



**COMMONWEALTH OF AUSTRALIA**

# **JOINT COMMITTEE**

of

**PUBLIC ACCOUNTS**

**Reference: Review of Reports of the Auditor-General**

**CANBERRA**

**Monday, 2 September 1996**

**OFFICIAL HANSARD REPORT**

**CANBERRA**

## JOINT COMMITTEE OF PUBLIC ACCOUNTS

### Members

Mr Somlyay (Chair)

Senator Crowley	Mr Anthony
Senator Macdonald	Mr Beddall
Senator Mackay	Mr Broadbent
Senator Watson	Mr Laurie Ferguson
Senator Woods	Mr Fitzgibbon
	Mr Georgiou
	Mr Griffin
	Mrs Stone
	Mr Vaile

The matter referred -

Review of reports of the Auditor-General.

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JOINT COMMITTEE OF PUBLIC ACCOUNTS

*Review of the Auditor-General's reports 1995-96*

CANBERRA

Monday, 2 September 1996

Present

Mr Somlyay (Chair)

Mr Beddall

Mr Georgiou

Mr Griffin

Mrs Stone

Mr Vaile

The committee met at 9.43 a.m.

Mr Somlyay took the chair.

**BARRETT, Mr Patrick Joseph, Auditor-General, Australian National Audit Office, GPO Box 707, Canberra, Australian Capital Territory 2601**

**GOLIGHTLY, Ms Malisa, Executive Director, Performance Audit, Australian National Audit Office, GPO Box 707, Canberra, Australian Capital Territory 2601**

**McPHEE, Mr Ian, National Business Director, Performance Audit Business Unit, Australian National Audit Office, 19 National Circuit, Barton, Australian Capital Territory**

**THURLEY, Ms Ann, Senior Director, Audit Manager, Australian National Audit Office, GPO Box 707, Canberra, Australian Capital Territory**

**BRENNAN, Mr Thomas Joseph, First Assistant Secretary, Vocational Education and Training Division, Department of Employment, Education, Training and Youth Affairs, 16-18 Mort Street, Canberra, Australian Capital Territory**

**CAMPBELL, Mr Robert Ian, First Assistant Secretary, Department of Employment, Education, Training and Youth Affairs, GPO Box 9880, Canberra City, Australian Capital Territory 2601**

**CREAGH, Mr Ian Miller, Assistant Secretary, Development Branch, Higher Education Division, Department of Employment, Education, Training and Youth Affairs, GPO Box 9880, Canberra, Australian Capital Territory 2601**

**DANIELS, Mr William Laurence, First Assistant Secretary, Schools and Curriculum Division, Department of Employment, Education, Training and Youth Affairs, GPO Box 9880, Canberra, Australian Capital Territory 2601**

**GIBBONS, Mr Wayne Julian, Deputy Secretary, Department of Employment, Education, Training and Youth Affairs, PO Box 9880, Canberra, Australian Capital Territory 2601**

**LOVETT, Mrs Mary, First Assistant Secretary, Student, Aboriginal Education and Youth Division, Department of Employment, Education, Training and Youth Affairs, 16-18 Mort Street, Canberra City, Australian Capital Territory 2601**

**CHAIR**—Today's public hearing is the third in a series of hearings to examine reports tabled by the Auditor-General in the financial year 1995-96. We will be taking evidence on six audit reports dealing with issues arising in the DSS and DEETYA portfolios. We will be running these hearings in a round table format, which means all relevant participants will be present to hear what the others are saying about an Auditor-General's report or, in the case of one session, about several reports.

I would like to remind witnesses of three key features of this format. Firstly, during the general discussion periods committee members will have first opportunity to ask questions and any subsequent questioning or discussion between participants will need to be directed through the chair. Secondly, for the benefit of Hansard, witnesses should identify themselves whenever they wish to make a comment. Thirdly, given the length of the program, statements and comments by witnesses should be kept as brief and succinct as possible.

I also remind you that the hearings today are legal proceedings of the parliament and warrant the same respect as the proceedings of the parliament itself. The giving of false or misleading evidence is a serious matter and may be regarded as a contempt of the parliament. The evidence given today will be recorded by Hansard and will attract parliamentary privilege.

I refer any members of the press who are present to a committee statement about the broadcasting of proceedings. In particular, I draw the media's attention to the need to report fairly and accurately the proceedings of the committee. Copies of the committee statement are available from secretariat staff present at this hearing.

I welcome the Auditor-General, representatives from the Australian National Audit Office and representatives from Department of Employment, Education, Training and Youth Affairs for the first session of today's hearing. We have convened this public hearing to examine the main issues raised in the Auditor-General's report No. 25 on performance information in Department of Employment, Education, Training and Youth Affairs. The Auditor-General has raised a number of issues relating to performance indicators developed by the department and the performance information it obtains. The JCPA will take evidence today on the provision of performance information in subprograms and the actions taken by the department to improve linkages of its performance indicators and objectives.

Evidence will also be taken on what action has been taken by the department to undertake suitable benchmarking and provide improved reporting in its annual report. In addition, the JCPA will take evidence on how the department will apply the best practices developed prior to and in response to this report to the new programs being developed in response to the 1996 budget. The Auditor-General's views have been set out in the report, as have the initial responses from the audited agency. For this reason, we are proposing to dispense with lengthy opening addresses. However, the committee will be interested to learn whether any action has been taken, or is planned, to address issues raised in the Auditor-General's report. Mr Gibbons, do you wish to make a brief opening statement to the committee before we proceed to questions?

**Mr Gibbons**—Thank you, Mr Chairman, just some very brief comments. The audit of the use of program performance information in DEETYA was conducted in all five of the department's non-corporate programs. The ANAO made 25 recommendations in this



report and the department has agreed in principle with all of them. It is probably appropriate that I note there have been some changes in the 1996-97 budget which will impact on the department's implementation of these recommendations. The budget announced substantial changes to both the programs administered by the department and the existing methods of program service delivery assistance. The important scale of these changes is evidenced by a number of factors, for example, the major simplification and restructuring of the schools and employment programs. In each case, the large numbers of existing programs will be rationalised and consolidated into four or five programs only. In one instance, for example, in the schools programs, the national professional development program and the QCATS program were not continued in the budget. They affect recommendations 6, 7, 8 and 9 of the report.

New client service delivery arrangements for labour market programs which will see the establishment of public and private employment placement enterprises were announced in the budget and a major new program, the modern Australian apprenticeship and traineeship system, MAARTS, will be introduced in the vocational education and training program. There is a proposal that, as from January 1998, Austudy will be incorporated into a new youth allowance. In this context, the department has decided to maintain the existing program reporting structure in 1996-97 and will focus its efforts on revising that structure for 1997-98. I have with me today the program managers for all the programs that are subject to recommendations. We are happy to answer the questions of the committee.

**CHAIR**—Does the Auditor-General wish to make an opening statement?

**Mr Barrett**—Thank you, Mr Chairman. I would like to canvass the objective of the audit and talk a bit about the overall conclusion and some of the key principles involved. The objective of this particular audit was to examine how well performance information for programs administered by the Department of Employment, Education, Training and Youth Affairs facilitated good decision making and provided a suitable framework for control and accountability purposes. However, given the importance of performance information generally, the findings are also relevant to the public sector as a whole in terms of day-to-day administration and future decision making, and to underpin continuous improvement initiatives.

My experience with the department over a number of years has shown that they have a good background and experience in evaluation and probably, like the rest of us, an uneven performance in terms of performance information. The real issue, to my mind, was not just simply looking at how well or otherwise the department had been doing in terms of performance information but really looking to see what lessons we could learn and could transmit to the rest of the Public Service.

The audit found that the department had developed performance indicators which provide information on achievement of its objectives related to program efficiency and

economy. In most cases, effectiveness indicators had also been developed which measured, at least in part, the achievement of these objectives. The department was in the process of improving aspects of this performance information through, for example, the provision of new or improved effectiveness indicators. The majority of the subprograms had also established client services measures, developed targets and had at least undertaken some internal benchmarking.

A number of areas of good practice were also identified. In particular, the employment participation and target research subprogram had good standard performance information which, in fact, could serve as a guide, not just to the department but to other areas of the Public Service. While the department had made efforts to improve its performance information, the ANAO found that some program areas could further improve their performance information by ensuring that indicators which measure achievement against all parts of the objective of the subprogram element are developed; the further development of targets and standards, where they would assist in improving performance; and suitable benchmarking to test performance is undertaken where appropriate, obviously having regard to the costs and benefits and that public accountability, particularly through the annual report, is outcome as well as input and output based.

The ANAO recognises that many Public Service agencies and entities are experiencing these and other similar difficulties in developing appropriate performance information. It is generally recognised that it can be very time consuming and, in many cases, is resource intensive, particularly if departments have not got to the stage where they have developed on their management information systems virtually automatic generation of performance information and certainly development of a partial rather than a full range of performance information for each program.

The key principles, therefore, that we are focusing on are evident, but we recognise that some of the specific programs examined in this audit will change significantly as the result of the initiatives announced in the 1996-97 budget. However, the key principles underlying this audit, in our view, apply to any program in any agency. It is equally important to establish a robust performance information framework when implementing arrangements where service delivery is undertaken by a third party provider. In these cases, it is critical, in our view, that contracts with the service provider allow for the collection, examination and validation of appropriate performance information to allow an assessment of achievement against the government's objectives. We would certainly be looking at that from a performance audit perspective. We would hope that appropriate performance information would be a requirement of standard contracts with third party providers.

The department has stated, as already indicated by Mr Gibbons, that it has agreed in principle to all 25 recommendations and that, where cost effective, the recommendations will be acted upon. The ANAO generally believes that the approach which is being taken is appropriate, particularly in the changing environment.

In order to provide assistance to other public sector agencies, the ANAO and the Department of Finance are jointly developing a better practice guide in relation to performance information. This guide is expected to be available for distribution later this month. There is a seminar being conducted by the Department of Finance tomorrow on performance information which, in fact, will start to introduce some of these broad concepts and start this process of greater awareness raising. Malisa Golightly and Ann Thurley are the senior audit staff involved with the audit and they would be happy to answer any questions.

**Mr GRIFFIN**—Mr Barrett, just on a couple of points that you made, I think it is fair to say that government in general is moving more towards this subcontracting approach to third parties and that an essential part of the evaluation of any contracting process is the need for the information to be provided back to government to assess the effectiveness of any such process, both on an accountability basis in terms of the effective use of money and also on the question of the actual delivery of program objectives.

Could you make some comments on whether that has been the way it has operated in recent times, beyond DEETYA but in other areas, and also some comments about the question of this particular audit and, as you mentioned, the issues from this audit which are general Public Service issues? How much are they in step or out of step with what is happening in other departmental areas?

**Mr Barrett**—I think up to this time the general answer to your question is that this has not been an element of the processes involved where contracts with third parties have been employed. More particularly, a concern that we have discussed with this committee on previous occasions has been the access of the audit office as necessary to information that would only be available by third party providers. I might ask any of the auditors to respond, but in the development of the case management for, particularly, the longer term unemployed, I know that ESRA were making an effort to build in performance information as part of their overall process of selection and oversight of the operation of the case management approach.

There is always the question in my mind—and the same applies to individual departments—that we have to be, by definition, selective in the information because in large part we are aware of the cost that we are putting on the system of providing such information. This issue of being selective and balanced rather than partial is quite important. On that part of the question, I might just ask whether my auditors might want to comment.

**Ms Golightly**—What Pat was saying about the contracts that ESRA have been setting up is quite right. They are trying to build performance indicators into those contracts that will allow them to assess outcomes achieved by the contracted parties.

In terms of the balanced indicators, I think this is something that a lot of

departments are grappling with and is quite a large problem. It is very easy usually to identify input and sometimes output indicators, but then to come up with outcome indicators can be quite difficult, particularly if you are not the only party involved in delivering that service. What can usually happen is that you get more and more input or more and more output indicators rather than focusing on the outcome indicator.

So that sort of balance question and identifying the key indicators, I think, is the crucial one facing a lot of departments. It probably really has to go back to their whole planning structure of setting objectives in the first place and what are the key things they need to know, as the portfolio responsible, to be able to assess whether those outcomes have been delivered.

**CHAIR**—Can you give us an example in terms of a specific program of how that operates?

**Ms Golightly**—If we take a good example that we have mentioned in the report with the employment programs as they were operating then—and obviously that is going to change significantly now—basically the objective there was to get as many people as possible into employment or onto further education. In that case, the department had quite a lot of indicators for the number of people that they were assisting at any one time and the amount of resources that were going into that, and they also had a post-program monitoring arrangement where, after people were successfully placed in employment or further education, they would follow up at intervals afterwards to see if that employment or further education was still continuing.

The hard thing with that was that there was no way of totally establishing a cause and effect relationship that, indeed, the labour market program that the person had attended or participated in did actually lead to that employment or that further education. Although there would have been some type of relationship, it is very hard to prove the direct relationship. But, in any case, that was an example where the department, we believed, had done what they could to establish some sort of outcome information which related straight back to their objective in that case.

