



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT

**Reference: Auditor-General's reports Nos 3 to 17 (2008-09)**

WEDNESDAY, 18 MARCH 2009

CANBERRA

BY AUTHORITY OF THE PARLIAMENT



## **INTERNET**

Hansard transcripts of public hearings are made available on the internet when authorised by the committee.

The internet address is:

**<http://www.aph.gov.au/hansard>**

To search the parliamentary database, go to:

**<http://parlinfoweb.aph.gov.au>**

**JOINT STATUTORY  
COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT**

**Wednesday, 18 March 2009**

**Members:** Ms Grierson (*Chair*), Mr Georgiou (*Deputy Chair*), Senators Barnett, Mark Bishop, Bushby, Feeney and Lundy and Mr Bevis, Mrs Bronwyn Bishop, Mr Bradbury, Mr Briggs, Mr Butler, Ms King, Mr Neumann and Mr Robert

**Members in attendance:** Senator Barnett, Mrs B Bishop, Mr Georgiou, Ms Grierson, Ms King, Senator Lundy, Mr Neumann

**Terms of reference for the inquiry:**

To inquire into and report on:

Auditor-General's reports Nos 3 to 17 (2008-09)

**WITNESSES**

<b>BARTOLO, Mr Anthony, Section Manager, Participation Program Management, Department of Families, Housing, Community Services and Indigenous Affairs .....</b>	<b>1</b>
<b>BRUCE, Ms Christine, Branch Manager, Disability Participation and Reform Branch, Department of Families, Housing, Community Services and Indigenous Affairs.....</b>	<b>1</b>
<b>CAHILL, Mr Matt, Group Executive Director, Performance Audit Services Group, Australian National Audit Office.....</b>	<b>1</b>
<b>CALDWELL, Ms Jo, Group Manager, General Employment Services Group, Department of Education, Employment and Workplace Relations .....</b>	<b>1</b>
<b>GOLIGHTLY, Ms Malisa, Deputy Secretary Employment, Department of Education, Employment and Workplace Relations.....</b>	<b>1</b>
<b>JORGENSEN, Mr Kent, Contractor and Audit Manager, Administration of Job Network Outcome Payments, Australian National Audit Office.....</b>	<b>1</b>
<b>LACK, Mr Steven, Executive Director, Australian National Audit Office.....</b>	<b>1</b>
<b>MATHESON, Mr Scott, Assistant Secretary, Research Branch, Department of Education, Employment and Workplace Relations.....</b>	<b>1</b>
<b>SHERIDON, Ms Sue, Audit Manager, Performance Audit Services Group, Australian National Audit Office .....</b>	<b>1</b>
<b>STUART, Ms Sharon, Branch Manager, Disability Employment Services, Department of Education, Employment and Workplace Relations .....</b>	<b>1</b>
<b>WASLIN, Mr Tony, Group Manager, Specialist Employment Services Group, Department of Education, Employment and Workplace Relations .....</b>	<b>1</b>
<b>WILLIAMSON, Mr Nathan, Executive Director, Performance Audit Services Group, Australian National Audit Office.....</b>	<b>1</b>



**Committee met at 11.54 am**

**CAHILL, Mr Matt, Group Executive Director, Performance Audit Services Group, Australian National Audit Office.**

**LACK, Mr Steven, Executive Director, Australian National Audit Office**

**SHERIDON, Ms Sue, Audit Manager, Performance Audit Services Group, Australian National Audit Office**

**WILLIAMSON, Mr Nathan, Executive Director, Performance Audit Services Group, Australian National Audit Office**

**CALDWELL, Ms Jo, Group Manager, General Employment Services Group, Department of Education, Employment and Workplace Relations**

**GOLIGHTLY, Ms Malisa, Deputy Secretary Employment, Department of Education, Employment and Workplace Relations**

**MATHESON, Mr Scott, Assistant Secretary, Research Branch, Department of Education, Employment and Workplace Relations**

**STUART, Ms Sharon, Branch Manager, Disability Employment Services, Department of Education, Employment and Workplace Relations**

**WASLIN, Mr Tony, Group Manager, Specialist Employment Services Group, Department of Education, Employment and Workplace Relations**

**BARTOLO, Mr Anthony, Section Manager, Participation Program Management, Department of Families, Housing, Community Services and Indigenous Affairs**

**BRUCE, Ms Christine, Branch Manager, Disability Participation and Reform Branch, Department of Families, Housing, Community Services and Indigenous Affairs**

**JORGENSEN, Mr Kent, Contractor and Audit Manager, Administration of Job Network Outcome Payments, Australian National Audit Office**

**CHAIR (Ms Grierson)**—I open today's public hearing which examines the Auditor-General's reports Nos 3 to 16 of 2008-09 relating to disability employment services and administration of the Jobs in Jeopardy program. I welcome the representatives from DEEWR and the Australian National Audit Office. I ask participants to remember that only members of the committee may put questions to witnesses if the hearing is to constitute formal proceedings of the parliament and attract parliamentary privilege. If other participants wish to raise issues for discussion, I would ask them to direct comments to the chair and to the committee. It will not be possible for participants to directly respond to each other. Secondly, given the short time available today statements and comments by witnesses should be relevant and succinct—and I suppose that applies to members of the committee as well!

