

## Audit Report No. 20, 2002–2003

# ***Employee Entitlements Support Schemes***

## **Introduction**

### **Background**

- 9.1 In January 2000, the Federal Government established the Employee Entitlements Support Scheme (EESS) to provide a safety net for employees who had lost their jobs as a result of their employer's insolvency or bankruptcy. EESS provided government-funded part payment of certain entitlements to affected employees and was administered by the Department for Employment and Workplace Relations (DEWR). The Commonwealth Government funded half the amounts and invited State and Territory Governments to fund the other half. The State Government of South Australia joined the scheme in August 2001.<sup>1</sup>

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1 Minister for Employment, Workplace Relations and Small Business, Hon Tony Abbott MP, *Media Release, South Australia joins Federal Government scheme to protect worker entitlements*, 6 August 2001.

- 9.2 The collapse of Ansett in September 2001 prompted the Government to announce a special scheme to assist employees whose employment was terminated as a result of the collapse. This scheme was the Special Employee Entitlement Scheme for Ansett group employees (SEESA). At the same time the Government announced a replacement scheme for EESS called the General Employee Entitlements and Redundancy Scheme (GEERS). GEERS was fully Commonwealth funded and provided a higher proportion of the unpaid entitlements than EESS.
- 9.3 EESS was applied to termination resulting from employer redundancies that occurred in the period from 1 January 200 to 11 September 2003. GEERS applied to terminations resulting from employer insolvencies that occurred after 12 September 2001.<sup>2</sup> SEESA operated under different guidelines to both EESS and GEERS and was the subject of a separate performance audit, due for tabling in 2003.
- 9.4 To 30 June 2002, DEWR had made 8358 EESS and 4582 GEERS payments to employees. At that point the department was receiving approximately 1000 new claims each month in total across both schemes. In 2001-02, total budget expenditure on EESS and GEERS was \$62.36 million. In 2002-03 (which will be the first full year of operation of GEERS), the budget estimate is \$85.183 million, which also includes any residual expenditure on EESS.<sup>3</sup>
- 9.5 Neither EESS nor GEERS were legislatively based but rather were established by ministerial authority. They were described as 'safety net' schemes only, meaning that although they assist employees who have been affected by employer insolvency, the schemes did not necessarily compensate employees for all their unpaid entitlements.
- 9.6 To gain assistance, potentially eligible individual employees are required to complete a claim form for the schemes. The claims are lodged with DEWR usually through the insolvency practitioner appointed to manage the affairs of the insolvent business. After assessment, DEWR provides an advance to the insolvency practitioner, who after making necessary deductions, such as income tax, distributes the net payments to the former employees.
- 9.7 The operation of both EESS and GEERS were characterised by rapid change and development since the inception of the first scheme. A further administrative challenge has been the inherently unpredictable workload.
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2 Auditor -General, *Audit Report No. 20, 2002-2003, Employee Entitlement Support Schemes*, Canberra, December 2002, p. 11.

3 Auditor-General, *Audit Report No. 20, 2002-2003*, p. 11.

## The audit

- 9.8 The objective of the audit was to determine whether DEWR was efficiently and effectively managing the provision of funds to eligible employees under EESS and EERS. This included consideration of whether:
- the eligibility and entitlements of claimants were accurately and cost-effectively assessed;
  - performance information was timely and relevant;
  - there was a strategy to provide clear, correct and timely information to those involved in the scheme; and
  - DEWR had recovered the amounts due from insolvent employers on behalf of the Commonwealth.
- 9.9 The operation of SEESA was not included in the audit.<sup>4</sup>

## Audit findings

- 9.10 The ANAO identified a range of opportunities for improvement in the administration of EESS and GEERS. The main area in which DEWR's performance had not been meeting expectation was in the timeliness of making payments under the schemes. Other aspects of the management and operation of the schemes which needed improvement included:
- better management of the administrative framework;
  - enhancement of the range of performance indicators;
  - greater development of the capacity to track and control the processing of cases; and
  - more vigorously pursuing recovery of funds from the assets of insolvent businesses.<sup>5</sup>
- 9.11 The ANAO recognised that in implementing EESS in March 2000, DEWR put in place the first ever publicly funded scheme in Australia as a safety net for employee entitlements upon business insolvency.
- 9.12 The audit report acknowledged that DEWR was responsive to the issues raised by the audit and that it had sought to improve its administration of the schemes as a result. DEWR accepted all nine of the recommendations made by the ANAO.

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4 Auditor-General, *Audit Report No. 20, 2002–2003*, p. 12.

