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Reference: Review of Auditor-General's reports Nos 35 to 52 (2005-06)

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

Wednesday, 29 November 2006

Members: Mr Anthony Smith (*Chair*), Ms Grierson (*Deputy Chair*), Senators Hogg, Humphries, Moore, Murray, Nash and Watson and Mrs Bronwyn Bishop, Mr Broadbent, Dr Emerson, Dr Jensen, Miss Jackie Kelly, Ms King, Mr Laming and Mr Tanner

Members in attendance: Senators Hogg and Watson, Ms Grierson, Mr Laming, Mr Anthony Smith

Terms of reference for the inquiry:

To inquire into and report on:

Review of Auditor-General's Reports Nos. 35 to 52 (2005/06)

WITNESSES

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Committee met at 12.08 pm

CLARKE, Dr Tom, Senior Director, Performance Audit Services Group, Australian National Audit Office

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PARSONS, Mr Anthony, Group Manager, Job Search Support Group, Department of Employment and Workplace Relations

QUINN, Mr Michael, Assistant Secretary, Employment Exchange Branch, Department of Employment and Workplace Relations

CHAIR (Mr Anthony Smith)—I open today's public hearing, which examines Auditor-General's Report No 49 of 24 May of this year, *Job Placement and Matching Services*. I welcome representatives from the Australian National Audit Office and the Department of Employment and Workplace Relations to our hearing. I ask participants to remember that only committee members can 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 their comments to the committee. It will not be possible for participants to respond directly to each other.

Secondly, given the short time available today, statements and comments by witnesses should be relevant and succinct. As always, I remind witnesses that the hearings today are legal proceedings of the parliament and warrant the same respect as proceedings of the House itself. That giving false or misleading evidence is a serious matter and may be regarded as contempt of the parliament. The evidence being given today is being recorded by Hansard and will attract parliamentary privilege.

We are familiar with the audit report. As you would appreciate, we select those audit reports we wish to do further work on. We did that a little while ago; we had a briefing from the Audit Office. We are familiar with a lot of the substance of it. Perhaps you would like to make a brief opening statement on your reaction to the report and then we will move to some questions.

Ms Golightly—We certainly appreciate the opportunity to comment on this report. We welcome the ANAO's conclusions that the implementation of job placement and matching services has been effective and that we have been successful in increasing the number of job vacancies available for job seekers. We agree with most of the ANAO's recommendations and

have continued to look towards ongoing improvement of these services. We have acted quickly on many of the recommendations. Some of the key concerns were being addressed by the department before the report was tabled. It came at a critical time, just as DEWR was developing and implementing a new job placement licence. By drawing on lessons learnt throughout the implementation of the audit and the ANAO's recommendations, DEWR was able to release a much improved job placement licence from July this year.

The ANAO examined the Australian government's online job board, Australian Job Search. This again was very timely, as Australian Job Search was approaching its 10th anniversary. The department pioneered online job boards in Australia and has for many years led the way. We are happy to see that this market has matured and that other job boards have found their niche. Australian Job Search remains an important tool to help both employers fill vacancies and registered job seekers find work. In an average month, Job Search supplies in excess of 40 million pages of job-related information to job seekers and employers. We are always open to a better way of doing things. I believe we now deliver these services in an even more effective way as a result of actions we have taken to address the issues identified by the ANAO.

CHAIR—Thank you. We have a few questions. Mr Laming is going to open.

Mr LAMING—I have just two questions. The first is about complaints and the second is about Job Search. While you are monitoring the quality of your services, what assurance can you give us that complaints are being actioned and, in particular, with onsite visits? Then, finally, how are you benchmarking the number of complaints you are getting to monitor whether those services are improving?

Ms Golightly—I will start with our overall system and others can add the specific detail. For all of our services, including this one, we have a complaints line which has a formal register of complaints however we receive them. Whether it be by phone, by email or by third party reference, they are recorded there and monitored through that register for timely completion or resolution. That is reviewed regularly. There is also a two-way feedback between that complaints line and our contract managers all around Australia. Either they may find something that they need to report to the complaints line or vice versa. It is a two-way process where items are followed up. That is the overarching system that is in place. I know that for all of our services the number of complaints is very low and decreasing. Others at the table might have actual numbers. If we do not have them here, we can get them for you. We compare year on year and we know that is going down.