**Mr GEORGIOU**—No.

**CHAIR**—Oh no, it does not; I am sorry. I remind witnesses that the hearings today are legal proceedings at the parliament and warrant the same respect as proceedings in the house and the Senate. The giving of false or misleading evidence is a serious matter and maybe regarded as contempt of parliament. The evidence given today will be recorded by Hansard and will attract parliamentary privilege.

### **Auditor-General Reports Nos 3 to 16 2008-09**

**CHAIR**—Do any of the witnesses present wish to make an opening statement before we proceed to questions?

**Mr Cahill**—I would like to submit a statement on behalf of the audit office.

**CHAIR**—Is it the wish of the committee that the statement of Mr Tom Rogers be accepted? There being no objection, it is so ordered.

**Ms Golightly**—I have an opening statement as well, Chair.

**CHAIR**—Thankyou, that would be helpful. That will allow us to go straight to questions, but could you just first advise the committee whether the new COAG agreement will have any impact on the implementation of the audit office's recommendations arising from this report? If so, how is that being taken into account?

**Ms Bruce**—I guess the new disability agreement has different reporting requirements to the previous CSTDA. The disability agreement requires that the COAG reform council publish data on 10 performance indicators, which indicate progress towards outcomes specified in the agreement. Some of the data currently is not measured on an annual basis and will need to be developed. It is the intention to report this data in a single report. One of the recommendations requires data to be reported in a single report, and this will be the case. However, some of it is yet to be developed in the new reporting framework.

**CHAIR**—Does the disaggregation of data remain a challenge, or are you confident you can develop that data to match those performance criteria?

**Ms Bruce**—No, we are confident we can develop that data.

**CHAIR**—Right, and the same applies to DEEWR?

**Ms Golightly**—Yes. They think we have an impact on that for that part of the report.

**CHAIR**—All right.

**Ms KING**—DEEWR has decided that there is a risk that some service providers are not fully complying with contract requirements by extending the period in which clients with lower support needs remain in the employment assistance phase, rather than that progressing to

employment maintenance. Can you let us know how you have responded to that particular comment by the audit office and how you are managing the risks of that, FaHCSIA?

**Mr Bartolo**—We have responded by implementing some enhancements to our internal audit and compliance procedures that will address the concerns. These include a risk management approach to samples from each Australian disability enterprise. We are also looking at changes to the FaHCSIA online funding management system to allow for enhancement and to remind services of their obligations through an assistance-generated message four months after a worker's start date. We are also putting in a series of articles into our disability newsletters to service providers. With the audit activity that we undertake, we are looking at the hours and wages recorded on the payroll to make sure that they match what is put into the FaHCSIA online funding management system.

**Ms KING**—Can I ask the audit office to comment on that response?

**Mr Williamson**—Obviously we have not had a chance to test those, but my initial response would be they would all sound helpful and go towards addressing the recommendation. The only other thing we could add to that is that it would be useful to run this exercise looking at the data on a periodic basis to see whether the trend starts to change or not.

**Ms KING**—Thank you.

**Mr NEUMANN**—On page 68-69, reference is made to its being an uncapped stream. It just seems to me when you are going through it that there seems to be little control by monitoring what happens afterwards. DEEWR informed the ANAO, which plans to monitor the situation through a weekly report of clients who may be able to exit the program, to place burdens on the DEN contract manager's intranet portal to clarify the program policy and procedures for exiting clients. Has DEEWR done that? If so, what has been the response?

**Ms Stuart**—Yes, advice has been provided to the providers on this matter. We run regular reports to track and to make sure that people who are at the end of their time period in DEN uncapped are appropriately exited. When we find people who have not been exited, we work with our contract managers in the state and territory offices to work with the providers to ensure that that exit occurs.

**Mr NEUMANN**—What conclusions have you reached in relation to those who have exited? What has been the feedback?

**Ms Stuart**—From providers?

**Mr NEUMANN**—Yes, and clients as well.

**Ms Stuart**—We have not had any feedback from clients directly to the department that I am aware of.

**CHAIR**—Surveys? Were there no surveys? Was there survey information?

**Ms Golightly**—We do post-placement surveys, which are done three months after the client exits. That is a sample of clients; it is not every single client. I am not sure that we have had any feedback through those surveys on this particular issue, but we can take that on notice and let the committee know. We are happy that the exits are working the way that they should be working, but we continue to monitor that, as the report says and as Ms Stuart mentioned, on a weekly basis.

**Mr NEUMANN**—What about employer surveys, or something like that? In the circumstances, employers have useful information about how their clients are progressing.

**Ms Golightly**—Yes. Certainly our providers keep in contact with employers, but we also contact employers if there is some reason to think that we might need to do that extra checking. But there is quite an extensive feedback loop between the employers and the providers, and then to us.

**Mr NEUMANN**—So the clients are not giving any feedback. The employers are giving feedback. Are they survey forms? What actually happens? What physically actually happens?

**Ms Golightly**—Basically for a period after the placement the provider is meant to keep in touch with the employer and the client to make sure that things are going okay. We monitor to check that that happens. Then there is another step, which is that the client is free to contact the provider at any point down the track—it could be a year or two down the track—if they need any extra help. As I understand it, the providers by and large keep in touch with their clients to make sure that they are going okay.

