

Audit Report No. 44, 1999-2000

Management of Job Network Contracts

Department of Employment, Workplace Relations
and Small Business

Introduction

Scope of the Audit

- 4.1 Audit Report No. 44, 1999-2000, *Management of Job Network Contracts* by the Australian National Audit Office (ANAO) reviewed the efficiency and effectiveness of the management of the first round of Job Network contracts. The contracts were in operation from May 1998 till 27 February 2000.
- 4.2 The Department of Employment, Workplace Relations and Small Business (DEWRSB) has responsibility for the management of Job Network contracts. The DEWRSB State and district offices have responsibility for day-to-day contact with Job Network providers, contract administration, monitoring of contracts, providing a help desk for the Integrated Employment System (IES), servicing the complaints facility, and managing payments administration. In addition, State and district offices deal with fraud and compliance

matters. State offices exist in each State capital while district offices are in Newcastle, Wollongong, Orange, Bendigo and Townsville.¹

- 4.3 Although there are five employment services available under Job Network, the audit focused only on three. *Job Matching* delivers labour exchange services to job seekers and includes canvassing for jobs, matching and placing suitable unemployed people in these jobs, as well as preparing resumes for job seekers. *Job Search Training* provides assistance in job search techniques (resume writing, interview techniques, presentation) to prepare unemployed people applying for jobs. The third employment service, *Intensive Assistance*, provides individually tailored assistance to eligible job seekers who are more disadvantaged in the labour market. Among this third group are long-term unemployed, older clients, and those with poor literacy and numeracy skills.²
- 4.4 ANAO assessed the extent that the Job Network program was meeting Government objectives based on performance and management information. In doing this, ANAO focused on the following aspects:
- *Value for money* from the new arrangements, bearing in mind the government's objectives, in terms of expected employment outcomes, and the resources applied to introduce the new arrangements;
 - The arrangements for *performance monitoring* of employment service providers in delivering contracted services;
 - The arrangements for *compliance monitoring* of Job Network providers against contractual obligations, including:
 - ⇒ monitoring visits;
 - ⇒ processes to identify and investigate Job Network Code of Conduct issues; and
 - ⇒ compliance and fraud control projects relating to the Job Network;
 - *Contract management* arrangements, including the management of contract variations, and the mechanisms for referring and adjusting the flow of job seekers to Job Network providers to best meet market demand and contracted capacity;
 - *Mechanisms* in place in DEWRSB to support effective contract management, including guidelines, training, and internal and external communication arrangements; and

1 ANAO, Audit report No. 44, 1999–2000, *Management of Job Network Contracts*, 16 May 2000, p. 27.

2 ANAO, Report no. 44, p. 28.

- *The access, security and privacy controls* put in place by DEWRSB to manage Job Network provider access to, and use of, relevant IT systems used in the operation of the Job Network.³

ANAO Findings

- 4.5 ANAO concluded that DEWRSB managed the first round of Job Network contracts in an efficient and effective manner, bearing in mind that the Job Network was a completely new structure for the delivery of employment services. Nevertheless, ANAO considered that DEWRSB could improve its management of contracts in certain areas.⁴ ANAO made ten recommendations aimed at improving the efficiency and effectiveness of the management of Job Network contracts. DEWRSB agreed with all the recommendations.
- 4.6 On 26 September 2000, DEWRSB provided the Committee with a copy of the Department's six monthly update on the progress of its implementation of ANAO's recommendations. The update indicates that two and a half recommendations were fully implemented, five were 'in progress' and two and a half were 'under development'.⁵
- 4.7 At the public hearing on 6 October 2000, the Committee examined the following issues:
- Contract management
 - ⇒ Communication among the key agencies
 - ⇒ Management of client flows
 - Contract monitoring arrangements
 - ⇒ Risk management
 - ⇒ Resource planning
 - Access, security and privacy controls.