Mr LAMING—I refer to site visits in particular. How are they being recorded?

Ms Golightly—Site visits are done by our contract managers, who are in the state and regional offices. They have, basically, various places where they can report things but the main one is through our risk management tool. That is a very big part of our contract managers' portal system. That is where our contract managers assess the risk of each provider for each service. They then identify who they need to do site visits with and how often. The results of each site visit are recorded there and any issues followed up. Anthony, is there any more detail for job placement?

Mr Parsons—I was just going to draw the committee's attention to two documents which remove any ambiguity in that area. The first is the job placement site monitoring visit checklist, which our contract managers use. The second is what we term our owners manual, which is a document that was produced before the ANAO audit. It tries to encapsulate what our expectations as policy formulators are of our state contract managers.

CHAIR—Would you be happy if we took those as exhibits?

Ms Golightly—Certainly, they are public documents. The license is public.

CHAIR—Do you want to take it on notice?

Ms Golightly—I can take it on notice, but I do not think it is a problem.

CHAIR—I am not going to thumb through it today, but it might be handy to have for the committee's records.

Mr LAMING—Just a final question, if there is no follow-up on that issue, was the issue of the maturing online vacancy listing market and why Job Search should necessarily remain a wholly government managed entity.

Ms Golightly—This is a very topical question we have turned our minds to. In fact we have commissioned and are about to start a review—we have been scoping it—of whether indeed we should be continuing in that space. We certainly do not see Australian Job Search—and it never has been this way—as a competitor. It is meant to work with the other job boards, but I think this many years on, it is timely to stop and just review whether the government needs to be in that space going forward. We are doing that strategic review now.

Mr Parsons—I would enter that and say that we have a panel of companies who we believe are equipped to be able to conduct such a review. We have put an expression of interest to that panel. We will need to modify our parameters, because the first response back from the companies was that they did not think that there was interest or ability to schedule that within a time frame. We would like to try and get this review completed by the first quarter of next year. We will now either look at casting our net wider or, indeed, if we cannot succeed in that time frame, look at doing something internally initially.

Mr LAMING—As a follow-up, can I ask just how many people are devoted to maintaining that service within the department and the amount of resources directed to maintain Job Search.

Ms Golightly—I do not have the numbers off the top of my head. We can get that on notice for you. Basically there are two key groups. There is obviously the IT and technicians, although in this stage of its development that is really a holding pattern, and of course there are people in Michael's branch who look after Australian Job Search as part of their job. There are other things that they do, obviously, but we could try and get you some figures on that, on notice.

Mr LAMING—Thanks, Chair.

Ms GRIERSON—In the report, appendix 6 is probably a new development in my view. It is rather a detailed and long response. I am wondering why you felt you had to submit that.

Ms Golightly—It is certainly a practice that DEWR has with all of the reports where we provide a detailed response. I think it is in keeping with our normal practice with audit reports. Certainly there were some quite complex and serious issues that we felt needed explanation, and so we—

Ms GRIERSON—That leads me to wonder whether the process of the audit was not successful. Were you not given every opportunity to put forward that sort of information as part of the engagement processes with the Audit Office?

Ms Golightly—We certainly were and I believe that we did. But I suppose through any audit process there is always a point at which the ANAO has to make a choice about what is published in their part of the report and we make a choice about what we add to that in our response.

Ms GRIERSON—I would wonder at the resource allocation to that and the prioritising of that, in that it looks very defensive rather than a proactive delivery of the aims and objectives of DEWR. I do wonder whether it points to a need to have a better relationship with the Audit Office or to have more confidence in your own processes, and so I put that on the record.

There has been a lot of public comment recently about the delivery of Job Network services, relationships, compliance and behaviours of people involved. The ANAO did consider DEWR's approach to assessing contractual compliance could be more transparent if everyone was clearly advised of the approach and the actual contract requirements. What is DEWR's plans to increase the transparency of its assessment of contractual compliance?