A third area is that we have a program called the Jobs in Jeopardy program whereby people who might not have been a client before but have a disability and believe that their job might be in jeopardy can contact our providers for some assistance, or early intervention, so that the job is made secure, or another job is found very quickly. They are the sort of three main areas. As I mentioned, from time to time we do specific targeted surveys as well.

**Mr NEUMANN**—My concern is that you get employment outcomes, which look good in 1.15 because 92 per cent of business service clients achieve an employment outcome. But as someone who was in business for more than 20 years, I know that you have to make sure that they can actually do it. It is not just getting the job, but doing the job and continuing work in those areas.

**Ms Golightly**—Yes. That longitudinal analysis is extremely important. With FaHCSIA we do that sort of work from time to time. The immediate contract is around making sure those people stay and work for at least 13 and 26 weeks. They are the immediate incentives, but from time to time we do valuations on a more longitudinal basis.

**Mrs BRONWYN BISHOP**—Have you been telling us that 92 per cent of the 47,000 disabled people who come through the Job Network get a job?

**Ms Golightly**—This is not through the Job Network.

**Mrs BRONWYN BISHOP**—Sorry.

**Ms Golightly**—This is the disability employment services network. Let me just check those figures.

**Mrs BRONWYN BISHOP**—I am sorry. I am trying to discover, out of the 47,000 people who are clients, how many get a job?

**Ms Golightly**—I can talk about disability employment services. Your question goes to Business Services, which is a FaHCSIA program.

**CHAIR**—Well, let us hope that someone will answer the question.

**Mr Bartolo**—With the 92 per cent figure, I think that relates to Business Services, which is now known as Australian Disability Enterprises. These are people who apply to work at an Australian disability enterprise, or 92 per cent of them.

**Mrs BRONWYN BISHOP**—How many people get a job? A number? How many?

**Mr Bartolo**—Australian Disability Enterprises have about 20,000 people employed in 360 businesses.

**Mrs BRONWYN BISHOP**—They have 20,000 people, and there are 47,000 people who are clients and who are not one of those 20,000 people?

**Mr Bartolo**—We might be talking at cross purposes. The FaHCSIA program is a program that funds 360 businesses to provide employment in a supported environment for people with severe levels of disability.

**CHAIR**—They have been established for a long time.

**Mrs BRONWYN BISHOP**—And they have been called a variety of things.

**CHAIR**—They are fairly well known. They provide laundry services, and all sorts of specific services.

**Mr Bartolo**—Yes.

**CHAIR**—And they have ongoing employment services, and they are highly supported jobs.

**Ms Bruce**—And 92 per cent of those achieve—

**Mr Bartolo**—An employment outcome.

**CHAIR**—Yes. That is often the easy side of it. It is not as easy in the other area.

**Mrs BRONWYN BISHOP**—We have the employment services, which have been around for decades upon decades and have had a variety of names, according to whatever the fashion for the name is. They are very worthwhile. I have several of them in my electorate. The people who

work there are a delight to know. When one of them had a fire in the not too distant past, it was quite devastating for them, and it has been a long clawing-back period. But they are not the only people you are dealing with, are they?

**Ms Golightly**—If people are not in the Business Services program, they are probably in the disability employment services, the DEN network, or some could be in Job Network.

**CHAIR**—Before we move on, Mr Bartolo, what about unmet need? Is it possible to say that the business services system has an unmet need for which you can not fulfil the demand? Is there any way of measuring that?

**Mr Bartolo**—There is no way of measuring an unmet demand for business services. We will be attempting to measure unmet demand as part of the new disability agreement performance indicator reporting.

**CHAIR**—That will be interesting. That perhaps goes to the point that you are trying to make, Mrs Bishop.

**Mrs BRONWYN BISHOP**—What degree of disability do you include as being eligible?

**Ms Bruce**—We do not exclude any type particularly. Our business services tend to attract intellectual disability. Approximately 70 per cent of employees have an intellectual disability. They tend to attract workers with higher support needs. I think it is the nature of the work and for historical reasons. Those employees that require less support tend to go through the disability employment network, for which DEEWR has responsibility.

**Mrs BRONWYN BISHOP**—What sort of support do you give, for instance, to the House With No Steps?

**Ms Bruce**—We fund the House With No Steps as a business service. The payments are based on the level of support required for their employees.

**Mrs BRONWYN BISHOP**—They are a great organisation. They do a terrific job. They have a marvellous art show with some of their clients' work.

**CHAIR**—The audit report indicated that while business service clients can move to a disability employment network environment, the DEN clients are unable to move to a business service unless they were referred through the whole assessment process. Can you advise us why that is the case, why that restriction or constraint is there, and whether changing that situation has been considered by the department? Is it an unnecessary constraint? Should there be more flexibility? Would that facilitate better outcomes for the clients?

**Ms Golightly**—Certainly, Chair. Unless others around the table do, I do not have in front of me the history of why that has come about. But we can get that for the committee.

**CHAIR**—It is really important for the people sitting in front of us today to understand that there is a one-way street, not a two-way street, in terms of your services, and maybe that is not appropriate. Explain to me: What is the best way to service clients?

