- results and analysis of the staff surveys (including Pulse and People Matters Engagement Surveys) which demonstrated that staff engagement was declining across Service NSW (from 2015 through to 2017)
- feedback from staff consultation sessions
- feedback from a 2017 organisational strategy review.

In March 2017, Service NSW's Executive Leadership Team endorsed the People Development Strategy. The strategy identified the need for a program that focussed on staff capability and was accessible for all staff. Other requirements identified as part of the strategy included:

- the ability of the Program to maintain (or improve) high levels of customer satisfaction and employee engagement
- the Program would grow leadership capabilities to support future workplace needs
- the development of a common language that aligned with the organisational culture.

Department of Finance, Services and Innovation

In 2016, the Department identified the need to improve employee engagement, the management of change and productivity. As a result, the Secretary approved the People Essentials strategy in December 2016. Its purpose was to:

- build specific capabilities across the Department, including:
 - authentic/adult conversations
 - goal and objective setting
 - resilience
 - time and priority management
- build a positive and productive workplace
- ensure the Department is maximising the potential of its staff
- support and facilitate cultural transformation across DFSI.

The Secretary and the Department Executive agreed that the 'People Essentials' program should be facilitated through a partnership model with an external agency.

Agencies did not document evidence to support their decision to train all staff

The Department and Service NSW identified a whole-of-organisation training approach as necessary to meet a business need in their respective workforce strategies. Subsequently, the agency heads provided additional information to the Audit Office to support their decisions to train all staff members. This information includes evidence that training all staff would meet the goals of their workforce strategies, including improving employee engagement scores and organisational culture change.

Targeted training programs that focus on leaders rather than training all staff, can also effect cultural change in organisations. Targeted training programs, because they involve training fewer staff, have the potential to be cheaper than whole-of-organisation training approaches.

While the Department and Service NSW invest in targeted training programs to increase management and leadership capabilities, they advised that these approaches are slow to roll out and more expensive on a per-head basis to run. The agencies advised that, in their professional judgement, a targeted training approach would not be effective in meeting their needs, and may have a negative impact on staff engagement.

The agencies did not document evidence that training all staff members was necessary to achieve cultural change, as compared with training fewer staff at a lower overall cost. As a result, we are unable to form a view on whether the approach to train all staff members was the most economical.

The Program met the identified needs of the agencies

The Department and Service NSW assessed the Program against their respective business needs. The agencies collected information regarding the Program to provide reasonable assurance that it would meet their needs. Both organisations conducted analysis of other whole-of-organisation training options, including other potential training courses, as part of the procurement process.

Service NSW

Service NSW considered whether other potential solutions:

- could be delivered outside the Sydney metropolitan area
- aligned with Service NSW's organisational culture
- could be delivered by internal facilitators
- were appropriate for staff at all levels
- met the strategic needs expressed in the People Development Strategy.

Service NSW considered developing an annual program using a series of providers, but decided that a multiple vendor solution would be less likely to build a consistent Service NSW culture. Service NSW also noted that using multiple vendors would likely require the use of courses only provided in Sydney.

Service NSW concluded that the Program was the only option that met all their business needs.

Department of Finance, Services and Innovation

The Department conducted a comparison of seven programs, including indicative costs, which were identified as having possible alignment to the needs of its People Essentials strategy.

The Department assessed the options against the following criteria:

- met capability development areas as stated by the Secretary
- quality of content, materials and reputation
- price/value for money
- target deliverables and/or outcomes
- flexibility of delivery options.

An example of some of the analysis undertaken by DFSI has been reproduced in Exhibit 1.

The Department concluded that the Program most closely aligned with its identified business needs.

Exhibit 1: Analysis conducted by the Department of Finance, Services and Innovation on its staff training needs against the content of training programs

Identified staff training needs	Training program 1 ¹	Training program 2 ¹	Training program 3 ¹	Training program 4 ¹	Training program 5 ¹	Training program 6 ¹	Selected training program
Authentic/Adult Conversations	--	✓	--	--	✓	✓	✓
Goal/ Objective Setting	--	--	--	✓	--	✓	✓
Resilience	✓	--	✓	--	--	--	✓
Time & Priority Management	--	--	--	--	--	✓	✓
Expectations	--	✓	--	--	✓	--	✓
Positive & Productive Workplace	✓	--	✓	✓	✓	✓	✓

¹ Other training programs considered by Department of Finance, Services and Innovation. Names of training programs withheld.