**Mr Barrett**—Could I elaborate on one element of the importance of evaluation as has been practised particularly in the department over the years, and emanating out of previous incumbencies like the bureau of labour market research. It is necessary that a few selected hard-core indicators be identified which then are monitored and are used as a basis for later evaluation. There is a concept that performance indicators fall out of evaluations. The fact is that there is no substitute for sitting down in the first place, identifying the particular objectives and strategies and looking at what kind of performance information is necessary. The evaluation process is a test of both how well the various agencies or third parties are performing and of the performance information. The problem in the past for all of us has been that we have not articulated as clearly as we should have precisely the kinds of objectives and strategies and therefore the essential

performance information. This will obviously need to be sharpened up quite considerably with the greater use of third parties.

While the effectiveness indicators, I assume, would still be largely the responsibility of the department concerned in consultation with the relevant minister, there certainly would be a sharp end focus on input and output indicators from third party suppliers. The necessary links between the three kinds of indicators will need to be established right at the outset and, as I say, the evaluation process is essential then to ensure that those links are, in fact, as they thought they were going to be and whether or not there is any need to re-jink the whole process as a result of experience.

Another problem will be for the departments and agencies concerned to establish information links between those people who are providing inputs and outputs into the outcome measures. The more remote or at arm's length those particular processes are, the more difficult it is to get the transmission of on-the-ground experience into the future policy making and strategic developments that are absolutely essential to ensure the appropriateness of the performance information and, more particularly, the appropriateness of the objectives and strategies that have been determined.

**Mr GRIFFIN**—Looking at leaner government, which has been an issue for some years now, when you look at evaluating the performance of a program and the sorts of costs that involves, you sometimes, at least in the short term, face a contradiction. On the one hand, the intention is to keep the cost down in the delivery of a particular service. On the other hand, particularly with larger departments and more disparate programs, the actual evaluation of a program can be quite expensive. There is a contradiction there. Have you noticed that to be the case? Do you have any comment on the way that has been handled within departments as a threshold question?

**Mr Barrett**—All of us, and particularly the agencies concerned, are very aware of the costs of evaluation but, by the same token, there has been a growing awareness in the Australian Public Service that the absolutely essential part of evaluation is good management. The strength of the evaluation process, and particularly the emphasis on performance information, is tested in the budget process.

Australia stands clearly delineated compared with a number of other Western democracies in the extent now to which evaluations are used in the budget context. The fact is that there is a disciplined approach to evaluations of all of our programs over a period of time. I do not see that going away. It obviously will be up to the government of the day but, at the moment, there has certainly been no suggestion that I have seen that that would not continue to be the requirement. Increasingly, there needs to be a greater recognition of the necessary costs for the management of the whole process, which would have to be recognised at the executive government level and, of course, at the parliamentary level.

But, as I said, it is endemic to good management, and the issue, which is for all of us and which we are all very conscious of, is how we rationalise the various review evaluation performance audit activities so that we put the minimum costs on the organisations concerned at the end of the day. So there is a good process of review evaluation but one that is not duplication and overlap.

**Mr GRIFFIN**—Would DEETYA like to comment on the Auditor-General's earlier comments?

**Mr Gibbons**—I would just make the observation that the measures that have been announced in the budget in the labour market program, in the employment services area, take us a step forward towards a simpler, easier-to-monitor performance environment. As you know, we are moving away from the purchase of process and services to a situation where we are going to buy outcomes and reward outcomes. That is about the only observation I would make at this point.

**Mr GRIFFIN**—I would not mind going down the table to get a brief comment from each section that is represented here today as to what changes they see occurring, if any, as a result of the budget and how they may impact on this audit report. I imagine it would vary very significantly across each section.

**Mr Gibbons**—We might start with the employment area and Mr Campbell.

**Mr Campbell**—The performance information report on the employment side only had three recommendations, although it is the one Ms Golightly referred to. In the end the recommendations were very positive. As Mr Gibbons has mentioned, the changes in the budget do change the way in which we will be delivering labour market intervention. That is both case management, which is the subject of two other audit reports later this morning, and programs, which is the subject of the fourth or fifth audit report that we are talking about this morning.

To come to your specific question, the three recommendations that related to us were 3, 4 and 5. We have already done 3 and 5 and we will be implementing 4 in October this year. We do not envisage, in a direct sense, discontinuing any of those sorts of activities that we are currently arranging. They will have to be done slightly differently, for example, because the post program monitoring reports that the ANAO refer to relate to specific programs. Of course, from December 1997, those programs will be cashed out. So we will have to run a form of post program monitoring on intensive employment assistance. So, in essence, with one caveat which I will come to, I think the ANAO's report on the employment side was very favourable and indicated that we do quite a good job on performance information.

I will make one further comment in response to a comment that Ms Golightly made. It is easy to measure what a person has done after labour market intervention

assistance. It is less easy to measure a correlation or an impact and say that that person is now in full-time employment after the program assistance. Our PPM measures, however, do not say that the program intervention was the cause of it. That is mentioned in the audit, and that is quite true. However, I would, in response to that, say that we have regular evaluations of our programs and, in particular, we have a net impact analysis where we compare those two cohorts—that is, those who have gone through programs and those who have not that have been, the comparable group on unemployment benefit. We do have a significant number of evaluations that show the net impact effect of those who have gone through the program and those who have not. We do use that to direct the flow of our resources in each year.

For example, there has been some publicity recently about the net impact of the brokered programs—the job skills, Landcare and environment action programs—where the net impact of, for example, the new work opportunities program was as low as 11 per cent. In other words, if you were in the program you had 11 percentage points more chance of getting a job than if you were not in the program at all, but just on benefit. As a consequence of that and other reasons, the program mix this year will be far less oriented towards those program places—20,000 places instead of 90,000-odd—with a far greater emphasis towards the wage subsidy programs, the national training wage and jobstart, where both the PPMs and the net impact are far greater.

I would argue that we do use the analysis—both that which is reflected in the audit and the net impact analysis—to actually change the direction of the programs. Equally, the sort of analysis that the ANAO referred to in their audit and we referred to in our Working Nation evaluation document, which was released at the beginning of August, also very largely fed into the government's deliberations about the change in employment arrangements that will be implemented from December next year.

**Mr VAILE**—With regard to the new work opportunities, could you explain the 11 per cent figure that you mentioned? Is that positive outcomes?

**Mr Campbell**—No. Unsubsidised employment, which is the post-program monitoring, is referred to in the audit. New work opportunities is in the low to mid-20s—25 per cent or thereabouts. The 11 percentage points that I talked about was a comparison between two groups—those that went on to new work opportunities and a comparable group of clients that did not get any assistance. The difference in employment outcomes between those two was 11 per cent. In other words, those on new work opportunities had an 11 per cent more chance of getting a job than those who stayed on benefits.

**Mr VAILE**—So you are saying that with new work opportunities you had a 25 per cent outcome as far as people going beyond the six months and starting in the workplace were concerned?

**Mr Campbell**—Yes.

**Mr VAILE**—As a result of the action that you are likely to take off this audit report, given that you agree in principle or otherwise with most of the recommendations and the experiences that DEETYA has had, from here forward with the use of third party providers, are you satisfied that the systems that are in place, with whatever improvements you propose to make off the back of this report, will be adequate to monitor those outcomes?

**Mr Campbell**—I would not use the word ‘satisfied’ because I will come at it from a slightly different direction. There is no doubt that the contractual arrangements and the information requirements that we will have to establish between now and December next year will be in some ways different to these. We will have to build on these. We will have to have regard to the Privacy Act and the whole question of whether the data is DEETYA data or whole of Commonwealth data. That is an issue that comes up in one of the case management audit—case management order No. 30. So there is a question of who owns the data and what data flow can there be between DEETYA, the service delivery agency and the employment placement enterprises. A very important issue that will have to be worked through is who owns the data and how the data can flow between agencies.

Apart from that, however, I would envisage that we would continue to be using combinations of the post-program monitoring reporting we have talked about and the net impact that I have referred to in analysing the effectiveness of providers. In that sense, we would try to pick up more than just the simple outcomes, as the ANAO has noted, but also look to their relative effectiveness, the effectiveness between providers and comparisons to those who do not get any assistance at all. In short, yes, we are building very much on it, but because of the very nature of the changes that will come into play, we will have to make changes to it.

**Mr BEDDALL**—I have a question relating to the wage subsidy program that you mentioned. As you are moving more to that type of program, how do you measure the many instances in which employers who would employ anyway are just using the wage subsidy program for a subsidy for that period rather than taking on additional staff, because the wage subsidy is available?

**Mr Campbell**—I am sorry, I was distracted. It has just been pointed out to me that where I use the net impact for new work opportunities is in jobskills.

**Mr BEDDALL**—I will go through it again. I know of a number of instances—I can quote them—where employers who would take on staff anyway will wait until the wage subsidy program is available before they employ. If you are moving your resources further to that wage subsidy program, are you not actually subsidising employers who would normally be employing people even if there were not a wage subsidy program in place? The final part of my question is: are you not disadvantaging people who do not qualify for the wage subsidy program, because obviously they will not be the people who are picked up?



**Mr Campbell**—There are two questions there. The first question relates to what is the objective of labour market programs, labour market intervention. The wage subsidy programs are not intended as a job creation program. The major objective of those programs is to give those job seekers who are assessed as being more relatively disadvantaged a more competitive edge in getting into employment. There has never been the position where labour market programs were to create jobs.

With regard to jobstart, which is the main wage subsidy program that you are talking about, analysis has told us that somewhere around 11 per cent to 13 per cent of jobstart placements are additional. So we acknowledge in all our publications that there is a substitution effect. That is acknowledged and accepted, because the objective of the program is one of giving the disadvantaged job seeker a better chance.

That then leads into your second question: if you have a group of job seekers, some of whom are eligible for jobstart and some who are not, does that not give those who are eligible a better chance? Yes, and that relates back to the question of competitive advantage. A significant number of job seekers who, for example, register with the CES find employment within the first six to nine months anyway. Not many job seekers go on to become 12 months or 18 months unemployed.

**Mr BEDDALL**—It depends where you are. I can cite CES offices where there are 40 per cent long-term unemployed. If you do it on CES by CES rather than regions, you will get a much different picture.

**Mr Campbell**—I am saying something slightly different. You might have regions where a significant proportion of the register are long-term unemployed, but that is a different thing from saying that everybody who registers then becomes long-term unemployed. I am saying that, while it varies across the country, a large number of people who register with the CES do not stay unemployed for a long period of time.

If you are LTU—long-term unemployed—you are eligible for jobstart. So in the region that you are talking about, where 40 per cent of the clients are long-term unemployed, they are all eligible for jobstart. Employers can employ them, accessing the jobstart subsidy.

**Mrs STONE**—My question relates to the new PEPE group, for people who are going to be more involved in the private sector and in the picking up of training and case management, too. What new processes, or old processes continued, will be there to assess in the first instance these private providers to ensure that, before they get into the expanded role, they have a reputation or a history of performance that is appropriate for this new area?

**Mr Campbell**—I cannot answer that in fine detail. I will explain why. The ministerial statement that was released on budget night by Minister Vanstone sets down

the framework for the employment placement enterprises. However, it also indicates that there is to be a public consultation process, which will be undertaken this month and will be completed by the end of this month.

There are a significant number of issues that will be the subject of consultation. Some of them will be the process of accreditation and the tendering and selection processes, which you have referred to. That does not mean, however, we do not start out with some thoughts. Obviously we have a significant amount of information now, both in our system and in the Employment Services Regulatory Authority, who will be here later this morning, and the case management audits of the effectiveness of performance of particular providers.

So we will be using in large measure the sort of information that the audit report actually specifies, plus the net impact that I have talked about. But, equally, we will also be consulting to see whether there are other factors that the community or providers believe should be taken into account. We will obviously have to have some form of accreditation process.

**Mrs STONE**—You have not had that before?

**Mr Campbell**—ESRA, the Employment Services Regulatory Authority, has accredited their case managers. The case manager that we fund direct is Employment Assistance Australia, which is part of the CES network. With regard to all our training providers, we do not have an accreditation process. Many of them are accredited by the state training agencies—whatever they are called in the various states.

What we use is prior performance. We compare their performance under contract with what was in the contract and indeed with other providers. For example, we are doing that at the moment with a very large national process with all the Skillshares. Using the type of information that the audit report refers to, we compare them to others and what their contract states.

**Mr VAILE**—Let us just go back to the point that was raised with regard to the ownership of data and information, because it is very relevant to where we are going to from here. You have a concern about it, Mr Campbell. Are you talking about specific individual information or generic statistical information?

**Mr Campbell**—The former: individually based data. At the moment the labour market assistance arrangements are provided under two acts: the Social Security Act and the Employment Services Act. Social Security collect data for their purposes under their act and we collect it for our purposes under the Employment Services Act. However, there is often quite an obvious need for one agency to utilise the sort of data that has been collected by the other agency. At the moment there are some constraints on organisations accessing individually based data—not generic but individually based.