5 Auditor-General, *Audit Report No. 20, 2002–2003*, p. 13.

## The Committee's review

- 9.13 On 21 May 2003, the Committee held a public hearing to review DEWR's progress in implementing the ANAO's recommendations.
- 9.14 The Committee took evidence on the following issues:
- the administrative framework of the schemes;
  - the timeliness and management of processing;
  - relationship management ;
  - funding arrangements; and
  - recovery from assets.

## Administrative framework

- 9.15 The audit report highlighted concerns with the administrative framework in which the schemes were operating. The ANAO described the problems generally:
- ... it was not a well-managed program. A number of administrative weaknesses were identified and, to DEWR's credit, it had taken action to address them. But it was not a well-managed program.<sup>6</sup>
- 9.16 One of the main ANAO criticisms was that DEWR lacked the processes necessary for maintaining consistency in key decision-making. The report stated:
- The ANAO found no evidence that key decisions were being systematically documented or made known to the whole branch. ... this meant that there was no reliable mechanism for ensuring that each of the people occupying delegate positions over time was aware of a potentially important and precedent setting decision made by another. There is a risk ... that different delegates could take different positions and that consistency in decision-making and equitable treatment of claimants might not be maintained.<sup>7</sup>
- 9.17 DEWR responded that it had set up the Case Manager intranet portal that provided relevant information and advice for all staff. To ensure staff were alerted to new decisions or changes in procedure, 'process alerts' were emailed to all staff as well as being posted on the intranet. In addition,

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6 Mr John Meert, *Transcript*, 21 May 2003, p. 77.

7 Auditor-General, *Audit Report No. 20, 2002-2003*, p. 44.

DEWR noted that its procedural guidelines were updated whenever such a process alert was issued.

9.18 DEWR maintained that this improvement had been undertaken during the audit and asked the Committee to note that the ANAO had witnessed a number of process alerts during their field work.

9.19 DEWR indicated that, in response to the audit report, it had hired a consultant to review the business model and generally address problems associated with the administrative framework.<sup>8</sup>

9.20 The Committee expressed interest in the findings of the consultant and DEWR provided details of the findings in a supplementary submission. The consultant suggested the following actions:

- the design of a preferred service delivery model and the associated re-engineering strategy;
- the development of an implementation strategy, including the creation of a separate Employee Entitlements Projects Branch;
- the establishment of a separate departmental output for the administration of GEERS, including third party outputs;
- the continuation of liaison with Finance in relation to the use of the special account for GEERS; and
- the development of a proposed approach to preparing the budget estimates for 2003–04.<sup>9</sup>

9.21 DEWR informed the Committee that all the consultant's recommendations had been accepted and were being implemented.<sup>10</sup>

### Cost of administering the schemes

9.22 The Committee expressed concern at the cost of administering the schemes. In particular, the Committee noted that there were conflicting understandings between DEWR and the ANAO over the nature of a cap that was to be applied to the administrative costs of the schemes.

9.23 The Committee, in examining the budget references to the schemes, noted that a departmental appropriation of \$9.469 million was expected for the year 2003–04. However, this figure was not in keeping with the \$5 million

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8 Mr Michael Maynard, *Transcript*, 21 May 2003, p. 90.

9 DEWR, *Submission No. 18*, p 4.

10 DEWR, *Submission No. 18*, p 4.

per year cap on administrative costs negotiated between DEWR and Finance.

9.24 DEWR explained its understanding of the position:

The \$5 million negotiated with Finance was for a particular year – not last year, the year before. It was only a notional indicative amount. It has never been a budget item to which we are limited.<sup>11</sup>

9.25 ANAO disagreed with this position, stating that it was their understanding that the \$5 million per year cap was to be an ‘ongoing rate’.<sup>12</sup>

9.26 The Committee was concerned with ascertaining an accurate figure for expenditure on administration and some explanation as to why this figure had increased significantly.

9.27 DEWR’s response included reference to a new information technology support system, costed at approximately \$1 million as well as costs associated with the implementation of a new business model.<sup>13</sup> The department subsequently provided information that \$12.9 million had been expended on administration costs since the commencement of the schemes in 2000 up to 30 May 2003.<sup>14</sup>

### Committee comment

9.28 The Committee notes that the administration of both EESS and GEERS has been a major challenge for DEWR as these schemes are the first of their kind in Australia. The Committee also notes that the nature of the schemes’ application meant that they involved a further administrative challenge of a highly unpredictable workload.