Ms Golightly—We certainly believe that we make it fairly clear. My colleagues can talk about any new developments in the latest licence. As an overall comment, some of our providers are not happy if we are asking them something that is not written down somewhere. It is also impossible to write everything down that we will check. We hold the view that it is quite clear in our contracts that we will check compliance with the contract.

Ms GRIERSON—But it has to be against certain criteria.

Ms Golightly—Yes, and those criteria are in the contract. We did clarify some points for this new licence. Anthony, would you like to mention those?

Mr Parsons—Indeed we did. One of the earlier questions talked about how we would track handling of complaints et cetera. One of the things we changed in the Job Placement licence was to stipulate our expectation for the providers to actually maintain a complaints register. We have taken any ambiguity out of that by making that explicit in the new licence. The Job Placement monitoring owners manual that I spoke of is a document which is intended for me as the policy formulator to clearly communicate expectations of contract managers to monitor adherence with the contract. I have said in forums that I am more than happy, and I believe it is only fair, for that document to be made available to the Job Placement organisations themselves, so that they can see what my expectations of contract managers are in monitoring aspects of the contract. There

are various IT reports made available against some key criteria in the contract so that the providers themselves can track their progress.

Ms GRIERSON—Can you explain to me the responsibilities of handling these complaints? Firstly, the Job Network provider has to know about them, register them in some way and log them. You have to know about them. Then what happens?

Ms Golightly—As I mentioned before, we have a complaints register where they are recorded, and we have a team devoted to making sure that those complaints are followed up. I get reports about time matters—

Ms GRIERSON—What is the main complaint?

Mr Parsons—The categories are many and varied. Sometimes it can be about being referred to a job that they do not think they are suitable for.

Ms GRIERSON—Yes, that is often out there in the media.

Mr Parsons—Of course, we all know that job seekers are obliged to accept jobs that they can be reasonably expected to do.

Ms GRIERSON—Which complaint have you had most success in eradicating or diminishing?

Ms Golightly—I believe there is an issue that there are not that many complaints and they are varied, as Mr Parsons mentioned. I do not know if there is any one in particular that stands out.

Ms GRIERSON—Is there one that you can point to and say: ‘We’ve got that one under control. It is not being flagged as much, and it is not being registered as much’?

Ms Golightly—I would imagine it is the one that Mr Parsons has just mentioned, where job seekers are not happy about the job that they have been referred to, but under the law they—

Ms GRIERSON—How would you fix that?

Ms Golightly—The issue is that they may not be happy, but it is not an indication of something wrong with the system. They are meant to be referred to any job that is suitable, and that is what has happened.

Ms GRIERSON—If there are unintended and ludicrous consequences of that, surely you would make recommendations to someone that that might change, or you may recommend to yourself that you change some of that requirement.

Ms Golightly—I am not sure that there are ludicrous or unintended results. I am aware that in the past there may have been the odd vacancy on a database that was not meant to be there anyway. Anthony can go through the things that we have done to eradicate that, which has been significant.

Mr Parsons—You may also be interested in the hierarchy of how complaints are handled.

Ms GRIERSON—I would also like to know about penalties for not improving.

Mr Parsons—The hierarchy of complaint basically is for the job seeker to lodge their complaint with the provider in the first instance to try to reach resolution. If they fail to do that then they are certainly entitled to call the DEWR complaints line, to which Ms Golightly has been referring. If the department's intervention cannot reach a satisfactory solution to all parties, then the next step is somewhere like the Commonwealth Ombudsman. The job seeker can certainly complain to that office.

Ms GRIERSON—What about overpayments and overcharging? Does DEWR recover an appropriate amount of the job placement overpayment debts?

Ms Golightly—We certainly attempt to recover any debts that are identified and we have a number of ways of doing that. The most successful is that we withhold the amount owing from the next payment due to the provider. In that way we can guarantee an offset or a recovery. If there is not enough money in the next payment due to be able to do that, we request payment directly from the provider. If they refuse, we take other action including, if necessary, handing it to debt collection agencies.

Ms GRIERSON—Have you improved on the five per cent of total annual expenditure on job placement outcomes that was there before?

Ms Golightly—I think that was one of the areas where we did not necessarily agree with the figures that were extrapolated by the ANAO. We certainly have a fairly high recovery rate.

