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The Parliament of the Commonwealth of Australia

# Report 415

**Review of Auditor-General's Reports tabled between  
September 2008 and January 2009**

Joint Committee of Public Accounts and Audit

November 2009  
Canberra

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## Foreword

The Joint Committee on Public Accounts and Audit, as prescribed by the Public Accounts and Audit Committee Act 1951 examines all of the reports of the Auditor-General tabled in the Parliament. This report details the findings of the Committee's examination of audit reports tabled between September 2008 and January 2009.

The five reports chosen by the Committee cover a range of agencies and highlight a number of areas of concern, including the need to adequately and effectively report progress towards goals, and to maintain accurate and up-to-date customer records.

The Committee reviewed the Business Partnership Agreement between the Department of Education, Employment and Workplace Relations and Centrelink. While the Committee was pleased to find that inter-agency dispute resolution had been improved, we are disappointed to find that the agencies have not managed to fully implement an ANAO recommendation from 2004 to ensure that the Business Partnership Agreement is kept up to date. Accordingly we recommend that the agencies fully implement this recommendation before the commencement of the next Business Partnership Arrangement in 2010.

As a result of the investigation into Centrelink's Tip-off Management System, we found that Centrelink were acting quickly to implement all ANAO recommendations. Through the hearing process, the Committee found that Centrelink was still retaining data consisting of unsubstantiated claims against a number of customers. The retention of this information has the potential to prejudice further claims made against a customer, and we are therefore recommending that Centrelink ensure that such information is deleted from the Tip-off Recording System as soon as it is identified.

In reviewing the management of Disability Employment Services by the Department of Families, Housing, Community Services and Indigenous Affairs and the Department of Education, we found the agencies had effectively planned, managed and implemented their policy initiatives. We were satisfied with their

implementation of the ANAO's recommendations, but still found that the agencies were unable to report effectively on progress towards achieving the objective of enhancing the quality of life of people with a disability. Accordingly, we recommended that the agencies monitor and report on progress towards achieving this goal.

In this batch of reports, we also examined the Australian Sports Commission's management of the Active After-school Communities Program. This program provides support to service providers who deliver after-school physical activity sessions for primary school children. The program has proven to be popular with students, and it has been well implemented, considering the rapidity of its roll-out. We were concerned at the ANAO finding that some adults working on the program had not completed the appropriate working with children checks, but found in its hearing that these had now been completed and were mandatory, and that waivers were no longer available. We note that it is difficult to report on the success of the program outside of anecdotal evidence, but noting that the development of motor skills is a key factor in developing a love of physical activity. We recommended that the Australian Sports Commission determine ways to measure the development of motor skills, and that they seek to have funding for the measurement of motor skills development included in their next funding bid.

Finally the Committee looked at the administration of Job Network Outcome Payments. We were pleased to see the Department of Education, Employment and Workplace Relations addressing the issues noted in the audit report. However, we remain concerned that it is difficult to determine the contribution outcome payments make to Job Network expenditure, and recommend the Department of Education, Employment and Workplace Relations provide disaggregated financial data on estimated and actual expenditure on outcome payments.


Sharon Grierson MP  
Chair



## Membership of the Committee

Chair	Ms Sharon Grierson MP (Chair)	
Deputy Chair	Mr Petro Georgiou MP (Deputy Chair)	
Members	Hon Dick Adams MP (from 17/08/09)	Senator Guy Barnett (from 11/02/09)
	Hon Bob Baldwin MP (until 25/09/08)	Senator Mark Bishop
	Hon Arch Bevis MP	Senator Sue Boyce (until 11/01/09)
	Hon Bronwyn Bishop MP (from 25/09/08)	Senator David Bushby
	Mr David Bradbury MP	Senator David Feeney
	Mr Jamie Briggs MP (from 25/09/08)	Senator Kate Lundy
	Mr Mark Butler MP (until 15/06/09)	
	Ms Catherine King MP	
	Mr Scott Morrison MP (until 25/09/08)	
	Mr Shayne Neumann MP	
	Mr Stuart Robert MP	





## Membership of the Sectional Committee

Chair            Ms Sharon Grierson MP (Chair)

Members        Hon Bronwyn Bishop MP (from 25/9/08)    Senator Guy Barnett (from 11/2/09)

Mr David Bradbury MP

Senator David Feeney

Mr Jamie Briggs MP (from 25/9/08)

Ms Catherine King MP

Mr Shayne Neumann MP

## Committee Secretariat

Secretary	Mr Russell Chafer
Research Officers	Mr Shane Armstrong
	Mr Ian McDonald
	Dr Narelle McGlusky
	Ms Natalya Wells



## List of abbreviations

AASC	Active After-school Communities
AEM	Assurance Expectation Matrices
ANAO	Australian National Audit Office
APM	Active Participation Model
ASC	Australian Sports Commission
BGF	Block Grant Funding (model)
BPA	Business Partnership Agreement
CBF	Case Based Funding
CCTP	Community Coach Training Program
CEO	Chief Executive Officer
CFM	Centrelink Funding Model
COAG	Council of Australian Governments
CSTDA	Commonwealth State/Territory Disability Agreement
DEEWR	Department of Education, Employment and Workplace Relations
DEN	Disability Employment Network
DEWR	Department of Employment and Workplace Relations

DMI	Disability Maintenance Instrument
ESC	Employment Services Contract
FaHCSIA	Department of Families, Housing, Community Service and Indigenous Affairs
FMA Act	<i>Financial Management and Accountability Act 1997</i>
JCA	Job Capability Assessment
JNM	Job Network Member
KPI	Key Performance Indicator
OSHCS	Out of School Hours Care Services
SLA	Service Level Agreement
TIPS	Tip-off Processing Site
TORS	Tip-off Recording System



## List of recommendations

### 2 The Business Partnership Agreement between the Department of Education, Employment and Workplace Relations and Centrelink

Recommendation 1 ..... 11

The Committee recommends that the Department of Education, Employment and Workplace Relations and Centrelink ensure their Business Partnership Agreement be completed and kept up to date before the commencement of the next Business Partnership Agreement in 2010.

### 3 Centrelink's Tip-off System

Recommendation 2 ..... 21

The Committee recommends that Centrelink fully implement Recommendation Number 1 from the Australian National Audit Office Report Number 7 2008-09 and ensure that information in a tip-off deemed to no longer require any action be permanently deleted from the Tip-off Recording System as soon as it is identified as such.

### 4 Disability Employment Services

Recommendation 3 ..... 34

That the Department of Families, Housing, Community Services, and Indigenous Affairs and the Department of Education, Employment and Workplace Relations report within 12 months of the tabling of this report, on progress towards achieving the Commonwealth State/Territory Disability Agreement objective of 'striving to enhance the quality of life experienced by people with disability through assisting them to live as valued and participating members of the community'.

**5 Active After-school Communities Program**

Recommendation 4 ..... 43

The Committee recommends that the Australian Sports Commission determine ways in which to measure the development of motor skills of children participating in the Active After-school Communities Program, and that it seeks to have funding for the measurement of motor skills included in its next funding bid.

**6 Administration of Job Network Outcome Payments**

Recommendation 5 ..... 52

The Committee recommends that the Department of Education, Employment and Workplace Relations provide disaggregated financial data on the estimated and actual expenditure on outcome payments and service fees paid for the Job Network program in its annual reports.

## Introduction

### Background to the review

- 1.1 The Joint Committee of Public Accounts and Audit (JCPAA) has a statutory duty to examine all reports of the Auditor-General that are presented to the Presiding Officers of the Australian Parliament, and report the results of its deliberations to both Houses of Parliament. In selecting audit reports for review, the Committee considers:
- the significance of the program or issues raised in audit reports;
  - the significance of the audit findings;
  - the arguments advanced by the audited agencies; and
  - the public interest of the report.
- 1.2 Upon consideration of 14 audit reports presented to the Parliament by the Auditor-General between September 2008 and January 2009, the Committee selected five reports for further scrutiny at public hearings.
- 1.3 The audit reports reviewed by the JCPAA are listed below:
- Audit Report No. 4 2008-09, *The Business Partnership Agreement between the Department of Education, Employment and Workplace Relations and Centrelink*;
  - Audit Report No. 7 2008-09, *Centrlink's Tip-off System*;
  - Audit Report No. 11 2008-09, *Disability Employment Services*;
  - Audit Report No. 12 2008-09, *Active After-school Communities Program* and
  - Audit Report No. 17 2008-09, *Administration of Job Network Outcome Payments*.
- 1.4 The Public hearings for the respective reports were held on:
- Monday 16 March 2009 (ANAO Report No. 4);

- Monday 16 March 2009 (ANAO Report No. 7);
  - Wednesday 18 March 2009 (ANAO Report No. 11);
  - Monday 16 March 2009 (ANAO Report No. 12); and
  - Wednesday 18 March 2009 (ANAO Report No. 17).
- 1.5 A list of witnesses attending all public hearings is available at Appendix C.