A good example is people going off benefit. One of the measures we are looking to using under the new arrangements which come in from the end of next year is not solely whether or not the person is in employment after a period of time but whether or not they are still on benefit. A significant number of people in part-time employment will show on one measure that they are in employment but on another measure that they are still receiving some form of benefit, like JSA or NSA.

There are quite significant difficulties in DEETYA accessing the unit record information as to whether or not a certain person is still receiving a benefit from the Department of Social Security. So the position we are putting forward is that what should be considered is whether or not some of this data should be Commonwealth data, because more than one agency has statutory responsibilities for working with those people and accessing that data. That is what I was referring to.

**Mr VAILE**—In terms of performance monitoring, Mr Barrett might like to comment on the concern that has been raised about the ownership of that data. It is fairly critical.

**Mr Barrett**—This is an issue that we are aware of. It is something that relates to a range of agencies where so-called one-stop shops are going to be established. Whether or not it is part of a general services agency for the Commonwealth or whether there are specific agencies related to individual groups or portfolios, the legislative aspect that would need to be sorted out is whether or not the data we get is actually Commonwealth data as opposed to data for a specific purpose or a specific agency. You do not need me to tell you the problems we have had over the years with data matching, but there needs to be performance oversight to ensure that the relevant and responsible agency is able to determine adequately the performance of those third party providers.

The trade-off, which DEETYA and my colleagues may be able to give you but which I could not give you today, for them is individual data versus generic data. In essence, the responsibilities of the third parties are to individuals, by definition. Whether or not that data then is made available to a particular agency—it being collected not under their particular act—is a moot point, particularly in determining how well that third party has actually met the needs of that individual in getting that information. After all, that is really the test of how appropriate or effective the actual instrument has been. So, certainly from my perspective at least, to decide what is Commonwealth data does need attention.

The legal opinions that I have seen in the past tend to suggest that the Commonwealth can utilise data that has been provided—other than for that particular requirement—for Commonwealth purposes generally, but we have always had problems with that, and there are numerous legal advisings that departments and agencies have gone to in order to get enlightenment as to whether they are behaving in accordance with the specific action—let alone, as we are well aware, the concerns of the Privacy Commissioner, for instance.

**CHAIR**—Can that problem be fixed by further legislation?

**Mr Barrett**—Taking the last one first, I think that there needs to be consultation, because the Privacy Commissioner would have a particular view about the concerns of individuals which may be alleviated by protections that are built into the legislation. I do not know whether or not that will be sufficient for the purposes of determining performance. I do think there is a tension there. A round-table conversation is absolutely essential to overcome the tensions. It depends on what is driving it. If the privacy elements are driving it, then clearly you are going to get an outcome. If the need to do the Commonwealth's business is driving it, then you will get another outcome. I think we just have to come to grips with that tension. At the end of the day, the government and the parliament on behalf of the community have got to make a judgment as to which side they are going to fall down on with that tension.

It may be overcome, as I said, by reasonable generic data in particular programs, but I can easily see a situation where you will really have to assess, for groups of individuals, whether or not the program is really working. I do not see any alternative but for the people actually making the decision to have access to individual data.

**Mr GRIFFIN**—Maybe we can jump away from employment programs now and very quickly whip down the line to some of the other areas.

**Mr Daniels**—I am responsible for the schools programs within the department. The budget had two specific effects on programs which the audit looked at, and then a non-specific effect which is quite significant. Firstly, as Mr Gibbons pointed out, there are two programs which the audit looked at and which will not continue beyond the end of 1996. One is the national professional development program and the other one is the capital grants quality competencies and technological support element. Both of these programs were funded under decisions of the previous government and had a fixed term, both coming to an end in 1996. So the issues raised by the audit report in relation to those programs, I think, have relevance to other schools or related programs but, in terms of the specifics of how we would proceed with them, we need to take account of the fact that those programs will not continue beyond the end of this year.

The other specific budget initiative which is significant is the decision that the next quadrennium for schools from 1997 to 2000 would continue and legislation will be introduced later this month which will propose that the funding arrangements for schools be fixed for that four-year period. That legislation will incorporate major change to individual subprogram elements where there has been a proliferation of elements over the years to a point where there are now over 40 individual subprogram elements in the schools program. The legislation will provide for a reduction of those elements to seven. Two of them are programs which the audit looked at: general recurrent will be one and

capital grants general element will be another. The other elements will relate to smaller specific purpose programs which were not covered under the audit because of the parameters of the audit.

They are the specific budget related matters. There are a number of other significant changes as a result of Commonwealth-state ministerial agreements about outcomes reporting which I could speak to, if you wish, but, given your request for brevity, you may not wish to do that.

**Mr GRIFFIN**—We are a bit pressed for time but, at the same time, I think that question of state and Commonwealth relationships in terms of accountability and the exchange of information is an important issue. I would not mind if you could just go through it a little bit with us.

**Mr Daniels**—Just briefly, the whole basis of Commonwealth-state arrangements for schooling is the 10 common and agreed goals of schooling which Commonwealth-state ministers signed up to in 1989. At the most recent ministerial council meeting in July, ministers agreed to add another goal which relates specifically to literacy for primary students and have linked this to a project to develop benchmarks which would enable the states and the non-government school systems to report on that goal.

As a result of that initiative, there is likely to be pressure for a review of the other 10 goals of schooling, which would then enable the general pressure which the Commonwealth has been pushing for some years for better outcomes reporting for all other elements of schooling. I think that was the most significant element of it.

**Mr Brennan**—I am responsible for vocational education and training. The bulk of service delivery in vocational education and training is done by the Commonwealth through the Australian National Training Authority. There has been a position in place since 1991. That is not affected by budget decisions, but a similar set of issues arise about Commonwealth-state relations and data accountability.

There have been efforts from the Commonwealth since 1986 to improve the comparability and standard of data on the performance of the vocational education and training system. We would expect that, when the ANTA annual national report is approved by the ministerial council for presentation to the parliament within a couple of months time, there will be the first real gain over that 10-year period in providing some substantial comparable output measures for the vocational education and training system and at least some thin slivers of comparable outcomes measures.

It has certainly been a long haul to get to that point, but we think that the annual national report this year will provide some quite significant gains there; and that has been as a result of the Commonwealth pushing the issue since 1986. Indeed, one of the principal motivations for the establishment of the National Training Authority structure

was to get to a structure which had some hope of delivering that outcome from the states.

With respect to the audit, there are two programs where the Commonwealth directly delivers funding and purchases services: the pre-vocational places program and the workplace English language and literacy program. The budget will impact on the pre-vocational places program in that it will become a much smaller program. Some \$52 million a year was spent on it previously and that will decline to about \$20 million a year. In achieving that decline, we will address some of the issues raised by the audit. The stated objective of the program previously sought to provide training opportunities which articulated into further education or employment. There was no direct linkage in the program objectives between providing training to an individual and that individual obtaining education or employment. Rather, the linkage was that there was the provision of a training place and that place had an articulation to education or employment.

We would seek to restructure the program to ensure that resources are targeted to individuals to receive training which is likely to lead to an apprenticeship or traineeship, and in that restructuring we would expect to be able to address some of the issues raised in the audit report. But I put this caveat on it: again the issue of Commonwealth-state relations arises. We deliver the program in partnership with the states. Some of the states are significant funders in their own right of the program and the state funding and Commonwealth funding is administered through the same committees. So whatever view the Commonwealth forms about performance information, if that is not a view that we can persuade an individual state of, then we could run into substantial inefficiencies if we were to insist on our view against the view of the state.

**Mr GRIFFIN**—Has that sort of thing happened?

**Mr Brennan**—It has not happened in the past. In the past we have been very clearly the majority funder. Next year, for example, we would expect that at least one state will be contributing more in that state than will the Commonwealth, in part because the Commonwealth's contribution has declined but also because that state's contribution is likely to substantially increase. So the relationship between the Commonwealth and the state in what performance information we seek will need to be managed very carefully.

**Mr GRIFFIN**—Which state do you expect that to be?

**Mr Brennan**—Victoria. The other program dealt with was the workplace English language and literacy. There is no budget impact on that program other than the three per cent efficiency dividend taken from it.

**Mrs Lovett**—The program in the audit report is the subprogram student assistance or education assistance Austudy, which, as indicated by Mr Gibbons, will be subject to substantial change arising from the budget. Austudy, along with a number of other income type support programs for young people, may well be subsumed into a program called the

youth allowance. There is currently a discussion paper out on that. So, depending on what comes out of those deliberations, the government will make decisions on that towards the end of this year. There could well be some changes. But on the recommendations of the audit report and how they will impact on what we do, I need to talk of the service delivery arrangement that will come into place from 1998 for either Austudy or the new youth allowance.

The audit report recognised that the student assistance scheme already has efficiency and service indicators of a high standard but indicated that we need to enhance some of those, particularly where we are looking at the effectiveness and the direct relationship between student assistance inputs and what the outcome measures are.

In developing that, I think we need to acknowledge that educational measures can take place over a long time and, with a measure like student assistance where you are providing income support to students to enable them to access education, there are a number of cross-sectoral and cross-performance indicators that need to be taken into account. But in developing our service agreement with our new service delivery agency, the shopfront where Austudy or youth allowance will be delivered from in the future, we will be looking very carefully at how we can improve our performance indicators and develop them further along the lines as has been agreed with in the audit report.

**Mr Creagh**—I am responsible for the targeted research program within the larger higher education program. The basic structure of targeted research and scientific development does not change as a result of the budget, although some of the program elements within targeted research have actually received increased funding. Although it is not specifically related to the budget context, within that general area is the government's intention to create a fully independent Australian Research Council. That may have some impact further down the track on the structure of some of the Commonwealth's higher education research programs.

Two recommendations from the audit are relevant to targeted research. One is recommendation 17, in relation to the development of client service indicators. The department has agreed with that recommendation and is in the process of implementing it. The second is recommendation 18 and relates to the creation and implementation of better outcomes targets. Again, the department accepts that recommendation in principle, although it notes all the complexities that the Auditor-General referred to in his opening comments about the difficulty of creating meaningful indicators in that regard, and particularly taking into account where there are more than one agency or one enterprise actually inputting into a process.

I have a brief comment on how far we have progressed in relation to implementation. On client service indicators, we project that, by the end of this year or the first quarter of early next year, we will actually have some quantitative client service indicators in place which will be the outcome of a range of focus group discussions with

relevant areas of universities.

On the outcomes indicators, that is something that we will have to work at iteratively. A range of the program elements already have quite robust outcome indicators; others need to be worked on. That will be something that we will just have to move forward with as well as we can.

**Mr GRIFFIN**—I have a question for Mr Barrett. In terms of where it appears this is up to, the general agreement, either completely or in principle in terms of the recommendations, implementation is going ahead. There has been some adjustment that has been necessary because of the budget and so on, but it would seem to me that one thing that is very important is that the momentum is not lost in terms of these sorts of initiatives. That sometimes can be what occurs as a reconfiguration takes place with a department and within departmental objectives. Is there an intention from ANAO to revisit this matter in, say, 12 months time to examine where it is up to, how that has gone and what further lessons have been learnt? What is the position of ANAO on that?

**Mr Barrett**—As a matter of principle, and more particularly now in the light of the budget changes, there are two initiatives that need to be taken. One I have already discussed with the executive in the department, and that is for us to be closely involved with the agency, particularly in an observer capacity. But where we have, as I have indicated to you before, derived background over a number of audits and can provide input into the thinking that goes into the developments in this area, we will do so, more particularly so that we can understand better the problems that the agency is facing in some of the issues that are raised, particularly by Mrs Lovett, in terms of the timing and the relationship in the point you raised earlier—the trade-off between service quality delivery and cost. That can be done in the short term in output measures, but in essence the point which Ms Lovett was making is that it would only be over a period of time that the outcome can actually be reflected and you might have to wait maybe two or three years before you see that permeating.

My point about that, when I have talked to departments on previous occasions, is that the indicative information that will come out of the monitoring process, when there are these sorts of trade-offs between service quality delivery and cost, will need to be discussed necessarily at ministerial level so that a decision is made at least on that kind of information where you cannot afford, in a sense, to wait until some years down the track to see what the likely impacts are going to be on the ultimate outcomes for, in this case, the students, or the unemployed or whatever. That is a real conundrum for departments, and that is why I think that top level involvement sometimes has to take place so that there is an early warning system.

From our point of view, because this is going to be a pervasive approach—it appears at least to be pervasive across the Public Service—we would want to take the opportunity of the invitation of the department to be closely involved as they go through



this process of developing new public sector approaches and, in particular, the implications it has for performance information so that we can address those issues sooner rather than later. It may turn out, as a consequence, that the timing of any follow-up audit may be sooner or later. I cannot give you an indication now. We would not want to come back to you if neither the department nor ourselves were satisfied that the system that was being put in place was generating the kind of information that both of us would have been happy with. If it is still going through that process of teething, then we would probably delay it. But my feeling at the moment is that the period of implementation is something upwards of 18 months, so I would think that that last six months of those 18 months is where you would need to have a follow up.