**Ms Golightly**—Certainly the point of the assessment processes is to try to identify which is the best servicing stream for clients, such as Business Services, DEN capped, DEN uncapped, Job Network, or something else entirely different. That is the whole purpose of the assessment arrangements. People can move between the two.

**CHAIR**—Do they?

**Ms Golightly**—Yes, Chair.

**CHAIR**—Do they move between the two frequently?

**Ms Golightly**—I do not about that. I do not have exact numbers.

**CHAIR**—Is the assessment process a very necessary one? Do we need it only for one-way movement, not for the other?

**Ms Golightly**—Everyone can have an assessment, Chair; there is no restriction on that. In fact, the movement the other way I suppose is slightly easier. People may correct me if I have this wrong. The other way is that somebody from Business Services can try DEN and return if they need to, if it does not work out. We are trying to make sure that people get the right service, and that, between the two departments, movement between the services is allowed, and able to be done when necessary, and supported for that client.

**CHAIR**—Are there unnecessary layers of complexity that delay time and delay outcomes?

**Ms Golightly**—Certainly, there have been layers of complexity in all sorts of areas, such as the government's review of disability employment services and the government's work on the national strategy, mental health and employment strategy for disability. That has been looking at all sorts of levels of complexity. In the results of the review of the DEN services, one of the key issues is that they have become demand driven and are no longer capped. That certainly has removed considerable complexity for all of this.

**CHAIR**—That is true. Thank you.

**Senator BARNETT**—What is the definition of disability? Which definition do you use? This is for either DEEWR or FaHCSIA.

**Ms Golightly**—That is an issue for the act in terms of DEN, which FaHCSIA can talk to. But the DEN capped and DEN uncapped programs, which we run, are based on the issue of somebody's capacity to work, not disability. I will need to hand over to FaHCSIA.

**Senator BARNETT**—You focus on the capacity to work.

**Ms Golightly**—Yes.

**Senator BARNETT**—I will come back to that. What about Ms Bruce?

**Ms Bruce**—I would have to check, to be honest. I am not sure what definition we use.

**Mr NEUMANN**—Paragraph 1.18 in the report refers to the detail.

**Senator BARNETT**—Does that definition include an addiction?

**Ms Bruce**—An eviction?

**Senator BARNETT**—Yes. Does that include a gambling addiction?

**Ms Bruce**—Oh, addiction, sorry.

**Senator BARNETT**—Does it include a drinking addiction or an internet addiction. All of those can be incapacitating. There is a view that that should be included in the definition of disability. I was wondering whether it is included in your definition of disability. The other question for Ms Golightly is whether it is incapacity which means lacking a capacity to work and whether that includes an addiction.

**Ms Golightly**—Senator, for our services the job capacity assessors make an assessment. They have to test somebody's eligibility for the DEN capped stream. They can recommend that stream if the person has been assessed to have future work capacity of eight hours or more, and/or require ongoing support, once they are in work. The whole eligibility for that service is around that assessment. The job capacity assessment is administered by the Department of Human Services, but my understanding is that it is a very comprehensive assessment and would take into account all sorts of issues or barriers, or skills, or needs, that the client would have.

**Senator BARNETT**—So that may be an addiction?

**Ms Golightly**—It could well be an addiction. It could be other things, yes.

**Senator BARNETT**—Okay. Ms Bruce have you had any chance to review your definition?

**Ms Bruce**—The definition does not specifically include addiction, but we know from our statistics that we have supported employees with mental health issues, including some addictions. So they are not excluded.

**Senator BARNETT**—But you are not sure whether they are specifically included.

**Ms Bruce**—People with addiction are not specifically included in the definition of eligibility.

**Senator BARNETT**—All right. Thank you.

**Ms KING**—The audit report made a number of comments around the quality of assurance, continuous improvement, and the complaints system. I note them, and you may want to comment on those. My question is: Given that all the systems you have got in place, and some changes to disability employment services over time, is either agency able to tell me whether the quality of the experiences of people with disabilities relating to business employment services or DEEWR's services has improved over time, and whether the satisfaction that people with disabilities have with their employment outcomes has improved over time?

**Mr Bartolo**—From the perspective of Business Services, we do not do a customer satisfaction survey as such. Anecdotally there is certainly evidence to show that the quality of service has improved since the introduction of the quality assurance system.

**Ms KING**—According to whom?

**Mr Bartolo**—According to just going out and speaking to clients on a regular basis, so anecdotal evidence, but no formal customer satisfaction survey that has monitored over time that improvement.

**Ms Bruce**—But we do know through our quality strategy and our audit compliance strategy that services provided are improving over time?

**Ms KING**—Yes. The question that I asked was not so much about whether the services were improving but rather about whether the experiences of the people who utilise those services are that their quality of life has improved and whether their level of satisfaction as well as their participation in employment and community life has improved. What is happening with people with disabilities who are the end recipients of the surveys? Mr Bartolo has answered that question for me.

**Ms Golightly**—We have conducted an evaluation and found that indeed the outcomes that are experienced by the clients of the services have improved significantly. For example, 25 per cent of clients used to achieve employment, and now that is up to 43 per cent. These people obviously want employment. The fact that more of them are getting it means that they are satisfied. But also throughout customer complaints line, we get very few complaints through that. Between the two types of information we think there is evidence that quality has improved.