The Department has not set specific targets to assess the success of the Program

The Department and Service NSW have both developed evaluation frameworks to measure the effectiveness of the Program. The evaluation methodologies describe a set of expected outcomes and detail how the agencies would progress against those outcomes (see Appendix two). The evaluation methodologies, if implemented fully, will effectively measure the impact of the training program across the organisations. Both the Department and Service NSW are collecting data, in line with the evaluation frameworks, to effectively measure outcomes.

Service NSW has established specific targets for employee engagement as part of its strategic plan, and uses the targets to assess whether the Program is successful. The Department has not set specific targets for its outcome measures. Without specific target measures, the Department cannot assess whether the Program has been fully effective.

In Service NSW, initial evaluation data indicates that the Program is effective

Service NSW and the Department ask training participants to provide feedback on the Program. Participants speak favourably about the Program and there is some evidence that the Program is achieving its objectives in Service NSW. However, it is too early to comment on the overall effectiveness of the Program in the Department.

The Department and Service NSW collect data on staff engagement from two main sources:

- People Matter Employee Surveys – coordinated by the Public Service Commission for all NSW public sector employees
- Pulse Surveys – internally coordinated and offered to the relevant agency staff.

The 2018 Pulse results for Service NSW indicate a six per cent increase in overall employee engagement from 69 per cent in 2017 to 75 per cent in 2018.

Additionally, Service NSW provided case study information on the impact of the Program on two regional offices. The case studies provided additional evidence that the Program is responsible for improving staff engagement and effectiveness.

Due to the timing of this audit, there is not yet enough information available to comment on whether the Program is achieving its objectives in the Department.

2.2 Economy of the Program

The agencies generally complied with the NSW Procurement Policy Framework and their internal procurement frameworks and financial delegations, although we identified some areas with Service NSW's procurement approach that could be more robust

The NSW Procurement Policy Framework for NSW Government Agencies (July 2015) details mandatory requirements for agencies that are procuring via direct negotiation. It also refers agencies to guidance provided in the ICAC 'Guidelines for managing risks in direct negotiations'. The Department complied with all Framework requirements. Service NSW generally complied with the Framework requirements, however we found minor issues with the timing of the market analysis and quality of the risk assessment. These issues were unlikely to have had an impact on the outcome of the procurement.

The Department and Service NSW did not document their consideration of guidance provided by the ICAC Guidelines. This is covered in more detail below.

Exhibit 2: Compliance with NSW Procurement Policy Framework - Complex market procurement method requirements

	SNSW	DFSI
Ensure that the procurement strategy addresses in detail the justification and suitability of the selected procurement method. In the case of direct negotiations/sole sourcing arrangements, a comprehensive analysis of the market and all relevant factors should be undertaken to demonstrate that a competitive process does not need to be conducted		
Conduct a risk assessment for the procurement, including an assessment and treatment of procurement process risk arising from the use of the procurement method		
Follow internal delegations process, which will ordinarily involve obtaining the approval of the agency's Chief Procurement Officer, and in some instances also require the approval of a more senior person in the agency, depending on the nature or value of the procurement		
Key Requirements met Requirements met, minor issues noted		

Source: NSW Procurement Policy Framework for NSW Government agencies July 2015, Audit Office research.

Service NSW

Service NSW staff, on the basis of experience and expertise, identified the Program as a solution that could meet business needs and initiated the procurement approval process. Service NSW staff should have documented their market assessment at this preliminary stage. During the procurement approval process, the Chief Procurement Officer identified this deficiency and required supporting documentation. Service NSW staff then documented a review of three well known organisational development programs and considered developing a fourth option to build an annual program using a series of professional development vendors. Service NSW completed the market assessment before the Chief Executive Officer approved the procurement in line with the NSW Procurement Policy Framework (July 2015).