**Mr GRIFFIN**—The committee would be very interested in finding out how that has gone, because I think it is a crucial issue for modern government and it does, as you said, have implications beyond this department.

**CHAIR**—Before I wrap up this morning's session, Mr Gibbons, would you like to say anything in conclusion, bearing in mind that we might have a degree of overlap between this and the next session?

**Mr Gibbons**—There is a degree of overlap, as has already been noted in the employment area. We can pick that up when we get to the reports that deal with that. I just reiterate in respect of the other programs that we have agreed with the recommendations of the ANAO, with the exception of those programs that will conclude as a result of the budget. We are in the process of implementing, or have in some cases concluded the implementation of, our response to those recommendations.

**CHAIR**—Thank you.

[11.07 a.m.]

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**CHAIR**—We now come to the final session of today's public hearing. We shall be running this hearing in a round table format but we will be considering five reports simultaneously. These are closely related and deal with programs which have been affected by the budget. I must ask participants to strictly observe a number of procedural rules.

Firstly, only members of the committee can put questions to witnesses. If this hearing is to constitute formal proceedings of the parliament and attract parliamentary

privilege I ask that participants, if they wish to raise issues for discussion, direct their comments to me, and the committee will decide if it wishes to pursue the matter. It will not be possible for participants to directly respond to each other.

Secondly, to assist *Hansard*, witnesses should identify themselves whenever they wish to make a comment. Thirdly, given the length of the program, statements and comments should be kept as brief and succinct as possible. The reports we are considering in this session are reports Nos 3, 4, 9, 23 and 30 of 1995-96.

From the committee's perspective, the main purpose of this session is to examine the key issues and themes identified in the five audit reports and consider whether there are lessons which can be learnt from this experience and applied to the development of the new programs and agencies announced in the 1996 budget. As a result, you may find that our questions explore broad themes rather than examine in detail each audit finding. With that background, I would like to provide the opportunity for a brief opening address from any of the agencies before us.

**Mr Divett**—These audits came at an opportune time for the department. The department had embarked upon significant changes to the way that we managed resources, had introduced teleservice centres and was working on the redesign of our processes. The audits have been useful in confirming the direction in which the department was moving, in confirming the department's assessment of its own shortcomings, particularly in relation to teleservice centres, and in furthering the work we have been undertaking to improve our performance.

The government announced in the budget the creation of a new government services agency. The agency will deliver, amongst others, all of the services currently delivered through the Department of Social Security service delivery network. The creation of the agency is an opportunity to further develop the key themes for change endorsed by these Australian National Audit Office reports.

The department has taken a constructive and aggressive approach to addressing the recommendations in these reports. I would like to make some brief comments about the status of those two audits. *Audit report No. 4 1995-96: DSS: regional office resourcing and benefit processing* has 49 recommendations. Of these, the department agreed with 43 and agreed in principle with the rest. Since the report was issued, the department considers that it has finalised 45 and is working to finalise the remainder.

*Audit report No. 9 1995-96: DSS: teleservice centres* has 28 recommendations. Of these, the department agreed with 22 and agreed in principle with the other six. Since the report was issued, the department considers that it has finalised 15 and, again, is working to finalise the remainder.

In conclusion, the department believes that these audits, together with the current audit on customer services, provide useful reassurance for the directions being pursued.

The initiatives that we have taken in these areas will position the departmental services for, and support transition to, the new government services agency to be created in 1997. If it would assist the committee, I could provide a status report on all the recommendations from the audits.

**CHAIR**—Thank you. We would appreciate that. Mr Gibbons, would you like to make an opening statement?

**Mr Gibbons**—I emphasise again the comments that I made in the last session about the changes that will affect the area of case management and employment services announced in the budget. The department is moving by December of next year to a situation where it will no longer, for the most part, deliver services directly. It will be cashing out most of the labour market programs. It will be withdrawing from direct service delivery in the employment placement area and contracting services in the marketplace.

The budget announced that the government would participate in that marketplace through a new government-owned employment placement enterprise which will be quite independent of the department. Those directions are very significant changes from the way the CES has operated over many years and will influence how we respond to the recommendations of the audit report.

**Mr Barrett**—Because of the five audits involved, I would like to spell out the reasons for the audits and some of the conclusions in a little more detail, if the committee is so disposed, than I have on previous occasions.

I emphasise that the thrust of the issues identified in the audits and in the related recommendations remain relevant in the context of the changes that we discussed earlier this morning and that have just been referred to, particularly the establishment of a service delivery agency. As we have already discussed, they range from performance information to the management of service delivery mechanisms.

I will now focus on the audit findings relevant to the new service delivery arrangements. Examining the management of social welfare service delivery to over five million Australians has been an important part of our recent performance auditing strategy. Of course, both the departments at the table today are responsible for significant government program expenditures. In particular, the service delivery mechanisms absorb significant resources. For example, staffing expenditures on DSS regional offices were \$460 million at the time of the audit.

The ANAO has sought to assist the parliament and departments in identifying examples of good practice as well as improvements which might be necessary in specific aspects of this service delivery and the implementation of new arrangements. Where relevant, we have drawn upon the experience in the private sector in fields such as

business re-engineering to assist in identifying opportunities to improve public administration.

This strategy has led us to undertake the five audits that we are discussing in this session. They are: the DSS regional staffing and processing, which addressed the scope to use better practice in examining alternative resourcing strategies and the potential for streamlining the benefit delivery process in that department; the DSS teleservice audit, which addressed the administrative effectiveness and efficiency of management of the DSS call centre network and the lessons learnt from the introduction of teleservices for future projects; and the Commonwealth Employment Service—CES—case management, which examined the efficiency and administrative effectiveness of case management as it was operating then. The audit sought to identify good practices in those areas which could be improved for future delivery of case management. Client services on case management were also determined through a survey.

There is also the procurement of training services, which examined whether the department was getting value for money from the purchase of training service for its labour market programs; and, finally, the implementation of competition in case management, which focused on the strategic issues relating to the implementation of the framework for competition in case management, including arrangements for establishing a competitively neutral environment. The objective of this audit was to determine the extent to which the model of competition in case management had been implemented efficiently and effectively.

I now turn to our overall conclusions. There is certainly much to be positive about in the initiatives and the approaches taken by the agencies concerned. There is sufficient evidence to suggest significant opportunities for more efficient and effective management of these arrangements and, as a result, for better client service. It is apparent that the agencies are still in a learning mode. In total, the ANAO made 101 recommendations in the audits, as you have heard, aimed at enhancing agency management. As you have also heard, the departments concerned have largely accepted these recommendations, although their responses are qualified in some cases.

In my view, there are a number of key themes which emerge from consideration of the audit findings and which will be of particular relevance in the new service delivery arrangements. These themes are that particular improvements are possible in the way that departments deal with their customers. The three audits are relevant there—the regional staffing one, the television service centres and the CES case management. There is considerable potential for re-engineering standard processes for applications and reviews to increase efficiency and effectiveness, particularly through the use of improved technology.

When adding new service delivery outlets, such as teleservice centres, consideration should be given to re-engineering of work processes, resourcing and work practices and integration with the overall operations of the service delivery agency. It is

again an example where you have a particular tool. It is not a case of just applying the tool in the existing situation. If you are going to get real benefits out of a significant tool, you need to establish the extent to which it can change the way in which you work or the way in which you provide the services concerned. These are important lessons that the private sector has illustrated over recent years and ones which the public sector could certainly emulate.

There is significant variation in processes between offices, resulting in marked differences in performance. By identifying and uniformly adopting efficient processes as a base standard, there is scope for savings without stifling—and I stress this—individual office initiatives, in particular devolution of authority. There is evidence that there is considerable scope to more carefully manage time spent in DSS branch offices which is not of benefit directly to either customers or to the business. There are opportunities to improve the methods used to identify and allocate resources across delivery networks. Private sector organisations will gain significant efficiencies by the adoption of more sophisticated resource modelling tools. These need to be examined, as indeed they have been by particularly the Department of Social Security.

There are lessons to be gained for future client service technology projects—again, as shown from DSS's experience with the teleservice project. Limitations in the initial planning and implementation procedures can result in performance falling short of standards and expectations with respect to both client service and operating efficiencies. The agencies responsible for implementing new arrangements should ensure that their respective roles are agreed, clear and supported by the necessary legislation, memoranda of understanding and the like.

Risks associated with the new arrangements need to be assessed and appropriate strategies developed to deal with them to ensure they do not prevent or inhibit the successful implementation of the policy. Clear and transparent lines of accountability need to be established early in the implementation process to ensure that the relevant parties are aware of and understand their accountability responsibilities and that appropriate information is collected for these purposes. It is virtually a case of 'a stitch in time saves nine'.

Appropriate review and evaluation mechanisms should be implemented to assist agencies in determining the future development of a program or activity and in setting performance indicators which provide valid measures of the client service and the efficiency and effectiveness of administrative arrangements and have an assurance that services and the results delivered are satisfactory and that the problems can be detected early and remedied in a timely manner.

We consider that the benefits of addressing these issues can far outweigh the costs and can also lead to improve customer service. In noting this conclusion, we also acknowledge that there has been an ongoing process of review and reform of strategies for

administering benefit delivery in the agencies.

Finally, as to follow-up action, the arrangements announced in the budget represent the establishment of a substantially different framework from that examined in these audits. The issues identified apply under the proposed new arrangements for service delivery. Therefore, the Australian National Audit Office has offered to consult with both the major departments concerned during the implementation of the new framework, which I referred to earlier this morning, in particular, to ensure that the audit office is across the decisions and the implementation arrangements for these programs to better understand the problems facing these particular organisations—and, as a result, hopefully produce better quality audits—and the extent to which we can actually provide some input into those processes, particularly in future systems development, control mechanisms and appropriate performance information.

I should also mention some current work of the ANAO which is relevant to the issues raised in the audits. We are currently undertaking an audit of customer service delivery in DSS, as Mr Divett indicated. Again, the issues here will be very relevant to the new service delivery arrangements, since that audit seeks to learn from the experience of a range of recognised quality customer focused organisations and from the research based knowledge of consultants. We are working closely with the department on this audit.

The teleservice report has been in demand from other agencies considering establishing a call centre. Consequently, the ANAO is producing a better practice guide on telephone call centres. This will highlight the key issues in planning, designing and implementing call centres with a view to ensuring government agencies are aware of better practices in the area and the degree of business re-engineering and integration that may well be required before any implementation. It is expected that the guide will be published later this month. The senior staff associated with these audits are, at the table, Alan Greenslade, Malisa Golightly, Sue Sheridan and Ann Thurley.

**Mr GEORGIU**—Could I start by addressing Audit Report No. 3 on CES case management. I do appreciate that there are changes but, nonetheless, this does seem to me to be significant. The Auditor-General made a number of quite significant observations about case management. The audit office also invested quite significantly in a survey of clients. It made 16 recommendations, and 15 of these were responded to by the department in saying, ‘This recommendation reflects the department’s operating policies and arrangements.’ I am a bit puzzled by this response. It does seem to me to be a cavalier treatment of the Auditor-General’s findings. I just wonder, with the benefit of hindsight, whether you still maintain that flick.

**Mr Campbell**—Perhaps I could give a bit of history to it. It was not intended as a flick. This audit commenced in July 1994. It was an audit of case management that had been announced in the 1993-94 budget for commencement in the CES in March 1994. After the announcement in the budget and after the commencement of case management in



our network in March 1994, the government of the day brought down the Working Nation white paper in May 1994. At the time, the department expressed the view to ANAO that we believed that—given that the case management that had been put in place in March was being overtaken by Working Nation, and that the implementation arrangements would be quite significantly different, not the least being that we were working towards the Employment Services Act and the creation of the Employment Services Regulatory Authority, ESRA—you were doing an audit when we were moving from something that we had not fully implemented to a completely new arrangement, including a statutory basis.

Indeed, most of the 17 recommendations, if not all of them, in the end came about where both agencies could see the way we should be going. We had implemented many of those, we were implementing them in the new statutory framework. So we had that response, which the department did not consider cavalier, which was the 17 recommendations, which in large measure reflected the department's operating policies and arrangements. What happened, to put it in a nutshell, was that the audit was commenced and the ground rules or the parameters changed quite significantly.

**Mr GEORGIU**—Can you explain that? How were the ground rules changed significantly? The audit began auditing at the time that you were putting change into operation.

**Mr Campbell**—No, the audit was done in the period around July 1994. At that same period the then government decided to implement Working Nation, which included the Employment Services Act and the creation of ESRA. We were saying at the time—and I think it was reflected in our management comments of the audit—that the ground rules had changed significantly and, indeed, we did not have all the final ground rules in place until the Employment Services Act was actually passed by the parliament in December 1994.