**Ms KING**—Thanks. I will leave that line of questioning there.

**CHAIR**—Would you like to ask a question, Mrs Bishop?

**Mrs BRONWYN BISHOP**—I beg your pardon for having to leave the room and take a call. Why I was asking questions about numbers is that this follows on from questions I asked about unmet need. If we have 20,000 people who are working in sponsored business centres—we will call it that—that is 20,000, but there are a lot more disabled people than 20,000. We have a figure of 47,000 clients from audit, 36,000 on the uncapped scheme and 11 on the capped scheme. However, they seem to be counter-intuitive on their description. When you are making policy to assist people, do you make a distinction between the more-able disabled and the less-able disabled?

**Ms Golightly**—For our programs, Mrs Bishop, the eligibility is not about their disability; it is about their capacity to work and what assessed capacity they have.

**Mrs BRONWYN BISHOP**—I guess that is what I am saying. I want to know what the current terminology is.

**Ms Golightly**—Yes. There is a job capacity assessment, which is a comprehensive assessment of all the circumstances in which a person finds themselves. That assessment determines which

service stream is best for that person. It is based on in our DEN world on their level of capacity to work. For example, for the DEN capped program, the eligibility is if you have been assessed as having a future capacity to work for eight hours or more, and/or you need support while you are in a job.

**Mrs BRONWYN BISHOP**—Yes. But the assessment that we are talking about here, is that the assessment you use to say whether someone can be on a disability support pension?

**Ms Golightly**—No, that is something FaHCSIA handles.

**Mrs BRONWYN BISHOP**—Do the two departments interact on those tests?

**Ms Bruce**—The income support criteria for the disability support pension are quite specific and laid out in the Social Security Act. I would say that JCA—

**Ms Golightly**—Yes. The issue is that anybody can access DEN services. You do not have to be on a disability support pension to do so.

**Mrs BRONWYN BISHOP**—Yes, but the test that is laid out in the act works very harshly for some disabled people. They have to represent for a condition that is not going change, and I think that is pretty harsh. When you say somebody is able to work for eight hours, I wonder whether you have had any information from FaHCSIA that is relevant to your assessment.

**Ms Golightly**—Certainly. The job capacity assessors are rung by the Department of Human Services. They access all the information that Centrelink has, or other medical evidence that the client might provide—anything that is available to do that assessment. As I understand it, if a person is applying for a disability support pension, they will have to provide certain information to support that application. That will be available to the job capacity assessor, who is also the person looking at where they go to in the service stream. So the simple answer is yes.

**Mrs BRONWYN BISHOP**—Okay. Having established those things, when you are looking to do job placements outside the approximately 300 business services, are you looking at the general range of employers, or do you have employers who are have indicated their willingness to work with you to find job placements?

**Ms Golightly**—It is both.

**Mrs BRONWYN BISHOP**—Would the preponderance be that people have indicated they are prepared to work with you?

**Ms Golightly**—Indeed, it is not so much directly with the department; it is more employers who are working with the providers.

**Mrs BRONWYN BISHOP**—Yes, the providers under your auspices.

**Ms Golightly**—Yes, that is right. The providers basically ‘incentivise’ to get whatever people into good employment wherever they can. That means working with all employers.

**Mrs BRONWYN BISHOP**—Yes, I understand that, but statistically you must have—

**Ms Golightly**—I do not have statistics on how many were employers who approached the provider first, rather than the other way round, but it would be both.

**Mrs BRONWYN BISHOP**—Presumably they would be more likely to be larger employers rather than smaller employers.

**Ms Golightly**—Not necessarily.

**Mrs BRONWYN BISHOP**—Not necessarily?

**Ms Golightly**—I do not have the statistics but I know—

**Mrs BRONWYN BISHOP**—It might be interesting if we can have those. If I can just ask one question: Will the current financial downturn impact upon your ability to place people?

**Ms Golightly**—In relation to the first question, I am not sure that we have statistics on every single employer who has taken on a person with a disability, but I do know—

**Mrs BRONWYN BISHOP**—It is the plight of the employer.

**Ms Golightly**—But I do know anecdotally and through my experience with providers that it is large, small and medium. In relation to your second question, the review of disability employment services I mentioned earlier is quite a remarkable and significant change to the way that these services work, and one of those changes is that the services are now demand driven; they are uncapped across the board in terms of disabilities. That is a very important part of helping with the effects of the GFC.

**CHAIR**—I will have to wrap up this section and move to the next part in a moment. Mrs Bishop is concerned about effectiveness. The audit report also was concerned about effectiveness and reporting that effectiveness sufficiently to us. It did find that only four of the 11 indicators specified in the CSTDA, which stands for the Commonwealth, State and Territory Disability Agreement, were included regularly in your annual public reports. A special audit touched on this issue as a previous issue in the past and it determined that there had been no improvement in performance reporting since the last audit in 2005.

We know that there will be more reporting required in the future across the COAG agreements, but it did find that no progress had been made in reporting in the annual public reports since the last audit of 2005. Why was that the case? What undertakings can you now give that reporting will meet those requirements and the requirements of the new agreements? Can you also tell me whether that report, the 2005-06 CSTDA annual public report, has ever been released? If so, where is it? If not, why not?