Service NSW did not conduct a detailed risk assessment for the procurement and relied on the engagement of internal procurement staff to manage the risks associated with direct negotiation.

The Department of Finance, Services and Innovation

The Department conducted research on a range of training programs which might meet the identified business needs. It also collected information on other training and development programs delivered, or being considered for delivery, by divisions within the Department. The Department's decision to procure via direct negotiation was informed by this analysis. As discussed above, both agencies concluded that the Program was the only option that met their business needs. The agencies applied a reasonable process to support this conclusion.

The Department conducted a detailed risk assessment of the procurement process and used the expertise of their procurement staff to address the risks associated with the direct negotiation. The Deputy Secretary, Government Corporate Services, signed the contract in accordance with the Department's delegations.

The procurement guidance for direct negotiations should be improved

The NSW Procurement Policy Framework refers agencies to guidance provided in the ICAC 'Guidelines for managing risks in direct negotiations'. The ICAC Guidelines include general principles to inform any decision to enter into direct negotiations. They are not intended to specifically address the circumstances for every type of procurement.

As a result, there is a lack of clarity regarding what processes or checks should be applied to different types of direct negotiations. This contrasts with general government procurement, where agencies use expenditure thresholds to determine the best way to achieve value for money.

The Department and Service NSW did not document how they considered the ICAC Guidelines as part of their procurement process. As part of this audit, the agencies provided additional information.

Exhibit 3 describes our assessment of the consistency of the agencies' procurements with the ICAC guidelines. Of the items in the list that were not met, the guidelines are not clear on whether some would have been appropriate in these circumstances. For example, the creation of a procurement specific probity plan may be more appropriate for high dollar-value infrastructure procurements.

The agencies advised that they do not believe that all elements of the checklist were relevant for their procurements. Their rationale for this understanding is included in Exhibit 3.

Exhibit 3: Compliance with the Independent Commission Against Corruption's (ICAC) checklist for undertaking direct negotiations

Checklist for undertaking direct negotiations	SNSW	DFSI	Agency comment
Decide whether direct negotiations can be justified	✓	✓	N/A
Verify that the project or proposal is consistent with the agency's overall strategic plan	✓	✓	N/A
Check that there is an appropriate project or business case and that funding has been approved	✓	✓	N/A
Ensure that the decision to enter into direct negotiations has been made or approved at a senior level within the agency	✓	✓	N/A
Ensure that the decision to enter into direct negotiations, and the reasons for it, are recorded and are publicly accessible	—	—	This information is publicly accessible though the <i>Government Information (Public Access) Act 2009</i> . The contract details are publicly accessible on the eTender website.
Perform cost-benefit analysis or similar study to verify that direct negotiations will not sacrifice value for money	—	—	A desktop review of the price of other training programs was conducted. The cost of the Program was also considered against the price advertised to the public.
Obtain conflict of interest declarations from persons associated with the project including staff, the proponent's employees and advisers	—	—	All senior executives are required to submit an annual conflict of interest declaration. Additionally, staff are required to declare any conflicts of interest under the staff code of conduct. No conflicts were identified or disclosed.
Ensure that the contract entered into gives the agency the authority to intervene in the event of poor performance or unethical conduct	✓	✓	N/A
Engage external assistance as necessary	✓	✓	N/A
Prepare a probity plan	—	—	This was not deemed necessary, from a risk or financial perspective, for an off the shelf product, from a well-established provider, and for a relatively low monetary value.
Establish an agreed negotiation protocol	✓	✓	N/A
Ensure that an auditable document trail is established	✓	✓	N/A
Obtain an independent estimate of the price or financial consideration	—	—	This was not deemed necessary given the product is an off the shelf program, readily available to the public.

Checklist for undertaking direct negotiations	SNSW	DFSI	Agency comment
Establish project benchmarks for deliverable items	✓	✓	N/A
Arrange for an 'open-book' relationship with the proponent	✓	✓	N/A
Segregate duties	✓	✓	N/A
Form a steering committee or similar oversight mechanism	✓	✓	N/A
Supervise the project to ensure that the contract is adhered to	✓	✓	N/A
Conduct a post-completion evaluation of the project to assess whether value for money has been obtained.	—	—	This will be undertaken once the critical mass of participants have undertaken the Program.
Key	✓	—	
	ICAC checklist item met		ICAC checklist item not met

Source: ICAC Guidelines for managing risks in direct negotiations and Audit Office analysis.