Mr Parsons—The five per cent figure that the ANAO tabled was essentially based on the first tier of our detection. I would like to briefly explain how that works. The first tier of one of our many strands is to do a random survey of, say, 1,000 jobseekers. So a survey goes out from the department to the 1,000 jobseekers asking questions about the involvement of the job placement organisation in getting the employment.

The ANAO saw that with five per cent of those that came back, the jobseeker either erroneously fills in or does not remember or recognise the role that the job placement organisation played. What the department does with that five per cent is then do a more targeted investigation by going, in some instances, and speaking to the jobseeker and saying, 'Are you sure that you did not have interaction with Company X in the course of getting your employment?' I believe that what we see through that and through other reporting analysis that we do is that the true debt rate is not as high as five per cent. We think it is probably less than half.

Ms Golightly—Often, when we do the targeted checking, the jobseeker does remember the organisation or we are able to see on our system that they did attend and were serviced by that organisation even if in that first survey—which is a fairly high level—they have not recalled or have not bothered to fill that in. So quite often, when the serious checking is done, it becomes apparent that that jobseeker was serviced and, therefore, there is no debt to be raised.

Ms GRIERSON—ANAO, did you accredit that serious checking? Is that correct? Can you reduce it by half?

Dr Clarke—If you look at footnote 87 on page 63 of the report, it says that what we found was that 5.3 per cent of responses to the random survey resulted in a debt. The targeted projects had a higher debt rate of 8.3 per cent and state officers target projects that have a debt rate of 25.6 per cent.

Mr James—On the basis of a random survey, sometimes it is completely inadvertent. The provider has just made a mistake in entering material into the system; it is an education thing. We tend to find that the longer providers are in and the more education they have about how the system works—and we have tightened that up—the lower their debt rate tends to be over time. When something comes out of a random survey, we use that to target where we will go with our targeted surveys. In fact, most of the surveys we do on program assurance are targeted surveys, not random surveys. But random surveys help us target where we should focus.

Ms GRIERSON—If they are not getting accurate data to work on, it sounds to me like those things are not a good process.

Mr Parsons—I need to point out that although there are various percentages in those footnotes, the percentages are of very different populations. The five per cent is a gross of that high-level survey of 1,000; the other percentages are where we say: 'It looks like we might have a bad practice issue here. Let's do a targeted survey in that particular quadrant.' That is where we expect the higher percentages because you have to—

CHAIR—It is a trouble spot.

Mr Parsons—Exactly right.

Ms Golightly—And it is a smaller population. To answer your question, Ms Grierson: the initial survey is a very big survey which is to get feedback from jobseekers on a whole range of things. It is not designed for debt detection, although we do use information we get out of it to help us in that area.

Ms GRIERSON—There have been allegations recently of contractors being encouraged to overcharge and that you build in overpayments. Could you comment on that? I gather that DEWR did advise ANAO that as Job Network members had chosen to enter their contracts:

... they must have considered that any perceived underpayment for vocational profiles is made up for by higher payments in other areas of the contract.

Is there a built-in system that encourages contractors to overcharge and do you regularly enter into contracts where you have knowledge of and expect to make overpayments?

Ms Golightly—Certainly not. We do not agree with those accusations at all—particularly the ones that were in the media. I am not sure what they were based on, but they certainly do not line up with our data. The comment that you just read out from the report is trying to explain how the fees for Job Network providers work. The government's policy was that the emphasis was

always going to be on paying the substantial amount of money to them once a job was attained. The service fees upfront were meant to be the smaller proportion so that any contractor could not survive on service fees alone and it was there to provide an incentive to getting people jobs. That is all that comment is saying: the higher fees under the contract are provided when you get somebody a job, not as the service fees upfront. That is simply all that comment is saying.

The first part of the comment was that if contractors or tenderers thought that either the services fees or outcome fees were not sufficient, then that is not reflected in the record number that we had tendering and accepting extensions of current contracts. They did so knowing exactly what the fees were and very keen to get the business.

Ms GRIERSON—My last question: the audit office said that DEWR had not accessed or reported the cost of placements achieved through auto-matching. In light of that, and if that is still the case—and, therefore, it appears to be ineffective—what assurance can we have from DEWR that the auto-matching system and processes are value for money?