## The Committee's report

- 1.6 This report of the Committee's examination draws attention to the main issues raised at the respective public hearings. Where appropriate, the Committee has commented on unresolved or contentious issues, and has made recommendations.
- 1.7 The Committee's report is structured as follows:
- Chapter 2 – Audit Report No. 4 2008-09, *The Business Partnership Agreement between the Department of Education, Employment and Workplace Relations and Centrelink*;
  - Chapter 3 – Audit Report No. 7 2008-09, *Centrelink's Tip-off System*;
  - Chapter 4 – Audit Report No. 11 2008-09, *Disability Employment Services*;
  - Chapter 5 – Audit Report No. 12 2008-09, *Active After-school Communities Program*; and
  - Chapter 6 – Audit Report No. 17 2008-09, *Administration of Job Network Outcome Payments*.
- 1.8 The following appendices provide further information:
- Appendix A – Conduct of the Committee's review
  - Appendix B – List of submissions authorised
  - Appendix C – List of witnesses who appeared at the public hearings
- 1.9 A copy of this report is available on the Committee's website at <http://www.aph.gov.au/house/committee/jcpaa/reports.htm>



## Audit Report No. 4 2008-2009

# The Business Partnership Agreement between the Department of Education, Employment and Workplace Relations and Centrelink

## Background

- 2.1 Under current administrative arrangements, the Department of Education, Employment and Workplace Relations (DEEWR) is responsible for income support payments such as Newstart Allowance, Parenting Payments, Youth Allowance and Sickness Allowance, and a range of other employment services, including job search facilities, counselling and training opportunities for job seekers.
- 2.2 DEEWR (previously the Department of Employment and Workplace Relations – DEWR) is not a direct service provider, but administers employment services in accordance with the *Social Security Act 1991* and government policy through two purchaser–provider arrangements:
  - Business Partnership Agreement (BPA) with Centrelink; and
  - Job Network Service Contract with Job Network service providers.
- 2.3 The BPA is a formal signed agreement between DEEWR and Centrelink for the delivery of working age employment services. Its formality is

intended to provide Government with a suitable level of assurance that working age employment programs, including benefits and allowances, are delivered efficiently and effectively.

- 2.4 In achieving this, the BPA operates within the broader accord of current government policy; it is also expected to recognise and comply with relevant legislation, especially the *Financial Management and Accountability Act 1997* (FMA Act) and the *Social Security Act 1991*, and demonstrate compatibility with agencies' high level business and accountability frameworks.
- 2.5 Since the establishment of Centrelink in 1998, there have been several BPAs relating to the delivery of working age employment services. Though the BPAs differed in complexity, content and format, each was important in providing a foundation for inter-agency management of employment services delivered by Centrelink on behalf of the respective policy department.
- 2.6 The most recent BPA for the delivery of working age employment services was signed on 30 August 2006, and covers the period 2006–2009. The 2006–09 BPA defines the relationship, objectives, principles, mechanisms, and respective roles and responsibilities, which form the basis for an ongoing business relationship between DEEWR and Centrelink.
- 2.7 The primary objective of the 2006–09 BPA is to support the achievement of DEEWR's outcomes through the successful delivery of services provided by Centrelink on behalf of the Department:
- efficient and effective labour market assistance (Outcome 7); and
  - increased workforce participation (Outcome 8).
- 2.8 The 2006–09 BPA itself is a complex and extensive set of documents, which specify the agreed approach to service delivery, including policy and service requirements, governance arrangements, agreed performance standards, and accountability mechanisms. It incorporates: a Core Agreement that outlines general terms and conditions; a series of 17 Protocols describing administrative processes; and 29 Policy Guides setting out requirements for the delivery of specific program components.
- 2.9 In addition to these documents, cross-agency collaboration relies on several other frameworks and joint agency arrangements being in place, for instance:
- Assurance Expectation Matrices (AEM), which are a basis for Centrelink to provide DEEWR with assurance against three agreed key risks;

- the Centrelink Funding Model (CFM) which defines the model for Centrelink's service costs;
- various Service Level Agreements (SLAs); and
- a performance framework including Key Performance Indicators (KPI).

## The audit

### Audit Objectives

- 2.10 The audit objective was to form an opinion on the administrative effectiveness of the arrangements between DEEWR and Centrelink for the delivery of working age employment services under the BPA.
- 2.11 The Australian National Audit Office (ANAO) examined agencies' development, implementation and maintenance of the BPA, and whether current governance and coordination arrangements were conducive to management of risks, measurement of performance and ongoing program improvement.

### Audit Conclusions

- 2.12 The audit report made the following conclusion:

DEEWR and Centrelink have established a cross-agency business partnership, to assist in implementing a significant and broad range of working age employment services. In 2007-08, DEEWR's appropriation provided Centrelink with \$946 million to deliver working age employment services, and \$21,784 million in income support payments, to eligible job seekers.

The foundation of the DEEWR-Centrelink arrangement is established through a BPA. The 2006-09 BPA, is an extensive and complex agreement that defines the relationship, objectives, principles, mechanisms and respective roles and responsibilities of DEEWR and Centrelink under the partnership.

The 2006-09 BPA provides a workable model under which DEEWR and Centrelink operate to implement working age programs and services. In particular, joint committees under the BPA have facilitated interagency coordination, necessary to DEEWR and Centrelink in implementing major Government

initiatives such as Welfare to Work. However, in practical terms, the effectiveness of the BPA is lessened as a result of several gaps and limitations in essential frameworks, documentation, and administrative practices in DEEWR and Centrelink.

Although the 2006–09 BPA is extensive, it nonetheless is incomplete. When the BPA was signed in August 2006, several key frameworks and supporting documents were at various stages of development. DEEWR and Centrelink were aware of this situation, and incorporated an ongoing work agenda to improve key frameworks and business processes into the 2006–09 BPA. They also included provisions for ongoing revision and updating of the BPA during its three year term. After the signing of the BPA, however, significant slippage occurred in progressing agreed areas of work, including the development of a business assurance framework and the development or review of several KPI.

Strengthening of DEEWR's and Centrelink's administration under the BPA is required to provide greater assurance that business is carried out according to the BPA's requirements, and to improve measurement of DEEWR's and Centrelink's performance in delivering the full range of employment services to the Australian community. Particular areas requiring development are:

- Governance: strengthening governance arrangements and information supporting the Business Partnership – in particular, the Business Partnership Review Group adopting a more rigorous approach to establishing, managing and monitoring the progress of its sub-committees, and setting priorities for the completion of key work;
- Financial management: improving accountability for financial management under the BPA – particularly by strengthening monitoring of the implementation of New Policy Proposals, to provide assurance that monies paid throughout the year reflect progress towards the timely and complete delivery of each New Policy Proposal;
- Business assurance: developing more transparent and cohesive business assurance practices under the BPA – for the most part by reviewing the present high-level risk areas (payment integrity, service delivery and business continuity) to ensure currency, specifying and prioritising actual business risks in the AEM, and making sure that the AEM are kept up-to-date; and
- Performance monitoring: completing the suite of KPI – to enable both agencies to measure and report progress in all key

areas of program delivery, appropriately aligned to outputs and outcomes.<sup>1</sup>

The ANAO has made four recommendations to assist in building a stronger Business Partnership between the DEEWR and Centrelink. The recommendations are intended to: clarify responsibilities and processes under the BPA; establish essential frameworks for business assurance and the management of risk; and strengthen performance monitoring and management information to better inform government of progress against outcomes for the delivery of employment services to working age Australians.

## ANAO Recommendations

2.13 The ANAO made the following recommendations:

Table 1.1 ANAO Recommendations, Audit Report No. 4 2008-09

1.	<p>To strengthen governance arrangements and information supporting the Business Partnership, the ANAO recommends that DEEWR and Centrelink:</p> <ul style="list-style-type: none"> <li>• clearly define agencies' roles and responsibilities under the BPA, including strategic roles, and the role of the Business Partnership Review Group particularly in establishing and monitoring its sub-committees;</li> <li>• enhance dispute resolution arrangements under the BPA; and</li> <li>• complete the BPA's supporting documents, and implant a systematic process to make sure that the BPA is kept up-to-date and accurate.</li> </ul> <p><i>Centrelink response: Agreed</i> <i>DEEWR response: Agreed</i></p>
2.	<p>To improve DEEWR and Centrelink's accountability of financial management under the BPA, the ANAO recommends that:</p> <ul style="list-style-type: none"> <li>• DEEWR strengthen its monitoring of the status of deliverables outside the scope of the Centrelink Funding Model, particularly New Policy Proposals;</li> <li>• both agencies amend the financial management protocol to reflect all key aspects of the financial arrangements between DEEWR and Centrelink;</li> <li>• Centrelink, in collaboration with appropriate purchasing agencies, the Department of Human Services and the Department of Finance and Deregulation, revise the Customer Activity Ratio more frequently, to reflect significant changes in policy and procedure for employment services; and</li> <li>• both agencies evaluate the purpose, need, and procedures for developing process maps, taking DEEWR's and Centrelink's perspective into consideration.</li> </ul> <p><i>Centrelink response: Agreed</i> <i>DEEWR response: Agreed</i></p>
3.	<p>DEEWR and Centrelink should work jointly to achieve more transparent and</p>

1 Australian National Audit Office (ANAO) Audit Report, No. 4, 2008-09, pp. 18-19.

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cohesive business assurance and risk management practices under the BPA. In particular by:

- establishing governance arrangements for business assurance which include suitable monitoring and oversight to ensure timely progression of key business assurance strategies;
- updating the Assurance Expectation Matrices to reflect current risks and priorities, and jointly assigning responsibility for risks; and
- agreeing a consolidated program of standard management information reports, and designating responsibility for coordinating and disseminating management information.