Contract management

- 4.8 At the public hearing, the Committee was told that DEWRSB was close to finalising a new contract management framework for Job

3 ANAO, Report no. 44, p. 32.

4 ANAO, Report no. 44, p. 34.

5 DEWRSB, Exhibit no. 4.

Network contracts. The following improvements to the contract management process were indicated:

- A series of key performance indicators are being written into the Job Network contracts.⁶
- Contract managers can access a number of *pro formas* when assessing Job Network providers.⁷
- Regular feedback is provided to the Job Network providers.
 - ⇒ DEWRSB indicated to the Committee that written summaries of monitoring visits included an outline of agreed action between a provider and DEWRSB.⁸

- 4.9 In addition, DEWRSB is still developing a system of quality assurance and review to improve compliance with monitoring procedures and guidelines.⁹ Where action needs to be taken to improve performance, agreed time lines and follow-up activities are also provided in writing to the provider's head office.¹⁰

Internal and External Communication with providers

- 4.10 ANAO found that there was 'limited discussion with Job Network providers on strategic issues'.¹¹ ANAO stated that DEWRSB 'should have in place good internal communication arrangements, as well as mechanisms to communicate with other government stakeholders and Job Network members.'¹² While direct discussions between DEWRSB and providers on specific matters did occur, 'these discussions are bilateral and relate directly to the contractual provisions of the particular provider.'¹³ ANAO considers that having a forum covering providers, DEWRSB and Centrelink is important.¹⁴
- 4.11 In its response to ANAO's recommendation on the need for better communication, DEWRSB said it 'strongly supports regular meetings at a senior level between [the National Employment

6 L. Riggs, DEWRSB, *Transcript*, 6 October 2000, p. 42.

7 Riggs, *Transcript*, 6 October 2000, p. 41.

8 DEWRSB, Exhibit no. 4, p. 2.

9 DEWRSB, Exhibit no. 4, p. 2.

10 Riggs, *Transcript*, 6 October 2000, p. 42.

11 ANAO, Report no. 44, p. 37.

12 ANAO, Report no. 44, p. 36.

13 ANAO, Report no. 44, p. 38.

14 ANAO, Report no. 44, p. 39.

Services Association (NESA)], Centrelink and the department'.¹⁵ In its correspondence with the Committee, DEWRSB stated that senior officials from DEWRSB, Centrelink and members of the NESA Board now meet every two months 'in the presence of the Minister for Employment Services, to discuss matters of strategic and significant operational importance with respect to the management of Job Network'.¹⁶

- 4.12 The Committee agrees that this is a sensible arrangement, providing a forum where representatives of DEWRSB, Centrelink and Job Network providers can exchange views and consult about strategies to overcome problems that may arise.
- 4.13 The Committee believes that these regular meetings should help improve communication, especially on strategic issues, and assist in the smooth delivery of services to Job Network clients. DEWRSB should be able to inform Job Network providers of program variations, hear their reactions and take these into consideration before finalising and implementing any changes. The Committee agrees with ANAO's view that the meeting of senior officials is the key to better implementation of change to the design of Job Network.

Management of client flows

- 4.14 A key part of DEWRSB's contract management of Job Network providers contracted to carry out Intensive Assistance (IA) services and Job Search Training (JST) services, is managing the referral of job seekers requiring these services to appropriate providers. Without DEWRSB taking an active role in ensuring that the referral of job seekers occurs appropriately, providers are unlikely to achieve the levels of service supply envisaged in their contracts. DEWRSB has a minimum of 85 per cent of the contracted quantity as an objective of commencements for a provider.¹⁷
- 4.15 ANAO found that the referral process using a mail-out based on the Integrated Employment System (IES) was not resulting in job seekers commencing Job Start Training at the levels envisaged in the provider contracts. ANAO acknowledged that IES was introduced to overcome other difficulties with referrals, although

¹⁵ ANAO, Report no. 44, p. 39.

¹⁶ DEWRSB, Exhibit 4, p. 1.

¹⁷ ANAO, Report no. 44, p. 64.