**Ms Bruce**—We are expecting the 2005-06 annual report to be released this month and the other ones to follow later in the year.

**CHAIR**—How can government be informed in policy development if that reporting is not available? Can you tell me why it was not available? It goes to the effective delivery of a service.

**Ms Bruce**—No, I understand that. It has just taken longer than we anticipated to get the information together and to get it cleared through all the jurisdictions and to get it out.

**CHAIR**—How will you make it easier to get the data together under the new agreements?

**Ms Bruce**—We are still working through how we will provide all of the new reporting requirements, but we are confident that we can improve the time limits around it.

**CHAIR**—So from a track record that was inadequate, we have to go to a new system that will be even more demanding in relation to data across a specific number of indicators. Is that hard?

**Ms Bruce**—It is actually not my area, but the information I have is that we are confident that we can improve the timeliness of the data provided.

**CHAIR**—Would someone else like to comment because it goes to the core of good policy delivery, good program delivery and continuous improvement in everything we do? Can someone tell me that they are confident they are going to make that transition?

**Ms Golightly**—Chair, it is a matter that is handled by FaHCSIA. DEEWR cannot comment on that issue.

**Mrs BRONWYN BISHOP**—I tell you what I am amazed at. I am amazed that nobody else has demanded it.

**CHAIR**—I would like to be able to hear you say that you have confidence in your staff to deliver on that reporting mechanism and make sure it is one that is responsive to the needs of that policy.

**Ms Bruce**—Chair, I did say that I was confident that we could improve the timeliness of the preparation of the information.

**CHAIR**—All right. On that note, I will draw this to a conclusion. On behalf of the committee, I thank the witnesses who have given evidence today. The committee may have additional questions to put on notice to witnesses that the secretariat will forward to you. If we do that, please note that we are looking at a four-week turnaround at what I understand is a very busy time for you. I declare this portion of the public hearing closed.

[12.30 pm]

**Auditor-General Report No. 17 2008-09**

**CHAIR**—I open today's public hearing which examines the Auditor-General's report No. 17 of 2008-09 relating to the administration of Job Network outcome payments and welcome the representatives from DEEWR and the Australian National Audit Office. I ask participants to remember that only members of the committee may put questions to witnesses if the hearing is to constitute formal proceedings of the parliament and attract parliamentary privilege. If other participants wish to raise issues for discussion, I ask them to direct comments to the Chair. It will not be possible for participants to directly respond to each other.

Given the short time available today, statements and comments by witnesses should be relevant and succinct. I remind witnesses that the hearings today are legal proceedings of the parliament and warrant the same respect as do proceedings in the house and Senate. Giving false or misleading evidence is a serious matter and may be regarded as contempt of parliament. The evidence given today will be recorded by Hansard and will be attract parliamentary privilege. Do any of the witnesses wish to make an opening statement before we proceed to questions? We have one from the audit office, thank you. That already has been accepted and tabled.

**Ms Golightly**—Can I just say that the findings of this audit have been taken into account in the comprehensive review of employment services that the government announced last year.

**CHAIR**—When taking that into account, what do you think was the most important thing to act upon?

**Ms Golightly**—Certainly the government review was extremely focused on making sure that the new services were very much tailored to the needs of job seekers, particularly those with high disadvantage. We have looked at all aspects of the model to make sure that that is achieved, and that all local community links are made with other services that might already be available in that community. The outcome payments, the way that various mechanisms operate—contract management, performance information and all of that—has been reviewed to make sure that the new services achieve their objectives.

**CHAIR**—Could someone please update the committee on the progress of the employment services contract 2009-12 that I am told will commence in July?

**Ms Golightly**—Certainly. I can do that, Chair.

**CHAIR**—Thank you.

**Ms Golightly**—There was a series of discussion papers last year and consultations all around the country, which led to a request for tender being issued in about September-October last year. That tender closed in November. The assessments have been undertaken. It is expected that, as published in the request for tender, the final results will be announced later this month, March. We then have a transition period whereby successful tenderers get ready, basically, for 1 July. In

the meantime the department is well advanced in developing new IT systems, new policy guidelines for providers, training for providers and staff, and so on and so forth. We are well progressed and on track for implementation on 1 July.

**CHAIR**—One of the recommendations went to publicly disaggregated financial data. Can you give us an assurance that you will be able to report on that on Job Network expenditure in the future, as per the ANAO's recommendation?

**Ms Golightly**—We can certainly report internally, Chair. We have the information.

**CHAIR**—No, we are talking about the answers, okay?

**Ms Golightly**—Yes. I am giving the background.

**CHAIR**—I am sorry to interrupt you.

**Ms Golightly**—We do have the information and the government is considering the ANAO's recommendation that we report in future annual reports at a lower level of disaggregation. A final decision on that has not been made.

**CHAIR**—If it was made, do you have the mechanisms, the expertise and resources to do that?

**Ms Golightly**—That was the point of my first comment. We have the information, yes.

**CHAIR**—Given that the current economic climate of an increasing unemployment rate can be anticipated to continue, how will the job network perform in the future under that challenge, do you think? What do you think it will have to do? What change in emphasis? What change in operation may be necessary to make sure it can cope with that?