Neither agency published information on their justification for direct negotiation, or obtained procurement specific conflict of interest declarations

By their nature, direct negotiations lack transparency and the benefit of competition in the procurement process. Equally important, direct negotiations risk the perception of conflict of interest or improper conduct.

The ICAC Guidelines describe the need for transparency in direct negotiations:

To avoid suggestions of impropriety, the agency should record the reasons it has chosen to enter into direct negotiations. In order to maintain transparency, it should, where appropriate, make the decision and supporting reasons public, possibly by placing a notice on the agency website.

Both agencies documented the reasons for their decisions to enter into direct negotiations but did not publish this information or make it publicly accessible. While the agencies' advised that information is publicly accessible through the *Government Information (Public Access) Act 2009*, the Act requires members of the public to apply for relevant documents and pay a fee. This is not consistent with the ICAC Guideline suggestion that it be more readily available.

The ICAC Guidelines also describe the need for conflict of interest declarations:

The agency needs to be confident that there are no financial or personal associations between its staff and the proponent that could influence decisions made by public officials. To lower the chances of negotiations being driven by private interests, all individuals party to the project should be required to sign a declaration stating that they are not aware of any conflicts of interest. This requirement should extend to staff working for the proponent, external advisors and internal staff.

Neither agency required staff involved with the procurement, or the Program provider, to provide procurement specific conflict of interest declarations. Both agencies advised that all senior executive staff provide annual conflict of interest disclosures, and the agencies require senior executive staff to update their disclosures when circumstances change throughout the year. The Department and Service NSW also have codes of conduct which require staff to declare conflicts of interest. No conflicts of interest were identified or disclosed.

It is our view that, in line with the ICAC Guidelines, agencies should require all staff involved in direct negotiations to provide procurement-specific conflict of interest declarations.

Funding and resources allocated to the Program are reasonable

In 2016–17, the Department spent around \$6.0 million on training. The value of the Department's contract for the Program is \$1.3 million over three years. In 2016–17, Service NSW spent around \$1.1 million on training. The value of Service NSW's contract for the Program is \$595,000 over two years.

For the Department and Service NSW, the ratio of staff training expenses to total employee expenditure is comparable to other NSW Government agencies of comparable size and function (refer to Exhibit 4).

Exhibit 4: Comparison of NSW Government Department's spend on training in 2016–17

	Employee related expenses 2016–17	Training expenses 2016–17	Training expenditure/employee related expenses
	\$'000	\$'000	(%)
Agency X*	503,196	3,018	0.60
Service NSW	159,767	1,099**	0.69
Department of Finance, Services and Innovation	614,510	6,179	1.01
Agency Z*	1,550,708	20,038	1.29
Agency A*	130,449	1,691	1.30
Agency Y*	84,060	1,491	1.77

* Data from other NSW Government Departments is provided for comparison only, as such Department names have been withheld. Only Departments with comparable data have been presented.

** Source: Service NSW (unaudited).

Source: Various NSW Government Departments audited financial statements 2016–17.

The Department and Service NSW selected a cost-effective facilitation option

Both agencies considered the option of internal and external facilitation of the Program. Internal facilitation requires Department and Service NSW staff to undertake Program accreditation so they can teach the Program. External facilitation requires agencies to pay an additional fee for the Program provider to deliver the training.

Both agencies chose the internal facilitation option. This option provided agencies with flexibility to deliver training across the state in a cost-effective manner while developing staff capability.

The Department and Service NSW negotiated value for money contracts with the Program provider

The Department of Finance, Services and Innovation negotiated a price with the training provider that equates to \$236 per participant for delivery to all staff. Service NSW negotiated a price of \$248 per participant for delivery to all staff (see Exhibit 5). The cost per participant for the Program for both agencies is significantly lower than the price of the Program advertised to the public. The training provider currently charges members of the public \$1,495 for the two day in-person training program.