ANAO considered that the automated mail out process exacerbated administrative difficulties and created inefficiencies for providers instead of reducing them.¹⁸

- 4.16 Although Job Network providers put considerable administrative effort into achieving the optimum numbers for training courses, the audit report showed that on average, Job Start Training providers would not be able to meet their contracted quantities of clients. ANAO reported that Job Start Training commencements in late October 1999 were occurring at a rate of slightly more than 1000 per week. However, it indicated that commencements would need to increase to 2843 per week if contracted target numbers were to be met.¹⁹
- 4.17 In answer to a question from the Chairman regarding Job Start Training referral mechanisms, and whether they had been improved since the ANAO report, DEWRSB responded:
- We now have a system that can identify Job Search Training eligible clients and sends them a letter saying, 'You should now pick a Job Network member with whom you would like to attend your Job Search training.' If they make that selection, the system runs in such a way that we maximise the chances that they will be referred to their chosen provider. If they do not make such a selection, they are automatically referred to the next available place with a Job Search Training provider within the relevant location.²⁰
- 4.18 In response to an issue raised by the Committee regarding inappropriate referrals, DEWRSB indicated:
- A lot of those inappropriate referrals that the Vice-Chairman has referred to are in that non-allowance but still eligible for Job Network services category who, when they are actually referred, decline to participate.²¹
- 4.19 In addition, up till 18 September 2000, a number of inappropriate referrals were picked up by the automated referral system. These clients were not on full allowances but still eligible for Job Start

18 ANAO, Report no. 44, p. 72.

19 ANAO, Report no. 44, p. 71.

20 Riggs, *Transcript*, 6 October 2000, p. 42.

21 Riggs, *Transcript*, 6 October 2000, p. 44.

Training courses. Many of these clients would decline the training being offered.²²

4.20 DEWRSB has, however, now changed the way Job Start Training offers are made to eligible non-allowance clients. If they decline to participate in Job Start Training, then these clients are not on-referred to providers. DEWRSB believes 'that will reduce the rate of what our providers have called "inappropriate referrals" by about 30 per cent.'²³

4.21 DEWRSB told the Committee that:

We designed the referrals to commencements ratio to be three to one. So the fact that we are running at four to one, or 4½ to one at the moment, and we have taken steps to reduce the number of potentially inappropriate referrals quite significantly with our September release, will bring us back somewhere close to that policy design.²⁴

Depending on locality and a number of other factors, the commencement to referral ratio is between 1 to 4 and 1 to 5 at the moment. So between 20 and 25 per cent of referrals are actually converted to commencements.²⁵

Contract monitoring arrangements

Risk management

4.22 ANAO stated in its report that DEWRSB should have in place a contract management framework underpinned by appropriate guidelines, procedures and training. ANAO reviewed the written guidance material used by staff and Job Network providers, and the training received by staff in relation to their contract management responsibilities. In addition, ANAO undertook an assessment of the complaints process and the arrangements

22 Riggs, *Transcript*, 6 October 2000, p. 44.

23 Riggs, *Transcript*, 6 October 2000, p. 44.

24 Riggs, *Transcript*, 6 October 2000, pp. 45–46.

25 Riggs, *Transcript*, 6 October 2000, p. 44.

relating to specific compliance projects initiated by DEWRSB National and State offices.²⁶

- 4.23 DEWRSB told the Committee that it has drafted a practical guide to risk management of contracts, containing the basic principles of risk management and a set of tools to be applied by staff.

From about the second part of last year, we have had a program of better training in risk management within the department and a department-wide practical guide on risk management which, again, is about the principles of risk management but has a set of tools associated with it. Within the last six weeks we have provided to our contract managers a risk assessment checklist in respect of these contracts which they are now applying and, perhaps most importantly, we have been able to develop with our systems people a number of very much better site level based reports on the performance of Job Network members that our contract managers can use to assess performance and therefore help form their judgments of risks associated with various dimensions of the contract.²⁷

Monitoring of Providers

- 4.24 In response to Committee concerns about the quality of provider performance monitoring, DEWRSB told the Committee that it has improved feedback to Job Network providers during and after monitoring visits.