**Ms Golightly**—Chair, the job network comes to an end on 30 June. The new system is a much different system to the current job network. It is an amalgamation of seven different programs into a completely new program. That has been designed flexibly to cater for all sorts of economic conditions, such as ones that are decreasing but also those that are increasing. It is quite flexible. It is based on the individual's needs. It is demand driven. It does not matter, therefore, how many people come through the door. Also it is very much targeted to people who have a disadvantage. That might be, for example, people who are in certain industries that might be in decline, or that might have some other barrier.

**CHAIR**—What would the implications of that be for the new system?

**Ms Golightly**—The system has been designed to cater for all of those.

**CHAIR**—If more of those people walk through the door and they are disadvantaged because they are in an industry that is being phased out, or whatever, does that not have implications for training or further investment in careers for these people?

**Ms Golightly**—The model, as it has been developed, is precisely developed that way. There are four streams of assistance with more money being directed to streams for people who have

different levels of disadvantage. The higher your disadvantage, the more money there is available to be spent on you in that particular stream. In addition, the rewards that the provider gets for placing you into training or employment are higher, depending on your level of disadvantage as well.

In addition to all of that, the government recently announced that people who have been made redundant recently get immediate access to stream two, which is a higher disadvantage than is stream one, and also increased the number of training places available and apprenticeships. There is quite a broad ranging set of initiatives on foot to help people who may be affected by the GFC.

**CHAIR**—Your report indicates that JNMs must ask job seekers to provide information that they have already provided to Centrelink. Perhaps it would be better for JNMs to have access to the information obtained by Centrelink than have to request the identical information from a job seeker, I would have thought, from the perspective of the job seeker. DEEWR responded to that that options for information sharing had been investigated. Could you please update the committee on what those investigations showed and what you will be doing to respond to that?

**Ms Golightly**—Certainly, Chair. I think I need to clarify something. We do not ask in all cases for the same information to be provided to both providers and Centrelink, as the report suggests. The information that Centrelink has is shared with the providers. It is only in circumstances in which either Centrelink or the provider feels there is a discrepancy in that information that we then go and ask for further information. Having said that, we have explored with Centrelink, as our response indicated, even more ways of making sure that we collect the information only once, and try to narrow down even further the circumstances when there may be any discrepancy. Those changes will come into play on 1 July with the new system.

**CHAIR**—Does that match with your understanding, audit office representatives?

**Mr Lack**—When we were doing the audit, our information was that DEEWR required JNMs to collect information from job seekers about their status. That information already was being supplied by Centrelink through the SU19 forms that Centrelink asks job seekers to complete.

**CHAIR**—Could you comment?

**Ms Golightly**—As I said, I would have to clarify that comment. I am not sure why that was said at the time, but we collect such information. It is only in circumstances in which there is a discrepancy between what the job seeker or employer is telling Centrelink versus the JNM, and of course we need to investigate any discrepancies. I am just clarifying that we do collect it, but only in circumstances in which there is a discrepancy, and not as a matter of course.

**CHAIR**—I would hope so. Some of this is difficult for the layman, I have to say, but the ANAO notes that about eight per cent of outcome payment claims require special claims processing, most of which are for non-activity tested job seekers. The audit report suggests that in the event of an increase in non-activity tested job seekers, DEEWR could consider developing a function within EA3000 to process routine non-activity tested claims instead of using a systems override. I am referring to page 59 of the report. Has DEEWR considered this possibility? What are the benefits or disadvantages?

**Ms Golightly**—Yes, Chair, we have. Again, I do need to provide a bit of clarification. It is not all non-activity tested job seekers who get handled by the manual process, but only certain categories. We have investigated this and Ms Caldwell can give you the detailed results.

**Ms Caldwell**—As Ms Golightly indicated earlier, in the new employment services that will start from 1 July, we have done additional work to reduce the number of instances in which there is a need for special arrangements or special claim processes. Our estimate is that 75 per cent of that eight per cent will be able to be conducted online in future because of the additional reconciliation processes that we will have in place.

**CHAIR**—What will the benefits of that be?

**Ms Caldwell**—The benefit of that is, as the audit observed, that wherever possible we seek to automate processing so that a maximum amount of time can be spent on servicing. As Ms Golightly said, where there is a discrepancy, we are under an obligation to make sure that is settled correctly. But to the extent that we can automate that process with the least red tape, that is a target of the new services.

**Ms Golightly**—It has been another major objective of the review of employment services to cut red tape wherever we can. The more we can do that in an automated fashion, which I am sure was behind the ANAO's thinking as well, the better it is in terms of cutting red tape. We improved that percentage quite drastically on 1 July.

**Mrs BRONWYN BISHOP**—You say in the abbreviated document attached to the report that \$386 million approximately was paid to Job Network members for outcome payments out of a total program expenditure of just over \$1 billion. When I look at page 30 of the audit report, I see service outcomes in 2005 through to 2007-08 when there were approximately 99,500 job placements. How does that differ from an outcome payment?