We compared the Program syllabus and negotiated price for the two agencies with similar competency based training programs available to government. Single day externally facilitated programs that address some, but not all, elements of the Program syllabus cost around \$700 per participant.

Exhibit 5: Cost per participant excluding GST (includes direct costs paid to training provider only)

	DFSI	SNSW
All Access Pass Plus (training licence)*	\$991,200	\$595,000
Participation kits	\$280,000	--**
Other amounts associated with program delivery	\$49,500	--**
Total value of contract	\$1,320,700	\$595,000
Participants	5,600	2,400
Cost per participant	\$235.84	\$247.92

Note: These costs represent the training providers fee and the cost of training materials. Variations to the number of participants would attract additional cost. These figures do not include other direct and indirect costs of training such as venue hire, catering, administrative costs and the staffing resources required to roll out the Program.

* Training licence gives training participants access to several of the training provider's programs for 24 months from the commencement of training.

** Items provided as complimentary.

Source: Department of Finance, Services and Innovation and Service NSW.

Section two

Appendices



Appendix one – Response from agencies

Response from Department of Finance, Services and Innovation



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Office of the Secretary

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Dear Ms Crawford

Assessment of the use of a training program

I refer to the Auditor-General's Special Report on "Assessment of the use of a training program" dated 12 June 2018. The Department welcomes the report as an opportunity to review and enhance our delivery and support for the development of public sector employees. I note the constructive suggestions made in the recommendations of the report and attach a formal response from the Department to be incorporated into the published report.

Economy - Recommendation 1 & Recommendation 3

Recommendation 1: Improve the guidance provided to NSW Government agencies engaging in direct procurement negotiations

Recommendation 3: Conduct post-completion reviews of the Program procurement processes in line with ICAC's "Guidelines for managing risk in direct negotiations"

In relation to comments on page 8 of the report under the heading "The procurement guidance for direct negotiations should be improved" we reiterate DFSI's approach to this procurement was robust and that the ICAC Guidelines, referred to on page 8, are "Guidelines" and as such are "general principles" not intended to specifically address the circumstances for every type of procurement.

The Department considers that DFSI procurement process was sound and we do not believe that all elements of the checklist were relevant in this circumstance.

The Department notes the procurement recommendation that "procurement guidance for direct negotiations should be improved", and will review and improve current procurement processes including ensuring staff involved in direct negotiations sign a conflict of interest declaration specific to each direct negotiation.

Efficiency - Recommendation 2 & Recommendation 4

Recommendation 2: Establish specific targets in its learning and development evaluation framework and measure how effectively the Program is assisting to achieve these targets

Recommendation 4: Assess the results of the 2018 People Matter Employment Surveys to evaluate whether the Program is achieving the intended business benefits, including culture change. This evaluation should inform decision on whether implementation should continue.

In relation to comments on Page 6 of the report which refers to targets for employee engagement the report states "Without specific target measures, the Department

cannot assess whether the Program has been fully effective.” DFSI would reiterate that there is a robust evaluation framework in place to measure the effectiveness of the program, based on a widely recognised evaluation methodology. This is being monitored on an ongoing basis to ensure the effectiveness of the program against the program objectives as more staff participant in the Program.

Employee engagement is a complex and multi-faceted measure and it is not possible to isolate the impact of a single learning program using this one measure. As such DFSI is monitoring the effectiveness of the program, and improvements in the Department's culture, using a broad range of data sources and metrics.

In addition, at the time of conducting the 2018 People Matter Survey only 450 staff (less than 10% of the total staff numbers) had completed the first phase of this program. DFSI intends to review the 2018 PMES data but this is not representative, in isolation, as a measure of the overall effect of the program and as such we consider it is too soon to determine whether “implementation should continue” (Recommendation 4) based solely on this.

DFSI has identified the parameters of how we intend to undertake the ongoing evaluation and will do so once a critical mass of participants has undertaken the Program. The evaluation framework in place will provide the critical comparative data necessary for a rigorous evaluation of business benefits and culture change.