9.29 The Committee commends the department on its positive response to suggestions for improvement from both the ANAO and DEWR’s consultant and notes that many of the ANAO’s suggestions and recommendations have already been partially or fully implemented.

9.30 However, the Committee is concerned at the increasing costs associated with the administration of the schemes and expects improvement in this area. Full implementation of the ANAO recommendations will contribute to DEWR’s ability to effectively administer both of the schemes.

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11 Ms Malisa Golightly, *Transcript*, 21 May 2003, p. 95.

12 Mr David Rowlands, *Transcript*, 21 May 2003, p. 95.

13 Mr Michael Maynard, *Transcript*, 21 May 2003, p. 83.

14 DEWR, *Submission No. 18*, p. 9.

- 9.31 The Committee notes the audit report's suggestion that DEWR measure and report on the trend in the mean administration cost of making each payment and is pleased to learn that this data should be available by the end of the 2002–2003 financial year.

## Timeliness and management of processing

- 9.32 The timeliness of delivering employee benefits was always a key consideration in the design and operation of both EESS and GEERS. The audit report quoted the ministerial statement of January 2001, Protection of Employee Entitlements on Employer Insolvency:

In the past, workers who have not received their full entitlements on their employers' insolvency have been left in the queue of creditors under the Corporations Law. This has meant many employees were not paid monies owed, with no safety net *that would have enabled the quick payment of at least some of these entitlements* [ANAO's emphasis].<sup>15</sup>

- 9.33 The ANAO identified that the Commonwealth in this instance was assuming two risks. The most obvious risk assumed is that of the employee not being paid at all. The second risk was that in endeavouring to pay employees 'up front', clearly the Commonwealth had the intention to pay the employees promptly and then assume the risk of collecting monies owed at a later date.
- 9.34 For these reasons, the ANAO gave particular attention to the performance criterion of timeliness of processing and found that DEWR faced 'substantial challenges in making prompt payments under the EESS and GEERS schemes'.<sup>16</sup>
- 9.35 The audit report noted that DEWR had originally set targets of 12 weeks for completion of claims processing.<sup>17</sup> However an internal evaluation report had concluded that the 12 week target was not realistic and this had been modified to 16 weeks.<sup>18</sup>
- 9.36 The Committee questioned DEWR about progress in relation to these targets, noting that the audit report stated that, overall, DEWR had taken 26 weeks to clear 80 per cent of the claims, well short of the original

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15 Auditor-General, *Audit Report No. 20, 2002–2003*, p. 74.

16 Auditor-General, *Audit Report No. 20, 2002–2003*, p. 86.

17 Auditor-General, *Audit Report No. 20, 2002–2003*, p. 75.

18 Auditor-General, *Audit Report No. 20, 2002–2003*, p. 75.

published standard of 80 per cent in 12 weeks and still well short of the revised target of 80 per cent in 16 weeks.<sup>19</sup>

9.37 At the hearing DEWR reported that its average response time in 2002–03 was 65 per cent in 16 weeks and the latest monthly performance had been 74 per cent in 16 weeks. On average, it reported achieving 80 per cent clearance in 22 weeks

9.38 DEWR explained the delay in payments:

The time frames within which a payment can be made are affected not only by the department's efficiency but also by the capacity for insolvency practitioners to provide us with verified employee entitlements data. ... In some cases it takes months for insolvency practitioners to determine [employee entitlements]. That time is counted as part of the time frames that a claim sits on our books and consequently, is recorded in our statistics.<sup>20</sup>

9.39 When asked to explain what the department was doing to improve the timeliness of claims processing, DEWR listed the following improvement strategies:

The number of persons available to work on this has been increased. The number of accountants has been increased. Our processes are constantly under review to ensure we are having the most efficient means possible. We seek to inform insolvency practitioners about the scheme and the requirements of the scheme so they can provide us with the information quickly. Most significantly, there is the current business re-engineering process that we are going through, including the market testing of some elements of the administration of the scheme.<sup>21</sup>

### Timeliness of appeals

9.40 The audit report noted that the number of appeals against EESS and GEERS decisions rose during the first six months of 2002. It also reported that DEWR was taking longer than its target time to resolve most appeal cases.<sup>22</sup>

9.41 DEWR reported that it had taken steps to improve the appeals process. This included the establishment of a quality assurance team to deal with

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19 *Transcript*, 21 May 2003, p. 78.