*Centrelink response: Agreed*

*DEEWR response: Agreed*

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4. To strengthen the performance framework and performance reporting under the 2006–09 BPA, DEEWR and Centrelink should work collaboratively to complete and enhance its suite of KPI. This process should include:
- alignment of KPI to cover all outputs and outcomes relevant to the BPA;
  - incorporating reciprocal accountability measures or KPI to measure DEEWR's performance in meeting its agreed responsibilities under the BPA; and
  - establishing a more strategic, timely and coordinated approach to KPI development, reporting and review. This should include suitable criteria for determining appropriate, measurable KPI.

*Centrelink response: Agreed*

*DEEWR response: Agreed with qualification*

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## The Committee's review

2.14 The Committee held a public hearing on Monday 16 March 2009, with the following witnesses:

- Australian National Audit Office (ANAO);
- Department of Education, Employment and Workplace Relations (DEEWR); and
- Centrelink.

2.15 The Committee took evidence on the following issues:

- inter-agency dispute resolution;
- development of the new BPA;
- measurement of DEEWR's performance; and
- keeping the BPA up-to-date.

### Inter-agency dispute resolution

2.16 The ANAO found that while the BPA between DEEWR and Centrelink briefly described a process for cross-agency dispute resolution, it

contained no specific protocol for management of disputes and lacked suitable dispute resolution processes. This resulted in apparent inter-agency tension at times and led to agency dissatisfaction where prolonged disagreements existed.

- 2.17 The agencies reported at the hearing that they had taken steps to strengthen the dispute resolution processes between the agencies with the establishment of a dispute resolution framework. DEEWR stated that the new interim BPA currently being negotiated makes the dispute resolution mechanisms extremely clear. DEEWR also hopes to reduce the incidence of disputes by earlier consultation with Centrelink. This was viewed as a positive step by Centrelink who now feel:

even as policy is being considered and there are committees considering various things, we are at the table, across the board...It gives us a very good overarching view of what is coming for Centrelink.<sup>2</sup>

- 2.18 The agencies agreed that the new dispute resolution mechanisms have been tested with the implementation of new policies and these mechanisms have worked "very well indeed."<sup>3</sup>

## Development of the new BPA

- 2.19 The ANAO made four recommendations aimed at building a stronger cross-agency partnership, and assist DEEWR and Centrelink achieve timelier improvements to key administrative areas under the BPA.<sup>4</sup> These recommendations attempt to strengthen governance arrangements and information supporting the Business Partnership; improve accountability of financial management under the BPA; achieve a more transparent and cohesive business assurance and risk management practice under the BPA; and to strengthen the performance framework and performance reporting under the BPA.
- 2.20 The agencies reported that in developing the interim 2008-09 BPA the agencies worked together to implement the recommendations. This included revising guiding principles; undertaking a review of the appropriateness of the current KPIs; completion of outstanding

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2 Ms Andruska, Centrelink. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Monday 16 March 2009, p. 18.

3 Ms Golightly, Department of Education, Employment and Workplace Relations (DEEWR). Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Monday 16 March 2009, p. 15.

4 Australian National Audit Office (ANAO) Audit Report, No. 4, 2008-09, p. 31.

documents; and the establishment of a dispute resolution framework. As part of the preparation for the new BPA, the Department of Human Services is currently undertaking an informal review.

- 2.21 The new BPA is being developed in a more collaborative way to clearly identify the areas that will impact on Centrelink. Regular high level meetings are being held between the two agencies to facilitate this collaboration. A review is underway in relation to the *Centrelink Funding Model* and to update the *Customer Activity Ratio*. The review is also looking at including the new policy proposal within the *Centrelink Funding Model*. New policy proposal funding is now also reconciled monthly instead of annually as it was under the 2006-09 BPA.

### Measurement of DEEWR'S performance

- 2.22 The ANAO recommended that future BPAs between Centrelink and DEEWR should include reciprocal accountability measures or KPIs to measure DEEWR performance in meeting its agreed responsibilities under the BPA. DEEWR qualified its agreement with this recommendation stating it was at this stage not convinced it is necessary for the BPA to include KPIs relating to aspects of DEEWR's activities.<sup>5</sup> Other reasons given include the lack of KPIs being part of other agencies agreements with Centrelink and no substantive evidence that would demonstrate the value of reciprocal KPIs.
- 2.23 DEEWR pointed to a number of protocols and business rules it has in place with Centrelink under the current BPA which provide Centrelink with the opportunity at monthly meetings to raise issues with DEEWR's performance. These meetings are held at the Deputy Secretary level. DEEWR is also provided with an opportunity at these meetings to raise issues with Centrelink's performance. This process, while it may solve problems, does not provide a measure of DEEWR's performance in relation to the BPA. There is a need for the performance of both agencies to be measured, recorded and compared over time to ensure that outcomes are being met.
- 2.24 Terms of Reference are currently being developed for a new Inter-Departmental Committee to oversee the governance arrangements for the new Agreement.

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5 ANAO Audit Report, No. 4, 2008-09, p. 130.



## Keeping the BPA up to date

2.25 The ANAO identified a need for the BPA to be accurate and kept up-to-date to allow Centrelink to deliver services accurately and allow DEEWR to fairly assess Centrelink's performance. A recommendation was made in *ANAO Audit Report No. 51 2003-04, DEEWR's Oversight of Job Network services to job seekers* to have DEEWR ensure the BPA is complete and kept up-to-date. DEEWR responded to both these recommendations by agreeing with the recommendation, claiming the BPA is kept up-to-date and stating 'that in all essential respects, accuracy and completeness of the BPA has been consistently maintained'.<sup>6</sup> The findings of this audit suggest that the recommendation has not been addressed as the current BPA is not complete and several parts are out of date. DEEWR cited resource constraints as impacting on the capacity of Centrelink and DEEWR to ensure that the BPA is kept up-to-date.<sup>7</sup>

### Recommendation 1

**The Committee recommends that the Department of Education, Employment and Workplace Relations and Centrelink ensure their Business Partnership Agreement be completed and kept up to date before the commencement of the next Business Partnership Agreement in 2010.**

## Conclusion

- 2.26 The Committee is disappointed to see that both DEEWR and Centrelink have failed to fully implement an ANAO recommendation from 2004 to ensure the BPA is completed and kept up to date. A complete and current agreement between the two agencies is critical in promoting a positive working relationship between the agencies, and reducing the likelihood of disputes between the agencies.
- 2.27 Further, the Committee notes that the BPA provides both agencies with a clear understanding of the manner in which operations between them are conducted, which is of critical importance.
- 2.28 To this end, the Committee strongly urges the agencies to ensure that the next BPA be fully completed and kept up to date. The mutual benefits that

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6 ANAO Audit Report, No. 4, 2008-09, p. 71.

7 ANAO Audit Report, No. 4, 2008-09, p. 151.

stem from achieving this objective cannot be overestimated, and as DEEWR and Centrelink begin to work even more closely together, a complete and comprehensive agreement is needed to ensure the taxpayer continues to receive value for money.

## Audit Report No. 7 2008-2009

# Centrelink's Tip-off System

## Background

- 3.1 Centrelink is a statutory agency within the Human Services portfolio. It is responsible for the delivery of a wide range of social security payments and services on behalf of other government departments.
- 3.2 In 2007-08, Centrelink administered \$70.6 billion in payments to 6.5 million customers. Payments administered by Centrelink include the Age Pension, Newstart allowance, and Parenting Payment.
- 3.3 Centerlink has one outcome, which is:
- Access to Government services that effectively support: self-sufficiency through participation in employment, education, training and the community; families and people in need; and the integrity of government outlays in these areas.<sup>1</sup>
- 3.4 The responsibility to ensure the integrity of government outlays relates to ensuring customer payments are correct. Centrelink conducts compliance and fraud programs to analyse information relevant to the circumstances of customers, and to use this information to review customer eligibility for Centrelink benefits. The management of tip-off information is an element of Centrelink's broader compliance program.

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1 Department of Human Services 2008, *Portfolio Budget Statement 2008-09*, DHS, Canberra, p. 72.

## Tip-offs

3.5 Centrelink defines tip-offs as:

Allegations and/or other information provided by members of the public about individuals who they believe are obtaining part or all of their Centrelink payment without disclosing complete and accurate details of their circumstances.<sup>2</sup>

3.6 Tip-offs represent approximately seven per cent of all compliance reviews and fraud investigations completed. They can be difficult to manage, given the involvement of informants, and the challenges in verifying the information received.

## Centrelink's management of tip-offs

3.7 Centrelink's approach to tip-offs involves:

- specialised tip-off line operators that answer calls from the Australian Government Services Fraud Tip-off line;
- tip-off processing teams that focus on the assessment of tip-offs; and
- compliance review officers and fraud investigators.

3.8 These officers and other Centrelink officers who may be required to record a tip-off use Centrelink's Tip-off Recording System (TORS) to manage tip-off information, including the initial recording of the tip-off.