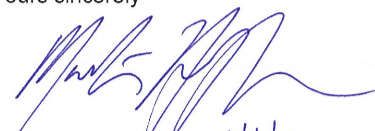
As the report notes, DFSI is collecting the necessary data for evaluation of effectiveness of the program on an ongoing basis. Should the evaluation not demonstrate the intended benefits we will reconsider our approach.

We would also note in regard to the comments in the conclusion of the report on page 2 as to whether “training all staff members was necessary to meet their business needs”, the Department's decision to provide training to all staff over a multi-year period is consistent with a fundamental obligation of a good employer to provide all staff with opportunities for learning and development.

The consistent feedback from the Department's staff over the last two PMES surveys identified staff development as the single most important thing our staff are looking for, and was shown in analysis of the PMES to be a key driver of engagement. Staff development impacts not only employee engagement, and productivity, but also contributes to reduced costs across the Department through lower staff turnover and a reduction in serious misconduct and grievance matters arising from staff behaviour. The economic case for such action in terms of avoided costs is also compelling.

The Department is fully supportive of the development of its staff and considers this Program to be pivotal to engagement, productivity and the provision of services to the citizens of NSW.

Yours sincerely



Martin Hoffman
Secretary

19/6/18.

Response from Service NSW



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Ms Margaret Crawford
Auditor-General of NSW
Audit Office of NSW
via email: Margaret.crawford@audit.nsw.gov.au

Dear Ms Crawford

Final report – Assessment of the use of a training program

Thank you for providing an opportunity to provide comments on the final performance audit report, "Assessment of the use of a training program", dated 12 June 2018, prepared by the Audit Office of NSW.

The Department of Finance, Services and Innovation ("DFS") and Service NSW (an executive agency of DFS) were examined as part of the audit. The report identifies 11 key findings: eight are related to both DFS and Service NSW; two are specific to DFS and one is specific to Service NSW. The report outlines four recommendations, two of which are addressed to Service NSW to consider.

The findings of the report will further inform Service NSW's strategy and action plan to support the organisation in achieving our strategic priorities including our mission to transform transactional services through excellent customer service and effective partnerships.

Attached is a table containing specific comments to the findings in the report for your consideration.

Yours sincerely

A handwritten signature in black ink, appearing to read "Damon Rees".

Damon Rees
Chief Executive Officer

18 June 2018

Performance audit - Assessment of the use of a training program
Service NSW's Comments on the Audit Report – June 2018

Page Reference	Service NSW Comment
3	<p>Recommendation 1: The report recommends that DFSI improve the guidance to NSW Government agencies engaging in direct procurement negotiations.</p> <p>While this recommendation does not directly apply to Service NSW, the recommendation is noted and Service NSW will:</p> <ul style="list-style-type: none"> Implement any improvements recommended by DFSI.
3	<p>Recommendation 2: The report recommends that DFSI establish specific targets in its learning and development evaluation framework and measure how effectively the Program is assisting it to achieve these targets.</p> <p>While this recommendation does not directly apply to Service NSW, the recommendation is noted and Service NSW will:</p> <ul style="list-style-type: none"> Continue to use Service NSW established targets to assess whether the program is successful.
3	<p>Recommendation 3: The report recommends that DFSI and Service NSW conduct post-completion reviews of the Program procurement processes in line with ICAC's 'Guidelines for managing risk in direct negotiations'.</p> <p>Service NSW supports the recommendation and will:</p> <ul style="list-style-type: none"> Conduct a post-completion review of the program procurement processes. Responsibility of Delegate involved in the procurement, by end August 2018.
7	<p>Recommendation 4: The report recommends that DFSI and Service NSW assess the results of their 2018 People Matter Employment Surveys to evaluate whether the Program is achieving intended business benefits, including culture change. This evaluation should inform a decision on whether implementation should continue.</p> <p>Service NSW supports the recommendation and will:</p> <ul style="list-style-type: none"> Analyse the results of the 2018 People Matter Employee Engagement Survey when they become available in early September 2018. Responsibility of ED People and Culture by end September 2018. Utilise the analysis of the 2018 People Matter Employee Engagement Survey results to inform a wider Executive discussion on the Program's delivery of the intended business benefits for Service NSW including culture change. Should the results not deliver the intended benefit, we will reconsider our approach. Responsibility of Executive Leadership Team by end October 2018.