20 Mr Michael Maynard, *Transcript*, 21 May 2003, pp. 77–8.

21 Mr Michael Maynard, *Transcript*, 21 May 2003, pp. 98–9.

22 Auditor-General, *Audit Report No. 20, 2002–2003*, p. 15.



appeals and inquiries from the ombudsman as well as general quality assurance processes and improvements.<sup>23</sup>

- 9.42 The Committee expressed concern about the independence of such a team if working within the branch dealing with case management.
- 9.43 DEWR stated that the independence of this team was assured by its 'completely separate management structures' and the clearly separate functions between the quality assurance team and the case management team.<sup>24</sup>
- 9.44 On being questioned about time taken to resolve appeals, DEWR reported a median duration for appeal resolution of 45 days, with the shortest time being 1 day and the longest delay being 12 months.<sup>25</sup>
- 9.45 DEWR also reported that they were well within targets of greater than 97 per cent of claims not being varied after appeal. Their actual figures were disclosed:

We have had 853 appeals over the life of the program, of which 160 have resulted in the original decision being overturned. That represents 0.6 of one per cent of all the decisions taken by the department in relation to this program.<sup>26</sup>

## Committee comment

- 9.46 The Committee acknowledges the unique demands upon the department in managing an unpredictable workload in a sensitive environment. However, the Committee is keen to see DEWR implement fully recommendations made by the ANAO to improve the management of the schemes.
- 9.47 The Committee is pleased to note that DEWR has taken steps to implement the recommendation of the establishment of a quality assurance team. The Committee looks forward to better processes for management arising from the work of this team.
- 9.48 From the figures provided by DEWR concerning the number of successful appeals, the Committee calculates that 3.2 per cent of the department's decisions are appealed. In such a challenging environment where tough decisions have to be made, there will always be some decisions which will

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23 Mr Michael Maynard, *Transcript*, 21 May 2003, p. 79.

24 Mr Michael Maynard, *Transcript*, 21 May 2003, p. 80.

25 DEWR, *Submission No. 18*, p. 3.

26 Mr Michael Maynard, *Transcript*, 21 May 2003, p. 81.

be appealed. The Committee expects DEWR to use its quality assurance mechanism to ensure that the vast majority of its decisions can withstand any appeals process.

- 9.49 The Committee considers that timeliness of payment for both schemes must be a paramount consideration for the department. As both the EESS and the GEERS are designed to act as 'safety net' schemes, it is incumbent upon DEWR to ensure that employees affected by company insolvency have access to funds as quickly as possible. The Committee looks forward to DEWR meeting its targeted timeframes for claims processing time.

## Relationship management

- 9.50 The audit report examined the relationships between DEWR and both EESS and GEERS claimants and between DEWR and insolvency practitioners as both these relationships are central to the efficient and effective management of the schemes.

- 9.51 The audit report noted that:

For the scheme to be working effectively and providing good service, claimants need to be ... aware of the assistance available and how to seek it [and] generally aware of what happens once they have lodged a claim, especially where there are often claimant expectations of immediate outcomes that are not likely to be realised.<sup>27</sup>

- 9.52 The Committee questioned DEWR about how it managed awareness of the scheme and subsequently monitored claimants' understanding of the process. The Committee expressed concern that, on occasion, information about the scheme did not 'filter down' to potential claimants and that this potentially disadvantaged people in an already difficult situation.<sup>28</sup>

- 9.53 DEWR explained that it targeted its information material very specifically:

We have found ... that the best method is to target those people who are directly involved in the process—direct correspondence with insolvency practitioners and accountants; availability of the information through Centrelink for persons who unfortunately find themselves made redundant; through the department's wage line and our hotline; and ensuring that all of the peak industry bodies and unions are made aware of the existence of the scheme.<sup>29</sup>

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27 Auditor-General, *Audit Report No. 20, 2002–2003*, p. 87.

28 *Transcript*, 21 May 2003, p. 97.

29 Mr Michael Maynard, *Transcript*, 21 May 2003, p. 97.

- 9.54 DEWR did concede that much information distribution relied upon insolvency practitioners and that in spite of this heavy reliance it did little in the way of monitoring interactions between insolvency practitioners and claimants.
- 9.55 In a submission to the Committee subsequent to the public hearing, DEWR explained its plans for improving claimants' understanding of the scheme, particularly relating to the eligibility criteria:
- The department is currently finalising arrangements to focus test GEERS information material, including a revised claim form, in order to ensure that the material is as simple and informative as possible for potential claimants.<sup>30</sup>
- 9.56 The audit report had identified the heavy reliance upon insolvency practitioners by the department. In light of this reliance, the ANAO suggested that DEWR establish a 'regular consultative arrangement in order to improve communication between the department and insolvency practitioners.'<sup>31</sup>
- 9.57 The Committee enquired about progress of this suggestion.
- 9.58 DEWR reported that it held regular meetings with the Insolvency Practitioners Association of Australia and that it was pursuing the involvement of the state insolvency boards in order to broaden the consultative process.