3.9 Tip-offs entered into TORS are assessed by specialised teams, known as the Tip-off Processing Site (TIPS) teams. These teams assess the tip-off, and determine whether the tip-off should be verified or investigated.

3.10 The nature of the tip-off received determines whether it is forwarded to a compliance review team, or a fraud investigation team. Tip-offs that allege a customer is attempting to defraud Centrelink are directed to fraud investigation teams, while all other tip-offs are subject to a compliance review.

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2 Centrelink, 2007, *Tip-Off Recording System (TORS): Tip-off Identification and Processing Site (TIPS): Guidelines*, Version 1.6, Centrelink, Canberra, p.7.

## The audit

### Audit Objectives

- 3.11 The objective of the audit was to examine the efficiency and effectiveness of the administration of the tip-off system, including Centrelink's management of privacy issues related to the tip-off management process.
- 3.12 The audit examined Centrelink's management of the tip-off process using two main criteria:
- ensuring the fraud tip-off line is an efficient and effective method of identifying debt and fraud; and
  - ensuring the privacy of callers and customers is managed appropriately and in accordance with social security law<sup>3</sup> and the *Privacy Act 1998*.
- 3.13 As part of assessing the effectiveness and efficiency of Centrelink's administration of the tip-off system, the ANAO examined Centrelink's compliance review and fraud investigation processes which are mechanisms for identifying and raising debts against customers.<sup>4</sup>

### Audit Conclusions

- 3.14 The audit report made the following conclusion:

Tip-offs are one element in the spectrum of Centrelink's compliance measures designed to ensure that eligible customers receive the correct entitlement. They need to be managed in a manner that delivers the best outcome from each tip-off, while protecting the privacy of customers and safety of informants.

Of the tip-offs received and/or reviewed or investigated<sup>5</sup> in 2007-08, 17,332 or 16.2 per cent resulted in a reduction, increase, cancellation, rejection or suspension to a customer's payment and/or a debt being raised against the customer.

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3 This includes, but is not limited to the *Social Security Act 1991* and the *Social Security (Administration) Act 1999*.

4 In addition to raising a debt, compliance reviews and fraud investigations can also result in a reduction, increase, cancellation, rejection, suspension, or no change to a customer's payment.

5 In addition to completing reviews and investigations resulting from tip-offs received in 2007-08, Centrelink also completed reviews and investigations which resulted from tip-offs received in previous financial years. The number of completed reviews and investigations may also include tip-offs recorded by the TIPS teams in instances where more than one Centrelink customer has been identified in a tip-off.

Centrelink has a documented process and guidelines for the collection and recording of tip-offs that is supported by a tip-off recording system. The tip-off recording system, introduced in March 2008, incorporates collection and recording functions designed to capture relevant information and reduce the time taken to process tip-offs.

Centrelink's guidelines and processes recognise Centrelink's privacy responsibilities in managing informants and customers. However, Centrelink would benefit by improving the guidelines and processes that relate to:

- the collection and retention of tip-offs in order to provide greater consistency in their practical application and protection of customers' and informants' privacy and confidentiality; and
- contacting customers and informants as part of compliance reviews and fraud investigations, to provide a balanced approach to managing the interests of both informants and customers.

Centrelink's compliance and fraud program performance measures are primarily quantitative and can be improved by introducing qualitative measures to provide a more balanced assessment of the compliance review and fraud investigation performance.

Centrelink's ability to reliably estimate the funding and cost of managing the tip-off process, and the subsequent savings generated from the tip-offs received, is limited. The tip-off capability is only one part of Centrelink's broader compliance capability. However, an improvement in Centrelink's ability to cost respective compliance capabilities can assist with decisions about the allocation of resources within Centrelink's compliance and fraud program; and also enhance the quality of advice to stakeholders.<sup>6</sup>

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6 Australian National Audit Office (ANAO) Audit Report No. 7, 2008-09, pp. 16-17.

## ANAO Recommendations

3.15 The ANAO made the following recommendations:

Table 1.1 ANAO Recommendations, Audit Report No. 7 2008-09

1.	<p>The ANAO recommends Centrelink determine a policy and implement a time frame after which information contained in a tip-off, that is deemed to require no further action and is not used as part of an active review or investigation, is permanently deleted from TORS.</p>
	<p><i>Centrelink response: Agree.</i></p>
2.	<p>To mitigate the risk of fraud investigators unnecessarily contacting customers, the ANAO recommends Centrelink revise the Fraud Investigation Manual to:</p> <ul style="list-style-type: none"> <li>• provide parameters for when it may be appropriate for investigators to contact customers without a suspicion of criminal conduct; and</li> <li>• require fraud investigators, with a suspicion of criminal conduct, to have 'reasonable grounds' prior to contacting a customer and consider classifying this process as a critical decision.</li> </ul>
	<p><i>Centrelink response: Agreed. Updates to the Fraud Investigation Manual, subsequent to its provision to the ANAO, have included guidelines that detail when it may be appropriate for investigators to contact customers without a suspicion of criminal conduct.</i></p>
3.	<p>To ensure protection of customers' privacy and informants' safety during compliance reviews and fraud investigations, the ANAO recommends Centrelink:</p> <ul style="list-style-type: none"> <li>• revise guidelines for compliance officers to include when it is appropriate to contact an informant and any privacy implications for the customer; and</li> <li>• consolidate its existing fraud investigation guidance relevant to informants into a central source, which includes an informant management policy that addresses the requirements of the Australian Government Investigation Standards.</li> </ul>
	<p><i>Centrelink response: Agreed.</i></p>
4.	<p>To provide a balanced set of internal performance measures, the ANAO recommends that Centrelink introduce measures for compliance officers and fraud investigators which assess the conduct and quality of the reviews and investigations, to supplement current quantitative measures.</p>
	<p><i>Centrelink response: Agree.</i></p>
5.	<p>The ANAO recommends that Centrelink develop and maintain budgetary funding details and accurately identify and attribute all material costs associated with the tip-off process.</p> <p>Centrelink response: Agree. Centrelink will attribute details of recent revenue received for tip-offs and will consider affordable options to track costs associated with the delivery of the tip-off process where they may materially impact on measuring the performance of the wider fraud and compliance program.</p>
6.	<p>To improve the reliability of savings figures required for reporting purposes, the ANAO recommends that Centrelink, the Department of Education, Employment and Workplace Relations, the Department of Families, Housing, Community Services and Indigenous Affairs and the Department of Finance and Deregulation develop a savings methodology that more accurately estimates an amount realisable by the Australian Government.</p> <p><i>Centrelink response: Agree. Centrelink is currently working with the Department of Human Services and the Department of Finance and Deregulation to improve the measurement of fraud and compliance programs, including savings methodologies.</i></p>

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*DEEWR response: DEEWR agrees to the recommendation.*

*FaHCSIA response: FaHCSIA welcomes Recommendation 6 of the Australian National Audit Office (ANAO) to participate, in consultation with, the Department of Finance and Deregulation, Centrelink and other policy departments in the development and implementation of a new, robust savings methodology.*

*Finance response: Finance agrees with Recommendation 6.*

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## The Committee's review

3.16 The Committee held a public hearing on Monday 16 March 2009, with the following witnesses:

- Australian National Audit Office (ANAO); and
- Centrelink

3.17 The Committee took evidence on the following issues:

- improvements since the audit;
- costs of the tip-off scheme;
- receipt of, and action taken on tip-offs; and
- data handling and management.

## Costs of the tip-off scheme

3.18 Centrelink reported to the Committee on the improvements made since the audit. It noted that staff training had improved, with staff at all 25 fraud sites receiving face-to-face training in tip-off handling. Additionally Centrelink reported that it had implemented a quality assurance framework for fraud investigations, and that the framework would be replicated across the compliance reviews area.<sup>7</sup>

3.19 The Committee noted the ANAO finding that tip-off data was being collected inconsistently by operators. Centrelink replied that data collection had been streamlined with the introduction of the new Tip-offs Recording System (TORS), and that there was now more targeted questioning of people making tip-offs.<sup>8</sup>

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<sup>7</sup> Mr Withnell, Centrelink. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Monday 16 March 2009, p. 25.

<sup>8</sup> Mr Withnell, Centrelink. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Monday 16 March 2009, p. 32.



- 3.20 The Committee looked at the total amount of recovered debt and the cost effectiveness of the tip-off scheme. Centrelink advised that approximately 70 per cent of the debt base was currently under recovery.<sup>9</sup> It noted that it was difficult to determine whether or not the tip-off system paid for itself, as it was difficult to disaggregate the costs of some of the functions within the tip-off scheme, as some staff did not work exclusively on tip-offs.<sup>10</sup> However, Centrelink estimated that the amount of money returned to Centrelink would be considerably higher than the cost of tip-offs, and that there was a high deterrent value in maintaining the tip-off system.
- 3.21 The Committee asked the ANAO whether it had made any recommendation to conduct a cost-benefit analysis of the tip-off scheme. The ANAO advised that it was an issue that had been examined, but that it had been difficult to obtain the relevant data to conduct a cost-benefit analysis.<sup>11</sup> Further, the ANAO noted that given the size of Centrelink, and the diverse nature of its business, that it was difficult to cost different activities down to smaller levels.<sup>12</sup>
- 3.22 Examining the issue further, the Committee was advised that in the financial year to date in February 2009, that 10,000 out of 63,000 investigations arising out of tip-offs had led to a customer debt being incurred, or a reduction, cancellation or suspension of payment, and that the total amount of savings identified was just over \$80 million.<sup>13</sup>

### Receipt of, and action taken on tip-offs

- 3.23 The Committee asked about the way tip-offs were reported to Centrelink, with Centrelink reporting that for the financial year up to the end of February 2009, that 18,495 tip-offs were received via the internet, 31,857 were received via the Australian Government Services Fraud Tip-off Line, and that 10,372 tip-offs were reported in person or via the general Centrelink call centre. Additionally, 207 tip-offs were reported directly

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9 Mr Withnell, Centrelink. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Monday 16 March 2009, p. 27.