Matters of significant concern are to be discussed with those [providers] while our staff are still with them; there is to be follow-up in a standard format, not of those discussions, but of any findings of the monitoring visit or the quality audit where action needs to be taken within a very short time frame...²⁸

- 4.25 DEWRSB has increased its monitoring of Job Network providers, employing risk management principles. 'There is now a very extensive evaluation of the performance, not only of each Job

26 ANAO, Report no. 44, p. 41.

27 Riggs, *Transcript*, 6 October 2000, p. 42.

28 Riggs, *Transcript*, 6 October 2000, p. 42.

Network provider but of each Job Network provider's site in terms of the outcomes that they are achieving.'²⁹

- 4.26 DEWRBS explained that monitoring is now not just the act of visiting a site. A comprehensive examination is made. 'Monitoring is an array of activities, some of which take place at an officer's desk. They involve looking at what the data tell us about the performance of sites against the key performance indicators.'³⁰
- 4.27 The Committee noted the improvements now in place for DEWRBS's monitoring of Job Network providers. ANAO told the Committee that initially, many Job Network 1 providers were inexperienced in the delivery of services to clients, many of whom were themselves unsure of what to expect. The Committee expects DEWRBS's closer interaction with Job Network 2 providers, together with the regular meetings at the senior levels, will result in a better service to job seekers at all levels.

Resource planning

- 4.28 In its report, ANAO concluded that there was no resource planning framework in place under which priorities planned for the entire division, were reflected in DEWRBS State office resource allocations. ANAO urged that data be gathered on activities undertaken by State and district office staff since this data would help determine 'what matters are driving resource usage and contract processes'.³¹ These analyses could also assist in more efficient contract management.
- 4.29 DEWRBS indicated that it has now developed a framework for resource planning for Job Network functions at State and district levels.³² It told the Committee that it will collect and review performance data on a quarterly basis 'including resource usage across Job Network activities to ensure alignment with overall Job Network priorities'.³³ DEWRBS is currently undertaking a business improvement project in State and district offices regarding contract management in order to maximise efficiencies

29 Shergold, *Transcript*, 6 October 2000, p. 55.

30 Riggs, *Transcript*, 6 October 2000, p. 55.

31 ANAO, Report no. 44, p. 62.

32 DEWRBS, Exhibit no. 4, p. 3.

33 DEWRBS, Exhibit no. 4, p. 3.

and ensure there is a focus on priority activities.³⁴ All of this will be done within the context of DEWRSB's 'Outcomes and Outputs based planning and resource allocation framework'.³⁵

- 4.30 The Committee agrees that given the changes made by DEWRSB with respect to risk management and monitoring, it appears that DEWRSB is endeavouring to deploy its resources more efficiently and effectively. The Committee expects to see this ANAO recommendation fully addressed in the next six monthly update from the department.

Access, security and privacy controls

- 4.31 An electronic database—the Integrated Employment System (IES)—enables Centrelink, DEWRSB and Job Network providers to assess assistance entitlement or benefits based on the sensitive details of each individual client. The security of the database relies on an integrated, transparent process that ensures all elements work together effectively.³⁶ ANAO examined the integrity, accuracy, comprehensiveness and appropriateness of the control environment to ensure privacy and security when various agencies and providers accessed the database.
- 4.32 ANAO also looked for data consistency between the IES and employment related aspects of Centrelink's Income Security Integrated System (ISIS).³⁷ Two IES-to-ISIS reconciliations are made each month to ensure accuracy of data. However, according to ANAO, these reconciliations are not subject to a formal review process. In its report, ANAO said there should be consistent reviews and regular monitoring, with all errors documented and followed-up, since this reconciliation is a valuable tool in the identification of issues related to automated and manual processing.³⁸

34 DEWRSB, Exhibit no. 4, p. 3.

35 ANAO, Report no. 44, p. 63.

36 ANAO, Report no. 44, pp. 74–75.

37 In September 1997, when Centrelink was formed from the CES and part of the former DSS, their two IT systems had to be integrated. The 1998 DEWRSB's IT system designed for Job Network included an online interface with Centrelink's IT system. All Job Network providers are required to use DEWRSB's Job Network or to interface with DEWRSB's system using their own compatible IT systems.