**Mr GEORGIU**—I can appreciate that you did not like the audit office conducting an audit. Given the observations on the practices of the department, given the fact that the audit had access to an empirical survey that the department did not have access to and in fact, in my understanding, still does not have access to, and given the fact that a large number of the observations made by the audit office actually are reflected in your own Working Nation evaluation report—just to take some: lack of management understanding on the part of staff concerning the objectives of case management; lack of follow-up attention; limited, short, impractical and inadequate training time for managers; large waiting case lists for managers; excessive caseloads leading to reduction in quality of assistance and focus on job seekers who are easy to assist, which are things your own departmental evaluation turned up in July 1996—I am puzzled by the response. Lots of the things that were flagged, on which you or someone in the department said they were dealing with under your operating policies and arrangements, spring up again in July 1996 in your own evaluation. So that response from the department was, in my view, both

cavalier and short-sighted.

**Mr Campbell**—I do not believe we intended it to be cavalier. When you are implementing something as significant as case management as reflected in the Employment Services Act and, indeed, the changes commenced in March 1994, in a network as large as ours, and at the same time developing a competitive frameworking approach with ESRA, there will always be grounds for improvement. I believe that the 17 recommendations in Report No.3 were picked up by the department and, in degrees, put into place. The fact that some of those then again were reflected in our Working Nation evaluation which we released about a month ago meant that perhaps we did not fully reflect or fully implement as well as we could. I would observe though that at that time the department's resources were also significantly decreasing. But I reiterate: it was not meant as cavalier. Reading the 17 recommendations, we were putting them into place as best we could; but some of them related to computer systems for which there is a very long lead time in which to change our larger computer systems.

**Mr GEORGIU**—Would it relate to the fact that a large number of people flagged on the management system of the department as being under case management actually were not being case managed and there were a whole series of recommendations in that report? You say you agree in principle—that is pushing it to the side a bit—but, with only one exception, the department, because it was a bit distressed at having been evaluated at a period it regarded as being a little bit too early, put up lots of shutters. I would like to ask Mr Potterton: how many of the observations on efficiencies in Audit Report No. 3 were actually reflected in your own report? When you did your report, your evaluation, did you actually refer to the empirical data in the Auditor-General's report? It was quite an expensive little exercise, with all due respect, involving 1,400 clients which found that substantive numbers of those clients did not know they were being case managed. Was that data picked up in your report?

**Mr Potterton**—There was an extensive data collection process for the evaluation of case management in the Working Nation evaluation which we conducted jointly with ESRA.

**Mr GEORGIU**—Had that data come through, because my recollection was that you said that at that stage the data you collected was quite thin and you were still waiting for the main part of the data to come in?

**Mr Potterton**—The Working Nation evaluation examined case management in its statutory context and not the 1993-94 model of case management which the audit office's report addressed. Obviously some of the findings of the Working Nation evaluation report echo findings and conclusions of the ANAO report. However, because we were very conscious that the evaluation was designed to meet the policy needs arising from the implementation of the Working Nation evaluation, while of course we read the ANAO report, we did not regard that, if you like, as a major data source.

**Mr GEORGIU**—I am getting confused. My understanding was that the Auditor-General's assessment was put in place after Working Nation was brought down. Did it evaluate case management as it was emerging under Working Nation?

**Mr Barrett**—That was the intention. In fact, as is said on page 8, because case management was evolving, the ANAO considered that early identification of best practice in areas in need of improvement would greatly assist this evolutionary process. We do not have access to the evaluation that you are referring to. We do not know whether the evaluation had access to the survey results. I will check that with the auditors.

**Mr GEORGIU**—There is no reference to the audit report.

**Mr Barrett**—We did in fact provide that to the department. I do not know whether the evaluation used that or not.

**Mr GEORGIU**—Given that there was a substantial body of empirical information regarding job seekers who were supposed to be under case management generated by the audit office, and your own data in terms of people who were being case managed had not really come in—I do not want to find the page now but it says, 'We are waiting for the major impacts of the longitudinal study'—why was there not a more significant reference to a study of 1,400 in the Working Nation evaluation report?

**Mr Potterton**—There certainly was not any intention to downplay the audit office's report. However, it needs to be recognised that case management in its Working Nation manifestation was implemented in February 1995. That was a very significant change. It brought into the field the contracted case managers, and a major focus of the evaluation was to examine how case management was being implemented in EAA and in the CCM sector and to examine the emerging issues from that later development of case management. Therefore, we took a forward looking approach, and the aim was to examine the issues as they were at that time.

**Mr GEORGIU**—Yes, but the case management conducted under the departmental aegis did not change a great deal. We can run over that because I would like to run over some changes.

**Ms Butler**—I think it is fair to say that in the period after Working Nation was announced and before the actual implementation of the legislation, as Mr Potterton says on 5 February 1995, the department was then gearing itself through its case managers to form up within the CES the government provider of case management services. So the audit was being conducted at that time and we had some early evidence from the telephone client survey and from other field work that the audit office had conducted. We had the benefit of that information when we were framing the policies and processes that we would put in place to develop our case managers who were then, for the first time, being designated as full-time case managers and moving to prepare themselves for delivering a

government service under a statutory framework which they were not used to before.

The formal processes came into effect with the legislation—notifying clients and calling them into the employment service for them to be assessed as to their classification under the new case management system and their referral to either EAA or, as contracted case managers became available, to refer them to contracted case managers. As we were developing those procedures we had the benefit of the audit report in developing training for our staff and information that we would be providing to clients directly. So, yes, case management was continuing and we were moving towards the framework and the competitive framework that Working Nation had put in place but there were substantial changes once the legislation came into effect. Those changes would, as I say, directly influence the level of information that clients had and the way that case managers conducted their business.

**Mr GEORGIU**—Yes, but the point is that many of the same observations about deficiencies in case management that were made by the audit office and, I would say again, the response of saying that this reflects our current operating practice really is shutting down the shop and saying, ‘We didn’t like it; we are not going to buy it,’ only to have those same observations recur in your own evaluation, an evaluation that I find interestingly does not refer to the data contained in the Auditor-General’s report, to the empirical data at the very time when you were data-short yourself in terms of evaluation.

When you say, ‘the response of the department,’ who actually determines the departmental response—the subcommittee, the secretary of the department or the minister? What process is followed and who takes responsibility for the department’s response to audit recommendations, because I am concerned about this? Fifteen recommendations reflect our current operating practice. I think it substantially weakens the role of the Auditor-General and I feel particularly sensitive about it given that those criticisms were reiterated in your own evaluation.

**Mr Campbell**—To answer the question about who approved, these responses to audit reports are departmental and they do not go through a minister or a minister’s office.

**Mr GEORGIU**—Who determines within the department?

**Mr Campbell**—Ultimately, it would be the departmental executive but I cannot recall at what level, be it secretary, deputy secretary or division head level, that these comments were finally approved. However, you would have to say the national program manager would have to be the one who would take the responsibility for this.

**Mr GEORGIU**—At what level is the national program manager?

**Mr Campbell**—Division head.

**Mr GEORGIU**—So these may have been approved by a division head with immediate responsibility for a program that may have been perhaps a little sensitive and they do not get bumped up to secretary level?

**Mr Campbell**—As I said, I would have to go back to the file.

**Mr GEORGIU**—Is it a possibility?

**Mr Campbell**—I am certainly saying that the lowest level at which these would have been approved would have been at the division head level. They may well have been approved at a level higher, but certainly at division head level.

**Mr GEORGIU**—I have a matching question of the Auditor-General. It seems to me that, when Audit decided to audit this program, it faced substantial resistance from the department which it brushed aside. It completed its field work in December. Nonetheless, the report was not actually presented to the Presiding Officers until 21 September 1995. This was a lapse of almost 10 months from the completion of the field work. I appreciate the difficulties in writing or completing reports but, given the circumstances of this and the rationale for pursuing the audit despite departmental hesitations, it does puzzle me that the report took so long to be presented. Does the audit office have any observations? Basically, is it happy with its performance in this particular case?

**Mr BEDDALL**—Before you comment on that, could you also comment on the fact that responses to your report only need to be done at division head level rather than at full departmental secretary level?

**Mr GRIFFIN**—Is that usual practice?

**Mr Barrett**—Let us take the last question first. I think you will find that the practice will vary across agencies in that respect. There will certainly be times when heads of agencies insist that they approve responses. I suspect that the more operational the recommendations the less likely the executive in departments would be involved in detail. In the normal devolution of authority situation, they would expect, and not surprisingly, program managers to stand up and be counted and to have an appropriate response in their particular areas.

Based on my own experience, I would also suspect that the executive would rely on program managers to bring to their attention any particular sensitivities associated with particular recommendations and/or the agency responses. If they believe that the responses to more operational matters were not sensitive or contestable in any way, it would not surprise me that they would not be looking to get endorsement from the executive. But I would expect that the executive, as I said, would be seeking their program managers to bring to their attention any particular sensitivities. In areas where there were disagreements, this may in fact result in subsequent discussions either in front of this

particular committee or in the parliament itself.

I suspect that procedures would vary across agencies but, in general, that is what I would expect to happen. In a sense, if you are asking me whether I am concerned that a head of an agency did not personally provide an imprimatur on responses, I would have to say in that context that the answer broadly is no. If there is a responsible officer who has signed off for the agency's response, I think that would be—

**Mr BEDDALL**—My concern is that the person responsible for the criticism that comes from an audit report then gets to write the response to the audit report that was critical of that person. In many ways, it is the cops investigating the cops. I would have thought that senior people in the Public Service should take that responsibility.

**Mr Barrett**—What we are encouraging and what I think you will find across a number of agencies is that, increasingly, audit committees review both the recommendations that are put forward and the responses. I would tend to suggest, as good practice, that audit committees automatically review responses to audit recommendations. In that way you do overcome the problem that you put your finger on.

Again, there is a bit of horses for courses here. I think that the executive is entitled to have confidence in the advice that is given by responsible people in their organisations. At the same time, the expectation would be that where there are issues of concern, they are brought to attention. Nevertheless, I still reiterate that, as good practice, I expect audit committees to fundamentally review these as a matter of course. That would provide the protection that I think you are looking for.

In relation to the timing, before I ask the audit managers to respond, you are quite right in that we try to keep that timing between the finish of the audit and the provision of the report to the minimum. There are times when, because of a shifting ground, it is necessary to have extensive consultations with the agencies concerned to ensure that we have the facts right and that we address any concerns that the agencies have. It is not a case of compromise or getting an agreed result—far from it—but it is a case of natural justice to ensure, in fairness to this committee in particular, that we do have the facts straight and, where there is a legitimate difference of view, that that is spelt out for this committee to determine, from their own point of view, which way they would like to see the end result go. I would ask the audit managers to give more detail about the timing factor.

**Ms Golightly**—Basically in this particular case, as in all cases, we have an exit interview with the agency when we finish our field work and have our analysis together. As Pat said, because of the changing nature of the program at this stage, we did actually go back into the department after that exit interview and gather more information about just how those changes would affect the types of things that we were thinking of recommending at that stage. On top of that, we did have some quite significant staff

changes in relation to that audit. That did delay things, which we would not want to have repeated in an ideal situation.

I would have to double check my files, but the other thing that could have caused a slight delay is that we did want this report tabled in session. We may have missed one session and just got the beginning of the next. I would have to double check that last point.

**CHAIR**—I think Mr Campbell wants to make a comment. Before he does, I wish to say that the Public Accounts Committee treats very seriously these reports of the Auditor-General. When you have a departmental response in an audit report we would expect that officers of the department appearing before us would be able to source the author of those responses to the Auditor-General. It seems apparent from comments made to date that it may be possible that in this instance operative areas in the department were not aware of the final response and the decision of the department on how to respond to this Auditor-General's report.

**Mr Campbell**—I want to clarify a comment I made because I think it might have been misunderstood. I said during my last comments that at the minimum level this would have been cleared with the division head. The reason I stated that was that I did not have in front of me then the actual fine detail of who signed it off and I did not want to mislead the committee. It is normal practice in our portfolio for a deputy secretary or the secretary to sign off the responses and in the case that we are referring to now it was signed off by the relevant deputy secretary on 8 August 1995. There might have been subsequent correspondence as the ANAO have indicated. The response you are referring to was signed off by the departmental executive.

**Mr GEORGIU**—But it would not have surprised you if it had been signed by a division head?

**Mr Campbell**—It would have. As the deputy secretary who was involved has now left the service, I did not want to put myself in the position of being accused of 'Because that person has left the service, you are saying he or she cleared it off.' What I wanted to do was clarify that it was being signed off by the deputy secretary in August.

**Mr GEORGIU**—One final point: can somebody compare the self-criticisms of the department on client classification levels, assessing job seekers' needs and planning program assistance with the Auditor-General's report. Basically, many of the same issues are touched on and I want to drive the point home that I am troubled by a departmental response to an audit observation that, it seems to me, just falls into a very deep trench and gets very defensive—only to have essentially the same observations surface almost a year later.

**Mr Campbell**—One of the exceptions you drew on was the client classification

level.

**Mr GEORGIU**—Yes.

**Mr Campbell**—That did not exist at the time the audit did their report.

**Mr GEORGIU**—If we do pursue this, we will go back and I will pick out the similarities. The dissimilarities are the fact that there is an evolutionary process; not a great deal has changed. But we can come back to that later on, if you like?