10 Mr Burgess, Centrelink. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Monday 16 March 2009, p. 34.

11 Mr Williamson, Australian National Audit Office (ANAO). Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Monday 16 March 2009, p. 34.

12 Mr Williamson, ANAO. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Monday 16 March 2009, p. 34.

13 Mr Withnell, Centrelink. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Monday 16 March 2009, p. 35.

from the Australian Taxation Office, and 2,867 were received through other channels such as other government agencies.<sup>14</sup>

- 3.24 The Committee asked whether Centrelink reported policy flaws uncovered by tip-offs and investigations to client government agencies such as the Department of Education, Employment and Workplace Relations (DEEWR), and the Department of Families, Housing and Community Services and Indigenous Affairs (FaHCSIA). Centrelink reported that all of its activities provided feedback to agencies, and that it worked closely with them on these matters.<sup>15</sup>
- 3.25 The Committee examined the actions taken on tip-offs deemed worthy of further investigation. Centrelink reported that for the financial year up to the end of February 2009, that 29,206 compliance reviews had been conducted, and that there had been 3,093 fraud investigations.<sup>16</sup> The Committee asked why, given there had been over 100,000 tip-offs, there had only been slightly over 32,000 actions taken.
- 3.26 Centrelink replied that there were two reasons why there were such a large number of uninvestigated tip-offs, with approximately 15,000 tip-offs relating to people who are not customers of Centrelink, and the remainder having been assessed by analysts as not having enough information to proceed with further investigations.<sup>17</sup>

### Data handling and management

- 3.27 The Committee noted the Audit Report's finding that handling of complaints data could be improved by Centrelink, and asked about Centrelink's data handling process. Centrelink advised that complaints about non-Centrelink customers were deleted after 90 days, and that unsubstantiated complaints about current Centrelink customers were retained for a year<sup>18</sup> within the TORS, a separate entity to the Centrelink customer record.<sup>19</sup>

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14 Mr Ryman, Centrelink. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Monday 16 March 2009, p. 28-9.

15 Mr Withnell, Centrelink. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Monday 16 March 2009, p. 28.

16 Mr Withnell, Centrelink. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Monday 16 March 2009, p. 29.

17 Mr Withnell, Centrelink. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Monday 16 March 2009, p. 30.

18 Mr Cotterill, Centrelink. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Monday 16 March 2009, p. 30.

19 Mr Withnell, Centrelink. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Monday 16 March 2009, p. 30.

- 3.28 The Committee expressed some reservations about staff being able to access such data, and asked who had access to the TORS database. Centrelink replied that analysts who determined whether or not a tip-off was investigated and the individual officer conducting the compliance review or fraud investigation would be able to access such data.<sup>20</sup> Further, Centrelink noted that its staff were trained and held appropriate security clearances, and that they signed privacy declarations.<sup>21</sup>
- 3.29 The Committee noted that the ANAO had recommended some changes to the TORS, with Centrelink replying that a new TORS was implemented during the audit, and that a more refined database and set of questions had been put in place. The Committee asked the ANAO for its perspective on the new TORS, with the ANAO advising that it had examined the new TORS, and it had found that records were still being kept in the system once it had been decided that there was no further need for the information to be retained.<sup>22</sup>
- 3.30 The Committee asked Centrelink whether unsubstantiated tip-off data on customers really was deleted from TORS after 12 months. Centrelink replied that data could be de-identified and used for trend analysis and identification of emerging fraud controls, and that Centrelink was currently working with its legal branch to determine its obligations under the Archives Act to retain identified data.<sup>23</sup>

## Recommendation 2

**The Committee recommends that Centrelink fully implement Recommendation Number 1 from the Australian National Audit Office Report Number 7 2008-09, and ensure that information in a tip-off deemed to no longer require any action be permanently deleted from the Tip-off Recording System as soon as it is identified as such.**

- 3.31 The Committee asked whether enough data was now collected to enable better measurement of the effectiveness of the tip-off scheme. Centrelink

20 Mr Withnell, Centrelink. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Monday 16 March 2009, p. 30.

21 Mr Withnell, Centrelink. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Monday 16 March 2009, p. 31.

22 Mr Williamson, ANAO. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Monday 16 March 2009, p. 31.

23 Mr Withnell, Centrelink. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Monday 16 March 2009, p. 31.

noted that the data collected had enabled it to better examine trends and patterns, providing it with information for point-in-time analysis.<sup>24</sup>

- 3.32 The Committee noted the ANAO finding that customers who had been informed they were the subject of a compliance review were often not told of its result. Centrelink reported that it was now mandatory for a compliance officer to inform a customer of the result of the compliance review.<sup>25</sup>
- 3.33 Centrelink was asked how funding was determined between the fraud and compliance sections, with the agency replying that Government policy and measures determined the funding balance, and that it was generally provided on an aggregated amount and then divided within the agency.<sup>26</sup> The Committee asked whether the area of tip-offs was receiving enough funding, with Centrelink indicating that it was receiving sufficient funding for this area of its business.<sup>27</sup>

## Conclusion

- 3.34 The Committee is again pleased to see Centrelink acting quickly on the recommendations of the ANAO to improve Centrelink's interactions with its customers.
- 3.35 It is pleasing to see Centrelink providing feedback to agencies like FaHCSIA and DEEWR reporting policy flaws that have been identified through the review of tip-offs.
- 3.36 The Committee remains concerned that Centrelink is retaining data on Centrelink customers that has been investigated and found to be unsubstantiated, and urges Centrelink to adopt its recommendation to prevent possible further investigations of customers being prejudiced by the presence of unsubstantiated allegations.
- 3.37 Overall, the Committee is satisfied with the progress made by Centrelink since the audit and looks forward to seeing further improvement in the near future.

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24 Mr Ryman, Centrelink. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Monday 16 March 2009, p. 33.

25 Mr Withnell, Centrelink. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Monday 16 March 2009, p. 32.

26 Mr Burgess, Centrelink. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Monday 16 March 2009, p. 35.

27 Mr Burgess, Centrelink. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Monday 16 March 2009, p. 36.

## Audit Report No. 11 2008-2009

# Disability Employment Services

## Background

- 4.1 Work enables individuals to participate in the social and economic life of their communities. Australian Government programs recognise that many people with disabilities can work and want to work, however sometimes there can be barriers to their employment options. Disability employment services are aimed at ensuring that people with disabilities can access quality services that provide high level and appropriate support, affording the same workplace participation rights and opportunities as other Australians.
- 4.2 There are two types of disability employment services:
- supported employment services, also known as Business Services. Business Services employ and support people (for whom competitive employment is unlikely) in specialist workplaces, such as packaging, horticulture and laundry. Over 90 per cent of Business Services' clients receive a Disability Support Pension, with the majority of clients reported to have an intellectual or learning disability; and
  - open employment services, also known as the Disability Employment Network (DEN). DEN service providers assist people with disabilities find, start and maintain employment in the open labour market. DEN clients are, on average, younger than those of Business Services, with

primary disabilities mainly spread across three main categories: intellectual/learning, psychiatric and physical/diverse. DEN has two streams:

- ⇒ capped stream – assistance, through a fixed number of places, to people with disabilities who are able to work a minimum of eight hours per week at award-based wages in the open employment market and are likely to require on-going support to retain employment once they have found a job.
- ⇒ uncapped stream – assistance to people with disabilities who are required to look for work in order to meet the part-time participation requirements associated with Government income support payments. This stream generally provides up to two years of disability employment assistance for participants assessed as able to work between 15 and 29 hours per week independently at full award wages.

- 4.3 The principal means for people with disabilities to access Business Services, is through self-referral by people either in receipt of, or meeting the impairment requirements to receive, the Disability Support Pension, who are not subject to part-time participation requirements. In contrast, a job-seeker needs to be assessed for their work capacity in order to access DEN. These assessments, known as Job Capability Assessments (JCAs), determine eligibility for open employment services and the DEN stream to which the person is referred. People with disabilities can also be referred to Business Services as a result of a JCA.
- 4.4 Business Services and DEN are tailored to the different needs of jobseekers with disabilities, but share a common goal - to achieve an employment outcome for each client. To achieve the employment outcome a phased approach is adopted that is common across all services types. The approach is defined by an:
- intake phase;
  - employment assistance phase; and
  - employment maintenance (or post placement) phase.
- 4.5 In 2006–07, the Australian Government provided \$470 million in funding to 1,072 disability employment service outlets. Of these, 654 were open employment services, and 418 supported employment services. These outlets provided services for almost 83,000 people, 73 per cent of whom accessed open employment services.

