

## Administration of the Early Years Quality Fund

### Audit Report No.23 2014–15

#### Opening Statement by Auditor-General

Joint Committee of Public Accounts and Audit 28 May 2015

1. Good morning Chairman and committee members.
2. The Committee would recall that following the 2013 Federal election, the Government reviewed the Early Years Quality Fund (EYQF) and replaced it with a new program for childcare educators. The Government's review raised concerns about the manner in which the EYQF was implemented. Following the release of the review, I received a request from Mr Alex Hawke MP to audit the EYQF and in February of this year we completed and tabled the audit report.
3. The Early Years Quality Fund (EYQF) was intended to allow for increased wage rates for childcare workers without additional costs flowing on to families. The level of funding available, which was estimated to only cover around 30 per cent of all long day care workers, meant that there would be significant competition for available grants and the program would most likely be oversubscribed. In the event, the \$300 million funding cap was reached less than 13 hours after the application process commenced.
4. The report draws attention to the importance of government departments giving consideration to implementation as a fundamental part of all stages of policy development. Departments have an important role in clearly drawing the attention of Ministers to implementation risks so as to reduce the likelihood of downstream problems affecting service delivery or equity of access to programs. Such advice is

particularly important in programs like EYQF where funding was capped and the risks of oversubscription were recognised.

5. As the department that would have responsibility for implementation of the EYQF, the Department of Education, Employment and Workplace Relations' approach to the provision of advice was variable. There were gaps in the department's advice on a number of significant matters at different times. These include the inherent risks in the use of a demand-driven grants application process and, at later stages, the accuracy of the proposed wage schedule, and the potential impact on smaller child care providers of several of the advisory board recommendations.
6. For the estimated 6000 long day care providers that were potential program applicants, accessibility to EYQF grants was affected by limited consultation and public information about the grant process. The communication approach, combined with the complexity of the guidelines and the short timeframe set by the then government (two working days between the guidelines being released and the program applications opening), was not conducive to a first-in first-served environment, where applicants needed to be poised to make business decisions and act quickly when applications opened.
7. The department's system for processing applications needed particular attention to preserve equity of the first-in first-served process. The email based system adopted by the department however, was not fit for purpose and did not fully maintain the first-in order of applications. Complexity and inconsistency within the program guidelines also presented difficulties; applicants did not always follow the instructions and did not always submit complete applications. After identifying problems with applications, the

department varied the assessment process at several points while it was underway and also repeated a large number of assessments.

8. While the department set about to achieve the timeframes expected by the then government, it did not demonstrate a disciplined approach that satisfied the requirements of the program guidelines and the then Commonwealth Grant Guidelines. As a result, EYQF processes and procedures were not as well developed as they should have been and risks could have been better managed in the registration, application and approval processes, in the development of funding agreements, and in the management of stakeholder expectations. Further, significant decisions—made during the grant assessment process—were not fully considered or documented, which reduced transparency in relation to key assessment and funding decisions.
9. At the completion of the grant assessment process, 453 grants were approved covering almost 24 000 employees. By close of business 6 September 2013, the day prior to the Federal election, funding agreements had been sent to one large provider, Goodstart Early Learning (for \$132 million), and 15 small providers (for a total of \$5 million) covering 11710 employees. Subsequently the 16 agreements were varied or terminated.
10. The audit made one recommendation to enhance the equity, transparency and accountability of future grant programs, and to emphasise the key lessons arising from implementing the EYQF—including the importance of departments providing frank, comprehensive and timely advice to Ministers in relation to implementation risks and opportunities to mitigate these risks where possible.
11. The audit team and I would be happy to answer any questions the Committee may have.