**Mr Campbell**—I understand what you are saying, but the example used of a client classification level was one of the responses that we would have been referring to in response to the audit report. The fact that the client classification level instrument is still subject to criticism in the Working Nation evaluation cannot be drawn to the fact that the department was not aware of the issue and did not work at it. What we have done as a department has been to attempt a world first—to actually classify individuals according to their relative difficulty in obtaining employment. There are difficulties with that and particularly from the contracted case managers who get paid according to the level of person. The instrument has led to some unintended or difficult results. But I would argue that the implementation of the CCL was one of the things that we were referring to and certainly was not there when report No. 3 was done.

**Mr GEORGIU**—Even the government's statement by Amanda Vanstone underscores difficulties and the need for evolution. I do come back to the point—and I honestly do not think that I am labouring it—that it seems to be problematic for a department to respond in those terms to a report of the Auditor-General which is data rich and which seems at that level to know as much and possibly more about departmental processes and efficiencies than the department itself.

**CHAIR**—I think the point has been made. Mr Beddall, I think you wanted to pursue something.

**Mr BEDDALL**—Only in a sense in relation to audit report No. 4 on regional office resourcing. A lot of this has been overtaken, but perhaps some people from the Department of Social Security can outline for us in a fuller context how they see the changes that have taken place in staffing and the co-location that will take place and what work has been done with the department of employment to actually try to find out who is going to run the show in these one-stop shop operations that are going to take place.

**Mr Divett**—In response to your last question on who will run the show, it is a separate agency; it is neither the Department of Social Security nor the department—

**Mr BEDDALL**—You have a CES office and a DSS office; how do you determine which agency or office you are going to use, or do you use them both? These are very



practical things which have an impact on the cost to departments and the new agency.

**Mr Divett**—Yes. From the early stages of the development of this total concept, the two departments have had a very senior steering group of departmental secretaries, plus some deputy secretaries, working on a weekly basis coordinating those activities. When you get down to the level of what it means for individual properties, at present we are dealing with that on a case by case basis. The agency will not be open for business as an agency until 1997. By then we will have formulated details for each property.

In general terms, the first step that we have been going through right now with the Department of Employment, Education, Training and Youth Affairs is identifying actual positions that equate to functions that are going into the agency, and that will be by numbers, level and location. Having done that, we will look location by location at what the best disposition of property resources is. There is at least four to six months lead time before we can answer some of those questions in detail.

**Mr BEDDALL**—I have noticed in recent times in the Queensland press significant advertising for recruiting staff for DSS, admittedly at a junior level. Just as an observation, with the amount of restructuring—to use the euphemism—that has been going on in the public sector, why is there a need to start recruiting on a fairly massive scale? Is it a massive scale? I know it is at junior level—ASO2.

**Mr Divett**—I will make a couple of points. It is not a massive scale in terms of the department. We have a staffing formula with the Department of Finance which provides staff numbers to the department based on customer numbers and applications. We quite prudently, in the run-up to the budget, have been holding back all of that recruitment for quite some months.

What you are seeing now in some places is a balancing out from the completed financial year on what the actual outcomes were on customer numbers and, therefore, resources—and that is quite a small difference—and some completion of recruitment processes that were in place over the last three or four months. Equally, in some of the areas around Australia those numbers have gone the other way, so there is no recruitment at all.

There are staff within the current CES network who are, and will be, interested in those positions, although many of the staff within the CES network are at higher levels than the positions that are being advertised. Equally, there are also staff in other agencies who will be interested in those positions, and we are conscious of all of that.

**Mr GEORGIU**—I have a question for ESRA. What has been its experience with monitoring and reporting, and what have been the problems with effective monitoring and reporting flowing from the character of its act?

**Dr Donald**—There were in the early days some difficulties under the legislation in monitoring particularly the outcomes by job seekers in case management. The reasons for that are various. Firstly, the legislation did not provide complete coverage of data to enable ESRA to have access legally, thus raising privacy issues—

**Mr GEORGIU**—Why did the legislation not make provision for something which should have been self-evident?

**Dr Donald**—It is not necessarily self-evident that ESRA should have had access to individual data. Had aggregated data been able to be put together, then those data may have been transmitted to ESRA and still enabled a complete, successful monitoring of job seeker outcomes.

The second difficulty complicated the first; that is, the data required resides in a number of agencies, and each of those agencies is covered by its own specific privacy legislation, particularly in the case of DSS data. It was therefore difficult on a legislative basis or jurisdictional basis to get the data together.

The third and most ostensibly easy issue to deal with is really logistical, that is, that the data required resides on different computer systems and needs to be brought together, verified and aligned in a way that requires a good deal of computer programming effort. In fact, in the early days, no matter what the legal availability of the data, we simply would not have been able to get much of it in the form we required, simply because the systems were not able to generate it.

Over the course of the 18 months or so that we have been doing our job, the issues of access to data have, to a large degree, been resolved. We have not resolved all of the logistical issues. We are accessing a good deal of data in an aggregate form that enables us to deal with at least the major questions we have raised in the monitoring process. So a good deal of progress has been made but there are still obstacles of all three varieties—legal, departmental/jurisdictional and logistical.

**Mr GEORGIU**—So you will drop your request for access to individual job seeker data?

**Dr Donald**—No, we have not dropped the request but we do regard it as lower priority now that we are able to get access to good quality aggregate information. We still prefer to have individual data but it is not a matter of high priority in the circumstances.

**CHAIR**—Would someone like to comment on what will happen in the future in the one-stop shop context when you bring together data from different agencies that don't match? Do the IT systems match as well? What is going to happen?

**Mr Gibbons**—As we mentioned this morning, this is an important issue that needs

to be identified clearly and addressed before December next year. We have a situation where, with respect to the new government services agency, part of the current CES network will be integrated with the DSS network in that new agency. Systems that support activities in those two separate agencies at the moment will have to be brought together. A lot of technical work is needed to achieve that integration and planning the execution of that technical work is under way.

There are also issues of privacy that need to be re-examined. As we mentioned earlier, we believe that a whole-of- Commonwealth approach needs to be taken instead of an individual agency approach, particularly where we have processes that involve two or three agencies in respect of a single client, which we will be dealing with in the future.

**Mr Divett**—In terms of the functions in the employment area that go into the agency from Social Security and into the agency from Employment, Education and Training, we have a major project which is in the process of commencing. It has a steering committee with deputy secretaries from both departments on it. The Department of Social Security was well down the track of redesigning and modernising its computer systems in that area and also had plans to re-engineer its processes. We have now broadened that project to include the redesign of processes from those functions coming across from Employment, Education and Training. We see that, again, as a four to six month design and implementation task before we commenced the systems side of it. The systems side we planned for release in September next year, which will complete the integration of that.

**CHAIR**—So it will all be in place by the time the new agency is up and running?

**Mr Divett**—That is the intention.

**Mr GEORGIU**—It will all be up?

**Mr Gibbons**—That is the intention, yes.

**Mr BEDDALL**—I remember one of the fundamental problems, which I hope has now been overcome, was that at one stage CES and DSS did not even have the same region. One worked on postcodes and the other worked on telephone numbers or something. Has that been overcome in recent years?

**Mr Divett**—The agency will have a single region.

**Mr BEDDALL**—What about now?

**Mr Divett**—We are closer. To give you a feel, there are now 169 co-located regional offices in DSS and DEETYA. A year ago there were 20, or something of that order. So there has been significant coordination between the two departments with a lot

of effort to get there. But the agency, by definition, will have a single group of regional offices.

Could I address your concern about whether this will all be in place by September next year. The redesign of the DSS system support processes going into the unemployment area, which is something we have been planning—in fact, it is the third stage of a major roll-out of a redesign of our systems—in quantum terms is very much larger than the integration of the functions coming in from the CES. We had quite some certainty before we started to look at the additional design concept. It is very difficult in these complex areas for anyone to sign off and say it will all work, but our level of confidence is relatively high.

**Mr VAILE**—Are you talking about innovation in IT technology?

**Mr Divett**—Yes—as well.

**Mr VAILE**—Something I was going to mention is that it has always bewildered me why two agencies like DSS and DEETYA, which are working in a general area of government activity, have run separate IT information systems. Is there any specific reason why that has been the case?

**Mr Divett**—Not one that I would like to put forward.

**Mr Humphreys**—I would like to make a few comments. DEETYA might have something to say as well. There has been overlap in relation to certain of the customers of Social Security and those of DEETYA, but the overlap is in respect of only a minority of our customers—particularly the unemployed, which number a million or less of our five million or more customers. So there is overlap in certain areas, but a phenomenal number of our customers are not in any way customers of DEETYA, and DEETYA have many responsibilities way beyond ours as well. So, yes, there are some arguments for it.

**Mr VAILE**—That is one-fifth of the client base, but I would venture to say that Commonwealth expenditure would be more than one-fifth when you consider the amount of money that goes into labour market programs and the like. It just seems strange to me from a management point of view that it has not existed. Anyway, I think we have got the message there.

Mr Chairman, can I just go to teleservice centres and audit report No. 9. The opening comment in the summary of the audit report from the ANAO says, 'The Department of Social Security charter embraces the delivery of social security entitlements with fairness, courtesy and efficiency.' What element of that charter does the department use as the benchmark for the delivery of information through the teleservice centres and the servicing of incoming calls? Is there an element in the charter that requires the department to service X number of client calls per hour or per minute?

**Mr Humphreys**—Perhaps I could make some general comments, and Mr Carnell might have some further ones to add. I think each of those elements of fairness, courtesy and efficiency relates very specifically to the operations that we wish to provide via the teleservice centre. The charter itself does not define specific performance standards. However, the department has published separately performance standards that apply to teleservice centre operations, as it has for most other operations within the department.

**Mr VAILE**—Mr Carnell, did you want to add a comment?

**Mr Carnell**—Yes. I think the important thing to understand is that that initial charter is simply that statement. It is not a customer charter, as is developed in some overseas jurisdictions, of quite specific promises as to what will be delivered to the customers. As Mr Humphreys has indicated, from the inception there was one formal, published standard: 85 per cent of calls being answered within 60 seconds. That is the subject of a number of the recommendations and comments in the ANAO report—basically that it is far too narrow. That is not necessarily what customers want most from the service.

We have now broadened the range of those indicators to pick up other aspects that customer research has indicated to us they value as much, if not more. They are in fact somewhat more tolerant in terms of busy signals and wait times than they are with some other operations, which is not to say that we are at all happy with how we are doing in those aspects of busy signals and wait times. A number of these other strategies will impact considerably on that, but we have broadened the performance standards that are most important to customers.

**Mr VAILE**—That goes to the issue of the function of the service, but what sort of feedback, what sort of measure have you got, of the quality of the outgoing information?

**Mr Carnell**—We will keep repeating these surveys of customers periodically and pick up their subjective impression on the accuracy of the information they are given and whether they believe the information that they have given to us has been recorded accurately. Our planning is to put in place by Christmas a system of receipt numbers similar to what you get when you pay some of your bills over the phone. Where an existing customer gives us some information, there will be an automatically generated unique number that they will be given. That will give us something of the audit trail where there is an individual complaint about how their inquiry was handled. We will be able to go and look at that. It will not necessarily give us the complete answer but it will certainly give us something of the audit trail that, again, one of the ANAO recommendations was looking to.

**Mr VAILE**—Further on in *Audit report No. 9*, it states that the DSS has begun to examine a number of initiatives for improving teleservice performances and has already taken action to address several of the issues raised in this report. However, the ANAO

considers that the extent of the problems is such that more fundamental changes along the lines outlined in this report are also necessary to deliver administratively effective and efficient teleservice operations. Has the DSS completed its evaluation of the present teleservice centre in terms of efficiency, economy and accountability?

**Mr Carnell**—Several initiatives have been agreed to by the departmental executive, funded and are under way. The receipt numbers I have mentioned already. Another major one that we want to put in place by December is opening a new centre which, in our jargon, we are calling a spike centre. It will handle particular peaks at times during the day that the existing centres are unable to cope with.

In this financial year, we will also do the ground work so that, for the start of the next financial year, we will have quite a significant degree of automated handling of some calls. Again, that is an overseas trend: it involves the simpler calls that can be handled in an automated way without a human operator being involved. We hope to have a significant amount of that in place. We will also be looking at the communications platform, effectively to network the existing centres. You really only get the best value out of queuing theory and Erlang C when you network the centres so that effectively it is one large pool. Again, our aim is to have that in place for the start of the next financial year.

There are others, but in the interests of time I will not necessarily go into them, unless you want me to. The aim is that, in the next financial year, we will lift our call handling capacity to 18 million which is, we think, around the mark of current demand and, in the following year, it should be at around the 20 million mark. By way of giving you a baseline, this last financial year we handled a little under 12 million. So we aim to increase that call handling capacity very substantially.

**Mr VAILE**—With regard to the recommendations that have come out of this report and also your review and the changes that you are making, is there some sort of report that the DSS is going to be putting together?

**Mr Carnell**—There is no specific document as such. I would certainly be happy to provide you with some documentation about these several initiatives that have been ticked and agreed upon.