	Service NSW notes that the report finds that initial evaluation data indicates that the Program is effective.
2 & 5	<p>The report finds that the agencies did not document evidence to show that training all staff members was necessary to meet their business needs, as compared with training fewer staff members at a lower overall cost.</p> <p>However, the report concludes that the agency heads subsequently provided information supporting their decisions to train all staff members and these were based on evidence that this would meet the goals of their workforce strategies, including improving employee engagement scores and organisational culture change.</p> <p>Service NSW notes this finding and conclusion and will consider it in light of Recommendation 4. Refer to Service NSW's comments on Recommendation 4 above.</p>
7	<p>The report finds that the agencies generally complied with the NSW Procurement Policy Framework and their internal procurement frameworks and financial delegations however, there are some areas within Service NSW's procurement approach that could be more robust specifically, the timing of the market analysis and the quality of the risk assessment.</p> <p>Service NSW notes this finding and will:</p> <ul style="list-style-type: none"> • Ensure that all staff involved with future procurement, provide procurement specific conflict of interest declarations for each negotiation. Responsibility of Delegate involved in the procurement, on-going. • Consider the ICAC "Guidelines for managing risks in direct negotiations" while recognising that they are general principals and are not intended to inform every type of direct negotiation procurement. Responsibility of Delegate involved in the procurement, on-going.





Appendix two – Evaluation methodologies

Department of Finance Services and Innovation

Evaluation level	Outcomes	Method of measurement
Reaction	<ul style="list-style-type: none"> active participation positive reaction to the Program advocacy for the Program (Would you recommend to a colleague?) 	<ul style="list-style-type: none"> post workshop feedback form/survey number of participants completed the workshop number of participants by level/gender (demonstrates this program is for all staff) number of participants accessing the '7 Habits' app
Learning	<ul style="list-style-type: none"> knowledge of content and principles 	<ul style="list-style-type: none"> observation during workshop group work pre/post 360 feedback changes
Behaviour	<ul style="list-style-type: none"> implementation of the 7x7 contract (to embed behaviour) implementation of Managers toolkits and team activities (available on Fastrac) key language and principals used consistently 	<ul style="list-style-type: none"> reflected in development plans of staff pre/post 360 feedback changes collection of qualitative examples/stores of implementation utilisation of '7 Habits' concepts and language in Executive communications
Behaviour		<ul style="list-style-type: none"> pulse survey <ul style="list-style-type: none"> Has the '7 Habits' program improved your effectiveness at work? If you have attended the '7 Habits' program in the last 12 months, what has contributed most to improving your effectiveness at work? <ul style="list-style-type: none"> enhanced planning and time management skills collaborate more effectively with enhanced mutual benefit effective listening skills and understanding of other perspectives taking greater accountability for own and team business outcomes greater focus on things you can influence instead of focusing on things you can't making time for self-renewal and greater work life balance.
Results	<ul style="list-style-type: none"> improved engagement across specific measures improvement in service metrics 	<ul style="list-style-type: none"> PMES survey metrics e.g. Career and development (measured every 12 months) service/call centre results pre/post implementation