- 4.6 Services are funded on a fee-for-service case-based funding model, with fees relating to:
- type of service provided;
  - phase of employment placement;
  - level of support required; and
  - in the case of DEN service provision, the achievement of employment milestones.
- 4.7 Examples of the range of fees involved for clients with high and low support needs follow:
- a Business Services client assessed as having the highest level of support needs (level 4) with the shortest possible assessment phase (three months), will attract a combined intake and assessment fee of \$2,180 and an on-going employment maintenance fee of \$13,020 per annum; and
  - a DEN uncapped stream participant assessed as having the lowest level of support needs and supported by the service for the minimum period to successfully achieve an employment outcome, will attract the following fees:
    - ⇒ intake and assessment fees of \$913;
    - ⇒ employment assistance over three months and three month post-placement of \$247.50 per month, totalling \$1,485; and
    - ⇒ full employment outcome fees at 4-weeks, 13-weeks, 26-weeks and additional outcome fee, totalling \$5,170.

## Administrative responsibilities

- 4.8 Disability employment services are funded by the Australian Government under the Commonwealth State/Territory Disability Agreement (CSTDA). The CSTDA provides a national framework for the delivery, funding and development of specialist disability services. The CSTDA specifies that the Commonwealth has sole responsibility for the planning, policy setting, funding and management of disability employment services.
- 4.9 The Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) is the Australian Government department with overall policy responsibility for people with disabilities. This includes the CSTDA's administrative requirements and ensuring that all providers delivering funded employment services meet quality standards.

- 4.10 The role of administering the delivery of disability employment services is split between FaHCSIA, responsible for Business Services and the Department of Education, Employment and Workplace Relations (DEEWR), responsible for DEN.

## Recent and current developments

- 4.11 The CSTDA is in its third iteration and, at its commencement, covered the period July 2002 to June 2007. However, following the reforms to the Commonwealth-State funding arrangements announced by the Council of Australian Governments (COAG) in March 2008, the period of the agreement was extended to 31 December 2008. As part of the COAG reforms, a new National Disability Agreement, replaced the CSTDA as of 1 January 2009.
- 4.12 Disability employment services have undergone considerable change over the course of the third CSTDA (and its extension to 2008), including the introduction of:
- third-party accredited quality assurance certification;
  - a fee-for-service case based funding (CBF) model;
  - new income support eligibility and part-time participation requirements, introducing a second open employment service stream (the uncapped stream);
  - JCAs to direct job seekers to the most suitable support service; and
  - DEEWR as the department with responsibility for open employment services.
- 4.13 Further initiatives underway will impact on DEN service provision. The Australian Government intends to implement a new approach to employment services including disability employment. To inform the new approach a review of universal employment services, *The Future of Employment Services in Australia*, was undertaken. A further *Review of Disability Employment Services*, aimed at improving DEN and Vocational Rehabilitation Services, is drawing on the outcomes of the universal employment services review and the development of the *National Mental Health and Disability Employment Strategy*. Contracts with DEN service providers will be extended until 28 February 2010, so that service provision in the subsequent contract period can reflect the outcome of the *Review of Disability Employment Services*.



## The audit

### Audit Objectives

- 4.14 The objective of the audit was to assess how effectively FaHCSIA and DEEWR have undertaken their roles and responsibilities for specialist disability employment services under the current (third) CSTDA.
- 4.15 The two major criteria for the audit were whether:
- FaHCSIA and DEEWR effectively planned, managed and implemented policy for the provision of specialist disability employment services under the CSTDA; and
  - FaHCSIA and DEEWR met relevant reporting requirements for the specialist disability employment services they were respectively responsible for under the current CSTDA.

### Audit Conclusions

- 4.16 The audit report made the following conclusion:

The period of the third CSTDA 2002–2007 (including its extension to 2008) has been characterised by many fundamental changes to the disability employment services delivery model. These have included changes to: the way service quality is assessed; how services are funded; the eligibility criteria and types of funded service provision; and the means by which job-seekers are placed with service providers.

Business Services and DEN aim to achieve an employment outcome for every client; however each program is designed to provide a different disability employment service, depending on the job-seeker's individual circumstances. In particular:

- Business Services aim to employ people with disabilities on an on-going basis, with FaHCSIA responsible for funding the services provided to individuals by Business Services providers; and
- DEN assists people with disabilities seeking employment in the open employment market. DEEWR is responsible for funding the services provided to individuals by DEN providers.

The Business Services placements largely come about through self-referrals whereas DEN relies on JCAs.

During the third CSTDA, FaHCSIA and DEEWR have responded to the changing environment and effectively planned, managed and implemented policy initiatives in the disability employment sector. In particular:

- policies and procedures implemented by FaHCSIA and DEEWR have supported the integration of JCAs with disability employment services, recognising that Business Services placements are largely through self referral. Further, in recognition that an individual's situation can change, FaHCSIA has sought to address some of the barriers to movement from supported to open employment services through measures such as guaranteeing a place in a Business Service up to two years after clients commence trialling DEN services;
- the introduction of CBF has contributed to greater numbers of clients in both the Business Services and DEN streams achieving employment outcomes than under the Block Grant Funding (BGF) model. In particular, 92 per cent of Business Services clients achieved an employment outcome in 2006-07, 20 per cent higher than in the period prior to the introduction of CBF. Similarly, employment outcomes for capped DEN clients increased by 18 per cent with the introduction of CBF;
- the successful implementation of the *Quality Strategy for Disability Employment Services and Rehabilitation Services*. All service providers achieved third-party accredited quality assurance certification by the legislated deadline of 31 December 2004; and
- the establishment and improvement in the contract monitoring and reporting frameworks for Business Services and DEN providers.

Disability employment services is a mature program reflected by its administration and outcomes. Nonetheless, there remain issues that need to be addressed. These issues arise from the complexity of the funding model and balancing accountability and administrative workloads on service providers. In particular:

- there is a risk that some Business Service providers are not fully complying with contract requirements by extending the period in which clients, with lower support needs, remain in the employment assistance phase rather than progress to the employment maintenance phase, to maximise the fees they can claim from FaHCSIA. This risk is currently not adequately managed, with evidence indicating that it is occurring;
- DEEWR has an IT system that assists DEN providers to make accurate payment claims. However, the IT system does not give DEN providers assurance of the accuracy of total payments from DEEWR. This places an unnecessary administrative

workload on providers as the complexity of DEN funding models does not facilitate a straightforward determination of this amount by service providers; and

- DEEWR uses its general employment services framework to monitor and report on its DEN providers and this is overlaid with the quality assurance audits administered by FaHCSIA. While comprehensive, DEEWR's model has resulted in providers raising concerns about administrative workload, particularly around duplication of information provision requirements.

While there have been improvements in data collection for performance reporting required under the CSTDA, the reporting of the performance data remains fragmented, is significantly delayed in its public release and does not fully address the requirements set out in the CSTDA. As such, the ANAO considers that the reporting requirements under the CSTDA have not been fully met. The ANAO has made four recommendations to assist FaHCSIA and DEEWR address the identified issues that arise from the complexity of the funding model; balancing accountability and administrative workloads on service providers; and the capture and reporting of performance data.

Further changes to Business Services and DEN can be expected with the re-negotiation of the CSTDA under the new COAG architecture and following the outcome of the *Review of Disability Employment Services*. This provides an opportunity for FaHCSIA and DEEWR to refine their approaches, including addressing the issues highlighted in this report.<sup>1</sup>

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1 Australian National Audit Officer (ANAO) Audit Report No. 11, 2008-09, pp. 20-24.

## ANAO Recommendations

4.17 The ANAO made the following recommendations:

Table 1.1 ANAO Recommendations, Audit Report No. 11 2008-09

1.	<p>To minimise the risk that Business Services' providers delay the completion of a Disability Maintenance Instrument (DMI) to maximise their funding from the Australian Government, the ANAO recommends that FaHCSIA:</p> <ul style="list-style-type: none"> <li>a) identify and follow up service providers that delay the completion of DMIs following the achievement of 13-week employment outcomes; and</li> <li>b) in its review of the Disability Business Service Audit and Compliance Strategy, address the risk that service providers inaccurately record hours and wages in the FaHCSIA Online Funding Management System.</li> </ul> <p><i>FaHCSIA response: Agreed</i></p>
2.	<p>The ANAO recommends that DEEWR provide sufficient information to Disability Employment Network providers to allow reconciliation of payments against claims for individual clients.</p> <p><i>DEEWR response: Agreed</i></p>
3.	<p>In the context of DEEWR's plans to streamline compliance activities, the ANAO recommends that DEEWR evaluate the impact of initiatives aimed at reducing the administrative workload of Disability Employment Network providers.</p> <p><i>DEEWR response: Agreed</i></p>
4.	<p>The ANAO recommends that FaHCSIA works with the Disability Policy and Research Working Group to ensure that:</p> <ul style="list-style-type: none"> <li>a) all performance indicators specified in the Commonwealth State/Territory Disability Agreement (CSTDA) Schedule A3 are reported in publicly available documents; and</li> <li>b) all reporting against performance indicators, as specified in the current CSTDA and any future disability services agreement with states and territories, are published in one primary document, such as the CSTDA Annual Public Report.</li> </ul> <p><i>FaHCSIA response: Agreed</i></p>

## The Committee's review

4.18 The Committee held a public hearing on Wednesday 18 March 2009, with the following witnesses:

- Australian National Audit Office (ANAO);
- Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA); and
- Department of Education, Employment and Workplace Relations (DEEWR).