### Committee comment

- 9.59 The Committee recognises that insolvency practitioners have a substantial and essential role in the successful operation of EESS and GEERS. Consequently, DEWR's management of its relationship with insolvency practitioners will have a significant impact on DEWR's management of both EESS and GEERS. The Committee endorses the ANAO's view that it is in the interests of all parties if DEWR strengthens its relationship with insolvency practitioners by formalising contact, possibly through a regular consultative mechanism.
- 9.60 The Committee notes that DEWR works closely with and relies heavily upon the advice of insolvency practitioners, as do employees affected by company insolvency. Claimants may be at a disadvantage without some form of departmental monitoring of the interactions between insolvency practitioners and individual claimants.

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30 DEWR, *Submission No. 18*, p. 11.

31 *Transcript*, 21 May 2003, p. 100.

- 9.61 Alternatively, the Committee believes DEWR could take a more active role in promoting awareness of the schemes, the eligibility criteria that apply, and changes in the interpretation of the operational arrangements so that individuals affected by company insolvency can actively pursue options for assistance.

### **Recommendation 7**

- 9.62 **The Department of Employment and Workplace Relations examine ways in which it can:**
- **improve claimants' awareness of the scheme, their eligibility for benefits under the scheme, and changes in the interpretation of the operational arrangements; and**
  - **monitor interactions between insolvency practitioners and individual claimants for the quality and accuracy of information provided to claimants.**

### **Funding arrangements**

- 9.63 The audit report noted that:

... the funding arrangements for EESS and GEERS are unusual in that all funds for the scheme are provided through a special account. This arrangement derives from the original conception of how EESS would operate, with contributions from States and Territories ... However, given that States and Territories are not expected to contribute to GEERS funding it is not clear that a special account remains the most appropriate mechanism for funding arrangements.<sup>32</sup>

- 9.64 The Committee expressed concern about the use of the special account to fund GEERS as the replacement of EESS, especially in light of initial legal advice from the Australian Government Solicitor (AGS) that 'the special account established for EESS could not be used for GEERS.'<sup>33</sup>
- 9.65 DEWR disputed the interpretation of this advice and explained that it had sought further advice from the AGS in light of the provision of further information. When asked directly why it continued to administer GEERS

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32 Auditor-General, *Audit Report No. 20, 2002-2003*, p. 111.

33 Auditor-General, *Audit Report No. 20, 2002-2003*, p. 109.

though the special account after having received legal advice that it should not, DEWR stated:

That advice was subsequently rescinded by the same officer in the AGS who provided it to us on provision of a fuller level of detail as to the context. The initial question did not have all the context of the administration of the schemes within it and, consequently, the advice was then clarified with the AGS who provided subsequent legal advice that it was appropriate to continue to do so.<sup>34</sup>

9.66 However, the Committee also noted that the legal advice had been accompanied by a suggestion that the determination relating to the EESS special account be amended to clarify the position in relation to GEERS.

9.67 The audit report also noted this as an issue of concern. It quoted from the advice given by the AGS that:

... if GEERS is to be operated from a Special Account in the future I think it would be clearly desirable for the determination relating to the EESS Special Account to be amended to make it clear that the Account can be used for GEERS. Alternatively, a new Special Account could be established for GEERS.<sup>35</sup>

9.68 The audit report added that were doubts about the appropriateness of the funding mechanism, given that the newer scheme of GEERS was wholly Commonwealth funded (where EESS had had a portion of State/Territory funding). The report stated that, in light of material changes in the operation of GEERS as compared to EESS, the ANAO suggested 'that DEWR ensure the most appropriate funding mechanism is adopted for funding the scheme going forward.'<sup>36</sup>

9.69 Under close questioning from the Committee, DEWR indicated that it was in discussions with Finance about the best way to proceed.

### Committee comment

9.70 The Committee acknowledges that administrative and funding arrangements for the employee entitlements schemes is a largely uncharted area both for DEWR and other relevant agencies.

9.71 However, ensuring absolute clarity of funding arrangements and mechanisms is essential in the interests of clear and transparent accountability for the expenditure of public money.

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34 Mr Michael Maynard, *Transcript*, 21 May 2003, p. 84.