Ms Golightly—We have some figures here, which I will get Mr Parsons to talk about in a second. But overall, auto-matching is there as an add-on. It is there as a tool. When we are looking at the review that we mentioned earlier about Australian Job Search, we will also evaluate auto-matching. But in terms of its cost effectiveness, I think this was another area where we have done some analysis. I can hand over to Mr Parsons to talk about that.

Mr Parsons—The vocational profile, if I can introduce that as a summary of the jobseekers' characteristics, has their name and address, their contact details and their pertinent and relevant employment history—if they have one. One of the things that the ANAO considered was that the full cost of recording a vocational profile should be attributed to our auto-match process, whereas the auto-match process is, as Ms Golightly said, really just the icing on the cake. It is minimal extra cost.

In terms of deriving a true cost for that, since the ANAO audit, we have had a discrete look at the costs associated with running that nightly auto-match process. So I have attributed the cost of servers, all the SMS messages that are sent out in connection with the placements—the whole box and dice. We believe that the figure is somewhere between \$100 per placement and \$160 per placement today. That augers well, as you would know, against the minimal job placement outcome fee we pay for human intervention matching. As we place more and more people, I will divide that infrastructure cost by more and more placements, so it only gets cheaper from this point forward.

Ms GRIERSON—I have to say, just from some of the answers I have heard, that the system you have, and each system being layered on top of another system, is so complex to meet so many requirements that I do wonder if Adele Horin's article is possibly correct in that the focus is no longer on meeting clients' needs but on fulfilling copious checklists and requirements of the system. How much do you think the needs of clients are being lost in this system?

Ms Golightly—What we see is a record number of people being placed in jobs. That is the true test of the government's policy in this area. In terms of red tape, as Minister Stone has already announced, we have been working very hard with the industry on reducing red tape wherever it exists. I think a number of things have already been announced to the industry in that

area, and we will continue to work on it. But, at the end of the day, we have more people being placed in jobs, and that is what the system is there to do.

Mr Parsons—Can I add to Ms Golightly's answer. Job seekers have discretion as to whether or not they will receive SMS messages for auto matches et cetera. Job seekers' requirements are paramount.

Ms GRIERSON—They are complaining that they cannot get out of the system and they still get those SMS messages after they have got a job. They want them off their phones.

Mr Parsons—That should not be the case. If they inform their Job Network member that they have full-time employment, then part of the Job Network member's wrap-up is to remove them from subscription to those auto-match services.

Ms GRIERSON—On the job placement system, the findings were that people were not staying in jobs for very long, that three months or six months later they were not in a job. Has that been improved?

Ms Golightly—Certainly our analysis is that they are staying in the jobs. I have not brought that with me.

Ms GRIERSON—Can you send us some figures on that? That is the real outcome.

Ms Golightly—Yes.

CHAIR—If you can just give us an outline that would be useful.

Mr LAMING—Between 2003 and 2004 you changed your performance indicators from eligible placements to total placements. It is my understanding that that was not very clearly communicated in your annual report. If that was the case, could you confirm that and also let us know what you will do in future to guarantee that the changes in those indicators are clearly publicised?

Ms Golightly—I will give you a general answer and then more specifics. My understanding is that there was one year that it was changed and that in fact every since then, and also previously to that, we have been reporting total placements. That is definitely clearly footnoted in our annual reports and will continue to be. I am not sure if we have anything else that we can add to that.

Mr LAMING—Just to clarify: the total is including placements that are achieved without the assistance necessarily of the Job Network provider?

Ms Golightly—No, they are all achieved with the assistance of the Job Network provider in one way or another. But it is total job placements. Sometimes it might be that the job that was achieved on a particular day was one that the job seeker applied for off their own bat, as opposed to one that the Job Network member or JPLO specifically referred them to, but the only ones we report are the ones that are claimed for the job seekers who are registered with Job Network. In

that way we know that at some point in time a job seeker has received assistance from the Job Network member.

CHAIR—Thank you very much for that. The committee may have additional questions. We have asked some today that you have taken on notice and we may well have some more which we will forward to you shortly.

Resolved (on motion by **Ms Grierson**):

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

Committee adjourned at 12.39 pm