4.19 The Committee took evidence on the following issues:

- movement between employment services;
- measurement and reporting of employment services;
- service provider compliance; and
- measurement of objectives.

### Movement between employment services

- 4.20 Disabled job seekers may, due to a change in circumstances find it advantageous to move from one employment service to another. The Government identified this in its *Review of Disability Employment Services* saying that “Job seekers should be able to move as seamlessly as possible to a more appropriate service if their circumstances change.”<sup>2</sup>
- 4.21 The ANAO concluded that FaHCSIA had implemented suitable procedures and policies to allow clients with disabilities to move from the DEN environment to the Business Services environment when the circumstances of the clients changed. However, for a client to move from the Business Services environment to the DEN environment they had to undergo JCA to access these services. The JCA is necessary to enter the DEN as it provides information on the support requirements and future work capacity of job seekers.
- 4.22 The Committee asked whether requiring Business Service clients to undergo the JCA to access the DEN services was an unnecessary constraint. DEEWR explained that the difference between the two clients groups is their capacity to work in the open labour market. Business Service clients have been assessed as “unlikely to be able to find or retain work in the open labour market”.<sup>3</sup> Therefore, if such a client wanted to access the DEN services, they would need to undergo a JCA to ensure they were provided with an adequate level of support to succeed in the open labour market.

### Measurement and reporting for employment services

- 4.23 While not covered by the audit report, the Committee inquired of FaHCSIA whether it was able to measure the unmet need for employment services. FaHCSIA currently has no mechanisms, nor performance indicators for determining the unmet need for disability employment

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2 Department of Education, Employment and Workplace Relations (DEEWR), *Review of Disability Employment Services: a discussion paper*, 2008, p. 10.

3 DEEWR, Submission no 11.

services. However, FaHCSIA will be attempting to measure unmet need as part of the new disability agreement performance indicator reporting.

- 4.24 FaHCSIA and DEEWR confirmed for the Committee they were able to meet the new reporting requirements in the COAG agreement. Both agencies believe they have the capacity to disaggregate the necessary data for reporting purposes. FaHCSIA believes the new reporting requirements will not impact on the implementation of recommendations made by the ANAO around reporting.

### Service provider compliance

- 4.25 The ANAO identified a risk to the case based funding model. Employment service providers receive a monthly employment assistance fee for up to 12 months while assessing a person's ongoing support needs. This culminates in the completion of a Disability Maintenance Instrument (DMI) when the person achieves an employment outcome. Once a person achieves an employment outcome the service providers receive an employment maintenance fee at one of four levels determined by the DMI's assessment of the ongoing support needed by the person.
- 4.26 The ANAO identified that a service provider could delay the assessment of a person with low ongoing support needs and receive a higher monthly fee than if the assessment was conducted in a timely manner. This occurs because the fee employment maintenance fee for people with a low ongoing support need is lower than the monthly employment assistance fee. FaHCSIA had identified this risk and introduced measures to minimise the impact of the risk however, the ANAO determined that these measures were not sufficient and made recommendations to further minimise this risk.
- 4.27 FaHCSIA informed the Committee that following the ANAO's recommendation it had taken additional steps to strengthen measures in this area. These included a 'risk management approach to sampling from each Australian disability enterprise';<sup>4</sup> changes to the online funding management system; and more education for service providers to remind them of their obligations. FaHCSIA's audits of service providers will now assess hours and wage records to ensure they match the online funding management system. At the hearing the ANAO commented that while

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4 Mr Bartolo, Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA). Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Wednesday 18 March 2009, p. 3.

they 'had not had a chance to test those... they would be sound and helpful and go towards addressing the recommendation.'<sup>5</sup>

## Measurement of objectives

- 4.28 The ANAO found that the monitoring and reporting by FaHCSIA of supported employment services was a robust approach to managing significant risks. DEEWR's monitoring and reporting of DEN providers was consistent but could be improved by reducing the administrative workload on DEN providers. The reporting and monitoring of open employment services were limited due to a lack of clarity of how providers could improve services. Recommendations were made by the ANAO to improve these areas.
- 4.29 The CSTDA's objective is to 'strive to enhance the quality of life experienced by people with disability through assisting them to live as valued and participating members of the community.'<sup>6</sup> The Committee inquired as to whether achievement of this objective is measured. While FaHCSIA was certain that Business Services had improved it had not undertaken any measurement of whether Business Services was enhancing the quality of life experienced by people with disabilities. That this is not measured means that the agencies involved have no way of determining how effective their efforts are in enhancing the quality of life experienced by people with disability.

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5 Mr Williamson, ANAO. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Wednesday 18 March 2009, p. 3.

6 FaHCSIA, *Agreement between the Commonwealth of Australia and the States and Territories of Australia in relation to Disability Services*, Canberra, 2007.

### Recommendation 3

**That the Department of Families, Housing, Community Services, and Indigenous Affairs and the Department of Education, Employment and Workplace Relations monitor and report within 12 months of the tabling of this report, on progress towards achieving the Commonwealth State/Territory Disability Agreement objective of 'striving to enhance the quality of life experienced by people with disability through assisting them to live as valued and participating members of the community'.**

### Conclusion

- 4.30 The Committee acknowledges that FaHCSIA and DEEWR have effectively planned, managed and implemented policy initiatives in the disability employment services sector. The Committee is satisfied with the implementation of the ANAO recommendations and believes these will enable the agencies to fully meet the CSTDA reporting requirements in future and strengthen control around service provider compliance. Implementation of the Committee's recommendation will provide a measure of the success of the program as a whole against its purpose.



## Audit Report No. 12 2008-2009

# Active After-school Communities Program

## Background

- 5.1 The Australian Sports Commission (ASC) is a statutory agency operating under the *Commonwealth Authorities and Companies Act 1997*, and the *Australian Sports Commission Act 1989*. It is governed by a commission that is appointed by, and reports to, the Minister for Youth and Sport, and its Chief Executive Officer is responsible for its day-to-day operations.
- 5.2 The ASC is responsible for implementing the Government's sports policy. It manages the Australian Institute of Sport, and is the principle funding body for national sporting organisations. It has also provided sports participation opportunities for school children through programs such as Aussie Sport and the Active Australia Schools Network, delivered through the States and Territories.

## Building a Healthy, Active Australia

- 5.3 In November 2002 Australian Health Ministers agreed that the increase in obesity was a significant public health problem, and established the National Obesity Taskforce in 2003. The Taskforce developed the *National Action Agenda – Healthy Weight 2008* to address the rising level of obesity levels and the declining level of physical activity.

- 5.4 In June 2004, the then Prime Minister announced the *Building a Healthy, Active Australia* package to address the issues of obesity and declining physical activity. A major component of the package was the Active After-school Communities (AASC) Program.
- 5.5 The ASC was given \$90 million in funding over three years to establish an after-school physical activity program in over 3,000 primary schools and Out of School Hours Care Services (OSHCS) for an estimated 150,000 children. The program was extended to 2010 in April 2007 and was provided \$124.4 million in additional funding. Implementing the program increased the number of ASC staff by 180, from 458 in June 2004 to 655 in June 2005 – an increase of over 30 per cent.

### Active After-school Communities program

- 5.6 The AASC delivers physical activity sessions for primary school aged children at sites after school between 3.00pm and 5.30pm. The sessions are conducted in over 3,000 locations in metropolitan, rural, regional and remote communities in Australia. The activities are designed to increase children's participation in structured physical activity, to develop motor skills, and to promote a life long love of physical activity.
- 5.7 The initial objectives of the program were to improve the health and physical activity levels of children, and to build community capacity. In January 2005, the objectives were revised to give a greater emphasis to physical activity.
- 5.8 The current program objectives are:
- enhance the physical activity of Australian primary school aged children through a nationally coordinated program:
    - ⇒ increase participation levels of inactive children within structured physical activity;
    - ⇒ attitude of inactive children to structured physical activity improved;
    - ⇒ increase in fundamental motor skill development of inactive children;
  - provide increased opportunities for inclusive participation in quality, safe and fun structured physical activities; and
  - grow community capacity and stimulate local community involvement in sport and structured physical activity.

## Delivering the program

- 5.9 The program is coordinated nationally and managed in States and Territories through a network of State and Regional Managers and Regional Coordinators.
- 5.10 It is only run at ASC approved sites, and all sites must provide appropriate facilities, nominate a co-ordinator, contract and pay ASC registered deliverers, supervise participating children, and develop strategies for targeting inactive children. The day to day administration of the sessions are then the responsibility of the site.
- 5.11 Sites that have been accepted are eligible to apply for grant funding. This funding does not cover the administrative costs associated with running the sessions, but is to be used for specific program expenses, such as deliverers' fees, cost of supervision, venue hire, transportation costs, and equipment.
- 5.12 The funding agreement requires the sites to engage ASC registered deliverers to run the sessions. All deliverers are required to complete the Community Coach Training Program (CCTP) and receive a satisfactory national criminal history check before becoming fully registered with the ASC.