38 ANAO, Report no. 44, p. 79.

4.33 Where significant amounts of assessment, data verification and cross agency entitlement adjustment have to be processed, it is important that all the elements work together effectively. ANAO found, however, that the applications security for IES 'was relatively fragmented, and the architecture of the IES application detracts from the concept of transparency.'³⁹

...the documentation of these processes did not effectively link, or adequately describe, the security mechanisms in operation....A lack of adequate documentation can have serious effects on both the efficiency and effectiveness of the system over time. These may include problems related to over-dependence on key staff, corporate knowledge not retained when tasks are performed by contract staff, inefficiencies suffered from re-working existing solutions and erroneously discarding key components of a system or process during change periods.⁴⁰

4.34 DEWRSB told the Committee that in the process of preparing its tender documents to outsource its IT infrastructure, it was developing full documentation of all security protocols, in the light of ANAO's comments. DEWRSB had acquired additional software, and will incorporate browse logging of accesses to commercially sensitive information in the same way that viewing of client address details are now logged.⁴¹

4.35 The Committee noted the problems which arose from the continuing inconsistencies between the IES and the Centrelink systems, and the attempts to address these through the Systems Interface Steering Committee. It believes DEWRSB should document all errors uncovered by the reconciliation process so that in the next upgrade of the IES, consistency and accuracy issues concerning the interface between the two systems can be markedly improved.

4.36 When the Committee asked DEWRSB about its continuous IT audit process, DEWRSB told the Committee that:

We are one of three agencies in the Commonwealth that have applied for and received accreditation from the Defence Signals Directorate for the quality of the security

39 ANAO, Report no. 44, p. 75.

40 ANAO, Report no. 44, p. 76.

41 W. Gibbons, DEWRSB, *Transcript*, 6 October 2000, pp. 52-53.

around our data stores and storage arrangements....Thus far, there has been no penetration of the security arrangements [although]...on average every month we get about 1600 very serious attempts to break through the firewall that we have around the security.⁴²

- 4.37 The Committee noted that DEWRSB had accepted the need to fully document all security controls and that in its next upgrade of its IES, all access to sensitive information will be logged and privacy will be protected as required by the *Privacy Act 1988*. The Committee is satisfied that DEWRSB generally is developing a sound security framework for the Job Network IT system. Further improvement, however, could be provided by implementing a preventive mechanism which can identify inappropriate access to data. Security protocols, privacy and general data protection should be part of the specific agreements. These in turn should be oversighted through diligent contract management.

Changes made to Job Network 2 contracts

- 4.38 While the management of the second round of Job Network contracts was outside the scope of its audit, ANAO's investigations and recommendations assisted the development of Job Network 2 contracts.⁴³ The Committee was particularly interested in this development and questioned DEWRSB during the public hearing about changes made to the Job Network 2 contracts.
- 4.39 DEWRSB said that it took into account the recommendations made in the audit report when it organised the Job Network 2 contracts. One important change was:
- the ability of the Auditor-General, on behalf of the Commonwealth, to access the premises of Job Network providers and to have access to the confidential information involved in the contracts, as was required by the Auditor-General.⁴⁴
- 4.40 The Committee was assured that DEWRSB had taken into account all ANAO's observations and findings, as well as comments from

42 Gibbons, *Transcript*, 6 October 2000, p. 53.

43 ANAO, *Op cit*, p. 11; McPhee, *Transcript*, 6 October 2000, p. 41.

44 Shergold, DEWRSB, *Transcript*, 6 October 2000, p. 41.

clients, providers and other interested stakeholders, and was endeavouring to improve employment service delivery.

Recommendation 4

- 4.41 **The Committee recommends that the Australian National Audit Office carry out a follow-up audit on Job Network to ensure its recommended improvements are incorporated into the management of Job Network contracts.**

Bob Charles MP
Chairman
28 February 2001