Service NSW

Maintaining a cutting-edge culture	Evaluation approach	Success measures	Key inputs
<ul style="list-style-type: none"> develop a framework and language which supports and nurtures our unique culture and reinforces our values; passion; accountability and teamwork identify and implement organisation-wide development program to build a diverse and inclusive culture and address, and action our strategic priorities of nurturing our culture and building a world class team roll out a sustainable program that focuses on whole-of-self and accessible by all staff; across divisions, channels and grades acknowledge the contribution of the last four years grow self-leadership capabilities to support future workforce needs make Service NSW a great place to work and employer of choice maintain high levels of customers satisfaction and employee engagement 	<p>Observation works best over time to assess behaviour and performance change and extent of how learning has been applied – needs leadership support.</p> <p>Qualitative evaluation:</p> <ul style="list-style-type: none"> 360-degree benchmark assessment – collected prior to training and used as a personal development tool collect feedback immediately after workshop via post-training survey – how did participant feel about learning experience, what did they take away observations from trainers on the day and managers back on the job follow up 360 degree assessment (in 12 months) <p>Quantitative evaluation:</p> <ul style="list-style-type: none"> course completion rates course evaluation surveys maintain or increased staff engagement – Pulse and PMES results 	<ul style="list-style-type: none"> all staff complete the 2-day workshop all staff complete 360 benchmark assessments embed language driven from CEO down maintain customer engagement results maintain and improve staff engagement results incorporate language and measures in individual scorecards adopt a win/win mindset CEO award based on criteria agreed by ELT monitor divisions before and after implementation refinement of criteria as we commence roll out 	<p>People Matter Employee Survey 2014:</p> <ul style="list-style-type: none"> 84% staff engagement SNSW 65% NSW Public Sector explore key findings: performance management, learning career development, equity and diversity, health & wellbeing <p>Staff engagement results 2015:</p> <ul style="list-style-type: none"> 84% staff engagement index June 2014 77% staff engagement index June 2015 <p>What can SNSW do to keep staff engaged and committed (from staff engagement 2015):</p> <ul style="list-style-type: none"> explore key findings and common themes <p>Quarterly Pulse Check Survey 2016:</p> <ul style="list-style-type: none"> reference and research <p>Expectations with Executive Director P&C:</p> <ul style="list-style-type: none"> performance agreement strategic goals current gaps staff KPIs



Appendix three – About the audit

Audit objective

This audit assessed the effectiveness and economy of the Finance, Services and Innovation cluster's use of the Program.

Audit criteria

We addressed the audit objective with the following criteria:

1. The Program is being used effectively, including whether:
 - a) There is an identified need for the Program.
 - b) The use of the Program meets the identified need.
 - c) Finance, Services and Innovation cluster agencies evaluate the effectiveness of the Program.
2. The Program is economical, including whether:
 - a) The procurement complies with all relevant policies and processes.
 - b) Funding and resources allocated to the Program are reasonable.

Audit scope and focus

In assessing the criteria, we checked the following aspects:

- the Finance, Services and Innovation cluster's (including Service NSW) use of the Program since its introduction
- any decisions and approvals relevant the Program
- all training and staff development records relevant to the Program
- information relating to the procurement and cost of the Program.

Audit exclusions

The audit did not:

- examine other learning and development programs operated within the Finance, Services and Innovation cluster
- question the merits of Government policy objectives.

Audit approach

Our procedures included:

1. interviewing staff involved in the decision making, procurement, development, execution and evaluation of the training program
2. examining documentation that:
 - a) identifies a need for the Program
 - b) shows that the Program meets the identified needs
 - c) describes the agencies strategic development goals
 - d) records key decisions with regards to the selection of the Program
 - e) explains how the effectiveness of the Program was evaluated
 - f) details the procurement process for the Program
 - g) details the total program spend
3. analysing data on:
 - a) total program spend and total cluster spend on learning and development.

The audit approach was complemented by quality assurance processes within the Audit Office to ensure compliance with professional standards.

Audit methodology

Our audit methodology is designed to satisfy Australian Audit Standards ASAE 3500 on performance auditing. The Standard requires the audit team to comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance and draw a conclusion on the audit objective. Our processes have also been designed to comply with the auditing requirements specified in the *Public Finance and Audit Act 1983*.

Acknowledgements

We gratefully acknowledge the co-operation and assistance provided by staff from the Department of Finance, Services and Innovation and Service NSW.

Audit cost

The cost of the audit was approximately \$52,000 including overheads and travel costs.

OUR VISION

Our insights inform and challenge government to improve outcomes for citizens.

OUR PURPOSE

To help parliament hold government accountable for its use of public resources.

OUR VALUES

Purpose – we have an impact, are accountable, and work as a team.

People – we trust and respect others and have a balanced approach to work.

Professionalism – we are recognised for our independence and integrity and the value we deliver.

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