**Ms Golightly**—We have three broad types of payments, Mrs Bishop. One is service fees, then we have job placement payments, and then we have outcome payments. The outcome payments are for people who not only have been placed in a job but also have stayed in that job for 13 weeks, or indeed 26 weeks. Job placement is a payment for the immediate placement in a job. Then we have outcome fees, should that person stay in that job.

**Mrs BRONWYN BISHOP**—They are sort of progress payments?

**Ms Golightly**—Yes. It is an incentive to not just place somebody into any old job; it is meant to be a sustainable job.

**Mrs BRONWYN BISHOP**—Right. The approximately 99,500 that were paid for against job placements in 2007-08, does that mean that the people, in respect of whom payment was made, did not go on to remain in the job?

**Ms Golightly**—No. They are not mutually exclusive. The outcome payments will be a subset of the job placements. Many of the people in job placements go on to the 13 to 26 week outcomes.

**Mrs BRONWYN BISHOP**—What percentage of them would be in that \$386 million?

**Ms Golightly**—We can get the exact number for you, but I think historically we have about 80 per cent who go on. Is that correct?

**Ms Caldwell**—That is between the 13 and the 26 weeks.

**Ms Golightly**—Yes.

**Ms Caldwell**—Historically the proportion of initial job placements that mature into sustainable jobs has been sitting around 50 per cent right back to the days of the Commonwealth Employment Service. It has crept up over time to approximately between 52 and 54 per cent at the moment. I should also clarify that not all job seekers who are eligible for that initial payment are actually eligible for the sustainable payment. For a very short-term unemployed person within their first three months of employment, the provider is eligible for the initial placement, but the bonus payment for continuing on to 13 weeks and 26 weeks and beyond is limited to people who have reached longer-term unemployment.

**Mrs BRONWYN BISHOP**—What is the job seeker account?

**Ms Golightly**—Mrs Bishop, it is a pool of funds that the providers can access to purchase interventions for their clients.

**Mrs BRONWYN BISHOP**—Like for training or something?

**Ms Golightly**—Training, wage subsidies, protective clothing that they might need, counselling services—yes. It is very, very broad.

**Mrs BRONWYN BISHOP**—Okay. If we look at those figures we see that they all went down, but of course so did the unemployment figures go down, and anecdotally I heard that a number of Job Network members were pulling out of it in the last calendar year because they said that the jobs were not available, and that unemployment figures were so low it was too difficult for them to find enough people who were suitable to put into the jobs that were available.

**Ms Golightly**—Pulling out of the job seeker account?

**Mrs BRONWYN BISHOP**—Pulling out of the network, not wishing to be part of the network. Is that not true? I suspect it happened—

**Ms Golightly**—No, I am not aware. I can check the records, but I am not aware of people who have pulled out for that reason. Certainly it was a matter of public record through Senate estimates, et cetera, that the caseloads were declining because of the economic conditions at the time.

**Mrs BRONWYN BISHOP**—The reason I am asking the question is obviously the caseloads are going to go up again.

**Ms Golightly**—Yes. They are already going up.

**Mrs BRONWYN BISHOP**—Do we have sufficient members in the job network to deal with what is going to be an influx?

**Ms Golightly**—The system has always been demand driven and has coped with ups, downs, increases and decreases for many years.

**Mrs BRONWYN BISHOP**—This one is a bit different.

**Ms Golightly**—In any case, the government announced new employment services starting from 1 July, which is a brand new approach. The tender for that is currently afoot. It will select providers across the country.

**Mrs BRONWYN BISHOP**—This is basically the new tender.

**Ms Golightly**—Yes, that is right.

**Mrs BRONWYN BISHOP**—Because this contract has come to an end.

**Ms Golightly**—On 30 June, yes.

**Mrs BRONWYN BISHOP**—Do you actively go out and seek people who will be appropriate? Do they come to you seeking information?

**Ms Golightly**—The request for tender that was put out last year invites anybody who is interested to put in a tender to deliver such services. Of course though we have a very rigorous and thorough process against selection criteria to choose the best providers in a particular area to meet the needs of that local area. The selection criteria and assessment process are all laid out in the request for tender document.

**CHAIR**—I would just say that, having been involved in many audit reports on the Job Network, it is good to see that there is more confidence from the Australian National Audit Office in its effectiveness. I congratulate you on that. But there remain the issues that we have seen in terms of effective ways of modelling the outcomes per job seeker, the costs particularly. It is an expensive program. It is an investment in the future of people. We hear people say that we should not spend too much money on them, but we are going to get the best out of the program.

Control those costs by having good modelling, know what you are achieving and what the cost are, and know how you can track that for the government so that it is being more effective. We know we are getting better results for this money. Reporting of data, generally the modelling you use reducing complexity, and having modelling that can advise and inform on each of these new reforms you have to put in place can really deserve the attention that you must give it. We wish you well in that process. We thank the Australian National Audit Office and DEEWR for the relationship they must have built up over a long time in working on the Job Network system. I thank witnesses for attending and presenting today. We wish you a lot of success with the next program in a time of high need.

**Ms Golightly**—Thank you, Chair.

Resolved (on motion by **Mrs Bishop**):

That this committee authorises publication, including publication on the parliamentary database, of the proof transcript of the evidence given before it at public hearing this day.

**Committee adjourned at 12.53 pm**