35 Auditor-General, *Audit Report No. 20, 2002-2003*, p. 110.

36 Auditor-General, *Audit Report No. 20, 2002-2003*, p. 110.

- 9.72 The Committee urges DEWR to clarify and finalise its position on the funding arrangements for GEERS so as to prevent continuing confusion over the funding mechanisms being utilised.

## Recovery from assets

- 9.73 The audit report noted that the recovery of funds by the Commonwealth from the sale of the assets of an insolvent business was an important aspect of the EESS and GEERS schemes. DEWR's role was to pay outstanding entitlements as an advance, with some expectation of recovery. The department only advanced funds in cases where the insolvency practitioner involved formally recognised the Commonwealth as a creditor to the insolvent business. The report noted DEWR's recovery policy with the following statement:

Where taxpayer funds have been distributed under the scheme for the benefit of employees, these should be recovered from insolvent business or bankruptcies wherever possible.<sup>37</sup>

- 9.74 However, the audit report considered that DEWR's approach to the recovery was unlikely to yield the optimum outcome for the Commonwealth and that there was an untapped potential for the Commonwealth to be 'more attentive to recovery of its debts'.<sup>38</sup> It noted that the current practice left the insolvency framework to run its course and it was assumed that the process would provide appropriate amounts to the Commonwealth in due course should there be any realisation of assets.
- 9.75 The Committee sought DEWR's response to the suggestion that it had the capacity to become a more active creditor.
- 9.76 DEWR noted that changes had been made to the department's recovery strategy as a result of the audit report. DEWR explained these changes:

The creation of a separate recoveries unit to manage the recoveries process is a significant improvement that has been put in place. The use of the department's position as a creditor is actively being followed up. We now sit as a member of the committees of inspection on a number of entities where there is the expectation that dividends will be paid and we seek to get further information

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37 Auditor-General, *Audit Report No. 20, 2002-2003*, p. 100.

38 Auditor-General, *Audit Report No. 20, 2002-2003*, p. 104.

from insolvency practitioners on a regular basis on the likelihood of repayments.<sup>39</sup>

- 9.77 The Committee questioned who assumed the role of delegate to the committees of creditors meetings. DEWR indicated that the delegate was usually a department senior executive. However, who attended was influenced by several factors such as:
- the likelihood of a distribution from the entity;
  - the amount of distribution from the entity—where more than \$200 000 was owed to employees, a DEWR senior executive attended creditors meetings; and
  - the status of the entity—whether it was under deed of company; in administration; in liquidation; or in receivership.<sup>40</sup>
- 9.78 The Committee notes that there were a small number of cases referred to in the audit report where insolvency practitioners had refused to recognise a debt to the Commonwealth. This usually occurred in the event of some impropriety on the part of the insolvent business, such as trading while insolvent.<sup>41</sup>
- 9.79 The Committee asked for details of the number of such cases and their financial value. DEWR reported that as at 30 May 2003, the department's records showed a total of 47 cases where the Commonwealth had not been recognised as a creditor. \$3.3 million dollars in EESS or GEERS assistance had been advanced to these cases.<sup>42</sup>
- 9.80 The Committee questioned DEWR on the likely impact on debt recovery from the proposal to make employee entitlements a 'maximum priority' for insolvent companies. DEWR pointed out that the proposal had the potential to decrease the reliance on GEERS as available assets would go directly to employees, who would therefore not need access to a safety net scheme.

### Committee comment

- 9.81 The Committee acknowledges that recovery from assets of insolvent companies takes time to achieve. However, evidence presented in the audit report indicates that a more consistent and persistent approach to

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39 Mr Michael Maynard, *Transcript*, 21 May 2003, p. 91.

40 Mr Michael Maynard, *Transcript*, 21 May 2003, p. 92.

41 Auditor-General, *Audit Report No. 20, 2002-2003*, p. 103.

42 DEWR, *Submission No. 18*, p. 8.

recovery action would signal to insolvency practitioners the importance of debt recovery to the Commonwealth. It may also increase the amount recovered.

- 9.82 The Committee endorses the ANAO recommendation that DEWR more actively manage the Commonwealth's interests as a creditor in EESS and GEERS cases and is pleased with the actions undertaken to date to improve the rate of recovery from assets. As noted in DEWR's own recovery policy, these schemes are funded with taxpayer's funds and therefore DEWR is under obligation to seek every possible means of recovering funds owed to the Commonwealth. The Committee looks forward to hearing of further progress in this matter.