**Mr VAILE**—If you could do that, it would be appreciated. We keep talking about the quantity of the service. You talk about 18 million calls next year and 20 million the year after. What has been done with regard to the training and the quality of the advice that has been given by the teleservice operators?

**Mr Carnell**—We also have in train, again to be completed by Christmas, a training course in advanced telephone techniques for the operators. In terms of the quality of the advice, we do need to invest in additional training even beyond that advanced telephone techniques training and they will be ongoing matters of concern.

**Mr BEDDALL**—What about the knowledge base of the operator? The complaint I get most is that when people ring, firstly, it takes forever to get somebody and, secondly, when you do get somebody, they do not know the answer. That is not about developing a better telephone technique; it is about a better knowledge base for the person at the end of the phone. I would have thought that that is probably the most fundamental problem you face.

**Mr Carnell**—I would make a couple of comments. Firstly, given the complexity of the system, of necessity, some calls will have to be transferred. It is also important for accessibility that longer, more complex calls be referred to, say, specialist officers or an appointment in a regional office. In fact, the teleservice centres would currently refer on around one in five calls. Many of the calls they receive are relatively simple—perhaps, arguably, something like 70 per cent—and they are relatively easily dealt with. The system is a complex one. You cannot expect to train a single operator across the full range of knowledge in social security.

The survey of customers basically showed that the quality scores were in the 80s. We would like to lift them somewhat. They tended to be in the low 80s, which is better than some of the public criticism has suggested.

**Mr BEDDALL**—But you are not matching the two things together. You are saying that 70 per cent of the calls are about simple matters. Therefore, of course, they are going to be happy. It is that other part that is the real problem area. It always will be. You cannot focus on that qualitative or quantitative type research and say, ‘This is working well because 80 per cent of people are happy,’ because 80 per cent of people just want to know where they lodge a form or something. It is the people who have a real difficulty that you have to address.

**Mrs STONE**—I wish to follow up on that in relation to the telecommunications area. In remote or regional areas of Australia there is a lot of concern because people cannot get to the free calls—they are all STD calls—and there is a concern about waiting and waiting. I think we also need to be looking at the education of the client. They need to be told, ‘When you do make a content, make sure you take the name of the person and write down the information given to you. If you are ringing back, try to make some sense of who you spoke to last time.’ Full names need to be given. There is a lot of concern in my area where just a first name is given and there is a sense that this person is deliberately trying to stay anonymous. Next time the person rings up they are told that that person no longer works here or that there isn’t a Sue or a Sally in the room or in the area. There is a strong sense of people being given a bit of a run around, not just with this particular agency but with numbers of other telecommunications centres now too.

There needs to be a very strong sense of understanding that this is just like any other client contact but it is over the phone, and there is a sense of ongoing responsibility to that client. Even if they ring in a second time and they have made their first contact

through someone else, there needs to be a sense that they have to be given a high standard of consumer or client service. There is often a strong sense that the phone is really one way to get rid of you quickly and to avoid giving full service. I just pass that to you. One of the things that we have to do, especially with a person from a non-English speaking background, is develop their understanding of what it is all about and what service they can expect.

The other matter I would like to ask about is in relation to training services. Obviously DEETYA and CES have had a long experience of procuring various training programs and training services. Can DEETYA, in particular, tell us what they have learnt and how they are going to make sure that in the new training programs there will be the best possible outcomes in terms of who is going to be engaged in the future services and how they are going to be monitored? What have you learned about the old scheme where we had a plethora of programs, to where we are now going to have just a few? Can you summarise the key lessons learned?

**Mr Campbell**—You are talking about audit report No. 23, aren't you?

**Mrs STONE**—Yes.

**Mr Campbell**—No. 23 is relatively old. It was done during 1993. The exit interviews were done in July 1994. The preliminary report was received by the department in January 1995 and the final report was received by us in March 1996, for comments by April 1996. I say that not in any sense of having a go at the ANAO or going back to a previous issue. Therefore, when it was done—which was in 1993 and early 1994—we were moving from a very loosely devolved arrangement in our labour market programs to one where we were creating far more standardised arrangements. For example, at that time we did not have a standard contract. We now have a standard contract, which is one contract for all labour market programs, with a one-page schedule, depending on which of the individual programs it is. This year we converted that into plain English. That took some time with our friends at Attorney-General's, but we now have a plain English contract. That is one issue.

The second issue we have undertaken is that we have moved as much as possible to standing contracts, or three-year contracts. That means that there is more certainty for the providers in the sense of tendering. The third element that we have moved towards is decreasing in significant measure the number of forms we have. We are now down to almost a handful of forms in our labour market programs. We have not totally moved to national tendering standards—and for good reason—in areas such as English as a second language.

All of those are steps, if you like. One would not claim that we are to the final point and that we do not wish to improve at all. But in the three years since that audit, since the field work was undertaken, we have in large measure improved.



What we will have to do to build on that, in moving to the employment placement market next year, is continue the plain English, the standardisation of forms and the simplicity of forms. We will also have to go back to the first audit we spoke about in the first session this morning, the performance information audit, and to the comments that I was making then about the linking between outcomes for clients and the performance of the provider, in terms of being a very significant criterion in the signing of the next contract. In some ways, that performance audit and this one here have to be looked at together.

**Mrs STONE**—What are you expecting to do in circumstances where you have a population that is very small, one which perhaps does not have enough of a particular group to be a viable cluster of people for a private provider to become engaged with?

**Mr Campbell**—Do you mean a regional area with a very small population base?

**Mrs STONE**—Yes, where, say, only 25 people in the place need some sort of training.

**Mr Campbell**—What happens now is that, if those people desire and can access training, they would have to leave the location either temporarily or permanently. Temporarily is often what can be arranged. We have incentives, and we pay living away from home allowances, fees and fares assistance, whichever is required. I would have to say that, both now and in the new arrangements, both training and assistance to be provided have to be provided with more than just a glance at the labour market prospects for the individual. In a community of 25, the employment prospects might not be great either. So they may have to move for both training and for a job.

**Mr GEORGIU**—I appreciate that there is going to be a move towards a greater emphasis on outcomes than process. The problem still remains about how you monitor the sorts of processes that are presumably designed to lead to outcomes. I will raise once again the case management activity agreements and the deficiencies with those that were once again flagged by the ANAO before they became case management activity agreements and were emphasised by the independent review by the department of its own activities. Once you contract out either to the independent authority or to the private contractors, how are you going to monitor that people actually do use the instruments and do deliver what they advise us they are going to deliver?

**CHAIR**—Add to that, please, what the role of the Auditor-General will be from the point of view of accountability.

**Mr Campbell**—I will leave that latter point for discussion with Mr Barrett. Coming to the first question: at the moment we monitor and follow through individual placements in individual programs. With the new arrangement of cashing out most labour market programs in December next year, we will not have that input based arrangement.

**Mr GEORGIU**—Can you explain that, please?

**Mr Campbell**—Yes, I will. Currently when we take a case managed client, the client goes into case management either with EAA, which is part of the CES, or with a CCM under the Employment Services Regulatory Authority. A CMAA between the case manager and the client is then signed. The case manager then will determine a course of action, which may be placement on a training course or placement in a brokerage program—new work opportunities or jobskills. They will then come back to the CES, who then make the arrangements and indeed make the payments on behalf of the case manager. If a person with contracted case management gets a job or has what is called a terminating event under the Employment Services Act, they are paid an outcome fee. They are paid a fee up-front when the person goes into case management and they are paid an outcome fee. All through this process DEETYA is monitoring what is happening in programs and going through the PPMs of individual programs, both by provider and by client.

Under the new arrangements to take effect from December next year, with a couple of exceptions which I will come to if you want to go into the detail, labour market programs such as I have described will no longer exist. Instead, what will happen is that the resources currently applied to labour market programs and to case management will be put into a pool of funding and organisations will be contracted. They will be contracted to take individuals in a referral sense from the service delivery agency, and they will be contracted to achieve outcomes for those clients. The payment arrangements which are part of the consultation process I talked about in the first session this morning—they are not finalised yet—will be very heavily weighted towards outcomes. ‘Outcomes’ is defined as jobs.

**Mr GRIFFIN**—How do you define a ‘job’?

**Mr Campbell**—Being substantially or totally off benefit for six months is the broad definition we currently have. There is a question about part-time work and whether we pay less for part-time work, but it is in essence six months off benefit.

So what DEETYA will then be contracting organisations for will be to take clients who are referred by the agency under contract to those employment placement enterprises. They will then be paid according to the job outcomes they get for those clients, with the large part of the payment being made as an outcome. I have gone into that in some detail because we will not, in those circumstances, be monitoring the inputs. We will not be monitoring what training is provided to what individual, because that will take us back to the detailed inputs we have now. The incentives are all going towards payments when people get jobs.

**Mr GEORGIU**—The taxpayer still pays fairly substantial up-front fees, unless I have misread this.

**Mr Campbell**—The statement in there is that the service up-front fee would be a maximum of 30 per cent of the total fee possible. That is a maximum. That is one of the issues that will be the subject of consultation.

**Mr GEORGIU**—But that can be \$3,000?

**Mr Campbell**—Yes, it can be for the small group in category 3.

**Mr GEORGIU**—You are not talking peanuts.

**Mr Campbell**—No. I think there are two issues we have here. One is whether the provider actually produces the goods at the end of the day. In large measure, we will know what is happening to the client. That is one of the reasons why Mr Gibbons and I have talked about Commonwealth data: we will be wanting to know about people being off benefit. Obviously, if a provider's performance is poor and they do not achieve the outcomes set in the contract, their chances of getting a subsequent contract would, I think, be very slight.

The second issue, which has been raised in the last couple of weeks, is the potential for 'rorting'. The issue of the \$3,000 up-front could have been in your mind. We will be looking at what sort of financial management and financial, if you like, safeguards we can put in place to, if not totally prevent it, at least significantly minimise it.

**CHAIR**—That goes to the heart of what I said on accountability. What measures have been put in place to ensure accountability to the parliament for these public funds?

**Mr Campbell**—The department will be reporting, presumably in our annual report, on numbers of payments and numbers of providers, those sorts of things. I was getting more to the issue that, if a provider is contracted for 100 clients and they are all the most significantly disadvantaged, there is a potential of an up-front service fee of \$300,000. If on signing of the contract we were to pay \$300,000 up front, I think a number of us would have difficulties with that. We will have to develop payment arrangements. We do this at the moment. We have some advance payment in our programs where we stagger further payments. There are milestones where providers have to achieve certain things and then they will get the next payment. So you can have staggered or milestone payments but I would not envisage—

**Mr GEORGIU**—That brings us around to the question again: how are we going to monitor these milestones that have emerged? I think it is reasonably sensible, but how are we actually going to monitor them? We have been moving towards outcome payments and, in response to a concern about what seems to be a lot of money, we have had milestones—we saw some of those on this committee recently—that became millstones.

**Mr Campbell**—Our information systems will have the capacity, I hope, for us to monitor the timing of payments, payments in respect of providers, size of providers and when the payments were made.

**Mr GEORGIU**—Milestones?

**Mr Campbell**—In milestones as well, yes.

**Mr GEORGIU**—So there will be a significant body of monitoring the process inherent in—

**Mr Campbell**—And we will know by individual provider. We do now. The point is that information is not published by individual provider because of confidentiality, but still a lot of it is not published because it is a massive amount of data. Over the last three or four years we would have signed several hundred thousand contracts, all with different payment provisions.

**Mr GEORGIU**—I have a problem with the complexity of the task. My point started off being quite simple: how are you going to monitor that people do actually meet things like the CMAAs? We are not going to have them any more, but we are inserting a number of milestones in there that will take monitoring. How is that going to happen and who is going to do that?

**Mr Campbell**—It will be part of the contract and DEETYA will be monitoring that. We will have both a national office and a regional presence. We will continue to have regional offices, at least one in each state capital and one or more in major regional centres. We will be monitoring progress against that contract. In other words, if the contract is for 100 people, our system will enable us to monitor the speed with which the provider is taking those 100 people on, the speed with which those 100 people are being placed in employment and how many of them are going to stay in employment for the six-month unsubsidised period. Our systems will enable us to monitor all of that and to report that by provider.

**Mr GRIFFIN**—Six-month unsubsidised period, did you say?

**Mr Campbell**—Yes.

**Mr GRIFFIN**—So it is beyond jobstart?

**Mr Campbell**—Jobstart, certainly in the second round and perhaps in the first round, will not exist because it will be cashed out.

**Mr GRIFFIN**—Other wage subsidies then?

**Mr Campbell**—The only other wage subsidy programs will be traineeships and apprenticeships and, at this stage, they will not be cashed out.

**Dr Donald**—There is a mix of specific regulatory provisions and incentives within the present system—which is, after all, a very substantial base of the system that will come into place—that reduces, rather than increases, the probability of problems with compliance with things like case management activity agreements. Under the present arrangements, case management activity agreements are the basis for the initial fee. So it is not possible for a case manager who is contracted to actually get payment unless that case management activity agreement is completed and lodged.

The particular reference and report with which you are concerned predates those arrangements and predates contracted case management in particular. While there still may be a very active and real question about the quality of those case management activity agreements, at least the establishment of a payment mechanism which is contingent on those forms being used actually establishes, in a sense, a self-reinforcing regulatory mechanism. So it is too, with payments for outcomes. It is possible to see that a decentralised delivery mechanism can actually enhance—in one sense at least—accountability rather than reduce it.

**Mr GEORGIU**—Your own report actually indicates that the CMAAs have actually had perverse effects. The fact that the CMAAs had to be completed before there was a payment made prompted the making of such an agreement without any substantial assessment of the job seeker's needs.

**Dr Donald**—I have no reason to doubt the veracity of that statement. In fact, it is perfectly logical that the payment mechanism would stimulate a fairly hasty assessment. That is one of the balancing acts that needs to be handled here.

**Mr GEORGIU**—You sound very comfortable; that makes me quite uncomfortable.

**Dr Donald**—As the head of the regulatory authority in this area, I am not very comfortable with a number of things which we are seeking to improve all the time. But a situation in which payments are being made contingent on the completion of a case management activity agreement, even though there are question marks about the quality of those agreements, is to my mind preferable to a situation in which case management activity agreements were not being completed at all for a very significant group of clients.

Now the situation is that we need to work on quality. That itself is not terrifically difficult to achieve through either sampling of those case management activity agreements that need to be lodged with the CES, which under the new purchasing arrangements that take place from 1 December 1997 will be comparatively easy to achieve, or through a process of provider education, which is the process that we in the Employment Services

Regulatory Authority use at the moment. We are aiming to improve the quality of assessment processes through a process of education. We would like to move to a stage where we can use both the soft educative approach and the harder edge of payment being contingent on quality case management activity agreements.

**Mr GEORGIU**—Is that consistent with what you said?

**Mr Campbell**—I think so.

**CHAIR**—Mr Barrett, would you like to make a comment on the accountability aspect of the new arrangements. The government is breaking new ground in a lot of areas. I would like to know how it sits with you with regard to comfort over the accountability arrangements.

**Mr Barrett**—The basic issue about accountability is transparency—any agreements and requirements should be transparent and available to the parliament—and also rejection and acceptance. If the new system is outcomes based, there is one pure, simple test—you either achieve the outcome or you do not. If you do not achieve the outcome, you have spent the money but you may not get the next contract. That is some of the thinking that is going on.

As an amelioration to that—you either perform or you do not get a contract and you get a chance to perform and if you do not perform, you do not get a contract; that is the accountability aspect—there could presumably, without creating an administrative nightmare, be a milestone, if you like to call it that, that is necessary for a successful outcome. In other words, there is something there that can be identified so that if you do not achieve that, it is unlikely that you will achieve the outcome that has been specified for the third party contractor. That is really up to the agencies concerned.

As I understand it, there is no suggestion about having any input type controls into the system, so, in other words, there will not be an accountability for the way in which the \$1,000 or \$3,000 is actually being spent. Really the issue will be whether or not what they have been asked to do has been achieved or not. Like anywhere in the marketplace, if you do not succeed you do not get another go. But I must say that, if I had my preference from an audit point of view and particularly with the \$3,000 example, there would be some identifier of the sorts of things you would expect the third party contractor to have done within a period, and if that has not been delivered the chances of actually achieving the outcome are either 50 per cent or less—or more as the case may be.

So, in that way—this is up to the administrators, of course; it is not up to the audit—there is a cost associated with that. The issue would be: in the first stages of this, would it be cost-effective to have such a milestone that put a flag up and said, ‘Well, they have not even achieved that by this date; therefore the chances of them actually getting the outcome they have signed up for are not exactly very high.’ The question then becomes:

what do you do about that? That is the administrative task, when you simply warn the contractor concerned that they have not even achieved that milestone and what are they going to do to resolve it. The minute you do that, of course, you are going to get more administrative processes associated with that. Or is it sufficient to have the situation of, 'Put up or shut up? You get the money if you achieve the outcome; if you do not achieve the outcome, you do not get another contract.' Is it as simple as that? Those seem to me to be the sorts of issues that the departments concerned would have to address.

**Mr GEORGIU**—Part of the difficulty is that you are not just buying a product. You are actually trying to do something that is very difficult and the success rates have not been huge despite the fact that a number of people are not going to be serviced as much in the future as in the past. Sorry; that was just an observation, not a conclusion.

**Mr Barrett**—By now there would be a knowledge of the kinds of assistance that would be necessary to get people into the workplace and it may well be a matter of identifying the major ones and simply saying, 'Well, if you have not even achieved those by week eight or week 10 or something, then the chances of you actually getting someone in a job by the intended period has got to be highly problematic. What are you going to do about it?' But, as I understand it at this stage, it will not be a case then of put up or shut up. I do not think it will be a case of, 'If you are not going to achieve it you hand the money back.' Or is there going to be provision for only part-payment? I do not think so. So it is only a success or failure basis.

**Mr VAILE**—I have a question to representatives from the Department of Social Security and it goes back to what we were talking about before with regard to training that has been provided and, I suppose, the QA that is provided with teleservice operators. But, more generally, what responsibility does the Department of Social Security take for advice that sometimes can be fairly critical as far as some of your clients are concerned with their decision making process? What responsibility does the department take for advice that is offered by employees of the department?

**Mr Divett**—At the end of the day, the department is accountable for that and stands by that accountability. Many of the appeals that we deal with through the quasi-legal and legal system are based on that. If the advice was given and it seemed to be faulty, there is a mechanism for the department to deal with it. Often that relates more back to what can be done under the provisions of the Social Security Act, but to go beyond that we would need to pick out a specific example.

**Mr VAILE**—But, in general terms, the department does shoulder the responsibility for advice given by either front counter staff or staff on the end of the telephone.

**Mr Divett**—The law holds us accountable. Let me take an example. Our financial information service officers do not provide advice to people on what they should do in terms of investment; they provide advice on what the Social Security Act says, for that

very reason. They would refer people to professional financial advisers in the private market.

**Mr VAILE**—Because of the moving ground in that area, that requires that a consistent and certain level of training be provided to your operators in that area so they are up to speed with changes. I am not just referring to the changes that have come out of this year's budget. I mean changes made over the last three years of the previous government. Are you satisfied that an adequate level of training is provided so the information base is there for those people offering that advice?

**Mr Divett**—They have training and it is supported by on-line information on their screens. You can never be satisfied—there is always more you can do—but that is an area we have done a lot in, yes.

**Mr VAILE**—Are you saying that the teleservice operators have a screen in front of them they can access?

**Mr Divett**—I thought you were talking about the financial information service officers.

**Mr VAILE**—But the teleservice operators have not, have they?

**Mr Divett**—Yes.

**Mr VAILE**—If I ring up and I can give a reference number, a teleservice operator can access my records and the information within the network?

**Mr Divett**—Yes, that is correct, and also instruction information on-line. They have access to a lot of information, but it is a very complex area to operate in.

**Mr VAILE**—Sure. Thank you, Mr Chairman.

**Mrs STONE**—When you have your private contractors, who actually allocates the individuals to them? Say they have a number that they have agreed to offer case management to, who decides which individual will go their way?

**Mr Campbell**—You are talking about case management, are you?

**Mrs STONE**—Yes.

**Mr Campbell**—Under the case management arrangement, clients are registered with the CES and there are various points at which they have become eligible for case management—at-risk, 12 months unemployment, et cetera. When a CES officer forms the opinion they can go into case management, and that is a statutory provision, they are then



given a listing of the available case management providers in their region, assuming that there are not specialist requirements, youth, for example. Just assume it is your average person who is going into case management. They are then given by the CES, a listing of the case management organisations that have capacity within that area, though some of them will be contracted case managers that are under contract to ESRA, or it will be EAA. The job seeker then has a period of time—10 or 14 days—in which to make a choice as to which of those case managers they wish to go to and then they are referred on to that case manager.

**Mrs STONE**—So there will be a range of places that they can choose from—

**Mr Campbell**—Not in all cases. Where there is more than one organisation that has capacity, then they are given a choice, yes. But in some locations, particularly in some of the more rural and remote areas, EAA is the only provider so they do not have a choice.

**Mrs STONE**—This is the question I was trying to ask you before, where we have too small a population for private providers with the appropriate training to be available. We do not even have counsellors in these areas, or any sort of social service or social security or trained counsellors. So there will be a safety net for those sorts of people?

**Mr Campbell**—I thought you were asking about training provision when you asked your question earlier. If you are talking about the new arrangements which come into effect from December next year, it is proposed in the minister's statement that she have the capacity to direct PEPE to provide a service under the broad terms of community services obligations. That would be the arrangement whereby the people you are referring to would have access to services.

**Mrs STONE**—And the agency that is providing the service may not choose to reject a particular individual who is presented to them.

**Mr Campbell**—It is not a question of choosing. They will not have a capacity to reject. In other words, they will not be able to pick and choose. They will have to take those who are referred. The client has the choice.

**CHAIR**—There are quite a few of us here from regional areas. What influence will client numbers, tasks and work priorities play in determining resources and staff at the new shop fronts?

**Mr Divett**—We would envisage that the similar resourcing formulas that now apply to the service delivery network would apply to the shop front. Then there is a secondary decision as to whether you open another office every time you let another person go on the books in a particular region. A judgment will always need to be made as to where the locations of those offices will be, but we would envisage that running much

the way it does at present. As more services come into the shop front, we see it as providing greater potential to increase the number of shop fronts in rural and remote areas.

**CHAIR**—Do you envisage that the new shop front will close half a day a week like the present ones do?

**Mr Divett**—No, we don't.

**CHAIR**—Good.

**Mr Divett**—I should say that currently the Department of Social Security is bound by a legal agreement on that. That is an issue that we have been negotiating for some time.

**CHAIR**—A question for Mr Barrett: is the audit office happy with the current resourcing framework?

**Mr Barrett**—Are you talking about DSS resourcing?

**CHAIR**—Yes.

**Mr Barrett**—It is a problem not just for DSS, as I think we have explained before. When we were looking at trying to assess some vehicle for making better estimates of resources needed, bearing in mind the kinds of figures which DSS exemplifies—we spoke about \$460 million at the time of the audit and one of my people gave me a piece of paper that said that if only one minute of time was saved that would be a \$1 million a year saved overall on the salaries bill—the issue was basically whether we could get some kind of model that worked in the DSS context that may well be applicable to other agencies that had similar kinds of resourcing issues. This is something we want to keep abreast of with the department to assess the extent to which the approaches they are taking can adequately provide the resourcing decisions that result in maximum efficiency.

As I said, I think it is generally accepted now that, when you are automating processes, in particular, business re-engineering provides the most significant benefits, that is, changing the way in which you do your business. It is not the application of particular technology of whatever form it is in; it is the way in which you use that technology, the way in which you streamline your processes. That is where the big savings are likely to eventuate.

While we believe the kind of model that we had identified did provide a number of benefits in these respects, there is an ongoing discussion about that. We will be looking at the developments as they occur, with the new agency in particular, as to the kind of resourcing approaches that are taken and whether or not the re-engineering aspects of it

are given the sort of prominence they deserve in looking at new approaches to be taken.

In that respect, as I indicated to you earlier, we have had discussions with both departments—most recently with the Department of Social Security—where I raised the issue of having an observer status in some of the development approaches that are being taken, whether it is in particular committees or what have you, to have the opportunity to make comments or recommendations and have a better understanding of how they are approaching the issues.

In that way, I think we can say to the committee that we will have uppermost in our minds the kinds of accountability requirements that have been talked about this morning to satisfy ourselves that adequate accountability mechanisms are built into the systems in a way that does not result in undue administrative costs to the agencies concerned. But, as I said, the main way I believe that that will be ensured is if there is genuine re-examination in the service delivery process of the way in which we can make best use of the various technologies that are now available.

**Mr GRIFFIN**—Have the agencies concerned agreed to having ANAO officers present during those sorts of discussions?

**Mr Barrett**—We certainly do not have the resources and we certainly do not want to be involved in the operation of committees. But, certainly, with the strategic committees that are being established, I have suggested that we have senior audit representation, at least on an observer capacity, to do exactly the sorts of things I have been suggesting. As far as I am concerned, there has been a positive response to that. There has not been any agreement so far because it is a bit early in the day to say exactly what the committees are, but I have set in train with the departments concerned, when such committees are established, that they suggest to us which ones could reasonably and profitably have that capacity.

**Mr Divett**—In fact, the Department of Social Security, after those very useful discussions with Mr Barrett, is following a process of transparency. We are making it clear what control and steering groups are available, and we are leaving it up to the Audit Office to decide where they put their resources. We see it as an advantage for there to be open information early in the process.

**CHAIR**—I think we can wind it up there, unless anybody from any agency wants to make any concluding remarks. I would like to thank you all for your attendance and for the forthright way in which questions have been answered under difficult circumstances of change and leaping into the unknown to a certain extent.

Resolved (on motion by Mr Griffin):

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 1.02 p.m.**