## The audit

### Audit Objectives

- 5.13 The audit objective was to assess the effectiveness of the implementation and administration of the AASC program by the ASC. The extent to which the ASC is able to determine that the program is achieving its objectives was also examined. Particular emphasis was given to the following areas:
- the implementation and the ongoing management of the program; and
  - the selection of sites and administration of grants funded under the program.
- 5.14 The elements of the *Building a Healthy, Active Australia* package undertaken by other agencies were not included in the scope of the audit.

### Audit Conclusions

- 5.15 The audit report made the following conclusion:

The AASC program was established in 2004 as a national initiative to help address the declining physical activity levels of children and the increase in childhood obesity. In 2007–08, approximately 150,000 children and 3,250 sites Australia-wide participated in the physical activity program that is underpinned by the ASC's 'Playing for Life' philosophy.

The ASC successfully implemented this program within a very short timeframe. National and State managers and a network of Regional Coordinators administer the program and oversight the delivery of the activity sessions and the sites. The ASC established a management framework for the program and a quality based approach to training and registering deliverers. Systems and processes for selecting sites and administering the grants provided to sites were also developed. Although this management framework is reasonably effective, improvements could be made to strengthen the governance arrangements supporting the program and a number of administrative processes could be streamlined. Quality control processes would also be strengthened through better monitoring of the program's quality standards.

A sub-committee of the ASC Board was established to advise and oversee the program. However, its role and responsibilities were not clearly defined. The Board sub-committee last met in March 2008 and was dissolved in June 2008. The governance mechanisms supporting the program were oral briefings to the Board by the Chair of the sub-committee and fortnightly meetings between the CEO, program Director and General Manager. Key decisions and some approvals were not always sought or appropriately documented, particularly for the evaluation project. At the time of the audit, there were no management reports provided to the CEO (or the Board). Oversight of the program would be improved if the program area was to report regularly on the performance of the program.

In designing the program, the ASC established two key quality controls – deliverers of the structured physical activity sessions must: complete the Community Coach Training Program (CCTP); and have satisfactory criminal history checks. To monitor program delivery at sites, the ASC developed a national quality

management model, with the quality assurance role being undertaken by the Regional Coordinators. However, a number of exemptions to these two quality controls have been granted to probationary deliverers, which risks undermining the standards and philosophy that underpin the program. In 2007, 634 probationary deliverers received an exemption from training and 298 from the criminal history check, without oversight or review by State Managers or at the national level.

Sites were selected to participate in the program either through an expression of interest process or direct recruitment by Regional Coordinators. In the earlier years of the program, assessments were not properly documented, particularly for those sites directly recruited by Regional Coordinators. The assessment process for selecting sites improved considerably in 2007. Sites received grants ranging from \$320 to \$3,518 to assist them in running the program. Given the number of grants and the relatively small amounts involved, the processes currently in place to assess and acquit the grants are overly complex and resource intensive. Improvements could be made by simplifying processes and assessing the merits of automating the grant application process.

The ASC is undertaking an evaluation project to determine the success of the program and the final report for Phase One (2004–2007) is expected to be finalised in late 2008. Phase Two will cover the period 2008 to 2010. The ANAO has highlighted a number of issues relating to the evaluation methodology and reporting the evaluation results. The ASC has advised that it will ensure that all relevant caveats and interpretation notes are included in the final report.<sup>1</sup>

## ANAO Recommendations

5.16 The ANAO made the following recommendations:

Table 1.1 ANAO Recommendations, Audit Report No. 12 2008-09

1.	To improve the management of quality standards for the Active After-school Communities program, the ANAO recommends that the Australian Sports Commission: <ul style="list-style-type: none"> <li>• develop and apply a minimum standard for training and criminal</li> </ul>
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1 Australian National Audit Office (ANAO) Audit Report No. 12, 2008-09, pp. 16-18.

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	<p>history checks, and</p> <ul style="list-style-type: none"> <li>• monitor the use of exemptions at the State and national levels.</li> </ul> <p><i>Australian Sports Commission response: Agreed.</i></p>
2.	<p>To determine whether the Active After-school Communities program database is meeting the program's current and future needs, the ANAO recommends that the Australian Sports Commission review the purpose and function of the database.</p> <p><i>Australian Sports Commission response: Agreed.</i></p>
3.	<p>To reduce the resources currently required to process grant applications for the Active After-school Communities program, the ANAO recommends that the Australian Sports Commission review and streamline existing processes and assess the merits of automating the grant application process.</p> <p><i>Australian Sports Commission response: Agreed.</i></p>
4.	<p>To improve the efficiency of acquitting the Active After-school Communities program's grants, the ANAO recommends that the Australian Sports Commission adopts a risk based approach that includes:</p> <ul style="list-style-type: none"> <li>• an assessment of the control environment for the program;</li> <li>• a sampling methodology for selecting grants; and</li> <li>• a process for analysing and communicating results.</li> </ul> <p><i>Australian Sports Commission response: Agreed.</i></p>

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## The Committee's review

5.17 The Committee held a public hearing on Monday 16 March 2009, with the following witnesses:

- Australian National Audit Office (ANAO); and
- Australian Sports Commission (ASC).

5.18 The Committee took evidence on the following issues:

- conducting the program;
  - ⇒ governance;
- child and community involvement;
- exemptions from criminal history checks; and
- program evaluation and finances.

## Conducting the program

5.19 The Committee noted the rapid roll out and popularity of the Active After-school Communities (AASC) program, and asked the Australian Sports Commission (ASC) about the distribution of sites taking part in the program. The ASC noted that there was unmet demand for the program, but that it had worked with several remote communities to bring together

a program that could be delivered under difficult circumstances. The program was currently being administered at 3,250 sites, or approximately one third of Australian primary schools.<sup>2</sup>

5.20 The Committee asked if the program was only conducted on primary school sites, with the ASC replying that Out of School Hours Care Services (OSHCS) also conducted the program in many cases.

5.21 Further, the ASC reported that there were approximately 600 schools and OSHCS waiting to take part in the program.<sup>3</sup> The Committee asked whether this number had increased or decreased over time, with the ASC replying that sites rotated on and off the list of sites selected to deliver the program.

### Governance

5.22 The Committee noted the ANAO finding that the governance structure for the program was insufficient, and asked what changes had been made in light of the report. The ASC reported that the Active After-School Communities Subcommittee had been reconstituted to provide oversight of the program, and that the Subcommittee had been given the target to operate the program in a certain number of sites, and to reach a specific number of children within the program's operating budget.<sup>4</sup>

### Child and community involvement

5.23 The Committee asked whether the number of children being retained in the program was being measured, with the ASC replying that it was unable to track child retention due to privacy concerns. However from a combination of research and anecdotal evidence suggests that 85 per cent of children indicated they wished to continue the program in the following term.<sup>5</sup> Further, the ASC advised they encouraged children taking part in the program to move into community sport<sup>6</sup>, and that more than 75 per cent of deliverers from the sporting community had reported

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2 Mr Espeland, Australian Sports Commission (ASC). Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Monday 16 March 2009, p. 3.

3 Ms Flanagan, ASC. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Monday 16 March 2009, p. 5.

4 Mr Espeland, ASC. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Monday 16 March 2009, p. 3.

5 Ms Flanagan, ASC. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Monday 16 March 2009, p. 3.

6 Ms Flanagan, ASC. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Monday 16 March 2009, p. 4.

increased numbers of children taking part in community sport as a result of the program.<sup>7</sup>

- 5.24 The Committee asked about the involvement of community sports clubs in the delivery of the program, with the ASC noting that there had been an increase in the participation of sporting clubs in the program over the last three years.<sup>8</sup>

### Exemptions from criminal history checks

- 5.25 The Committee expressed its concern at the ANAO finding that some providers had been given exemptions from criminal history checks. The ASC replied that it had since adopted a position in which there were no temporary exemptions granted, whether permitted by state legislation or not,<sup>9</sup> and that there were now no people working in the program with an exemption from a criminal history check.<sup>10</sup>

### Program evaluation and finances

- 5.26 The Committee inquired whether activity levels and the motor skills of children had been improved by the program. The ASC replied that according to its evaluation, more than 85 per cent of children involved in the program were previously considered inactive,<sup>11</sup> and that motor skills were not currently being measured due to a lack of resources.<sup>12</sup>
- 5.27 The Committee notes that the development of motor skills is a key factor in developing a longer term interest and sport and physical activity. The Committee is concerned that while the development of motor skills is a clear program objective, there is currently no mechanism in place to measure whether or not this objective is being met. Accordingly, the Committee recommends:

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7 Mr Espeland, ASC. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Monday 16 March 2009, p. 4.

8 Mr Espeland, ASC. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Monday 16 March 2009, p. 6.

9 Mr Espeland, ASC. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Monday 16 March 2009, p. 5.

10 Mr Espeland, ASC. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Monday 16 March 2009, p. 6.

11 Mr Espeland, ASC. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Monday 16 March 2009, p. 4.

12 Ms Flanagan, ASC. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Monday 16 March 2009, p. 7.



## Recommendation 4

**The Committee recommends that the Australian Sports Commission determine ways in which to measure the development of motor skills of children participating in the Active After-school Communities Program, and that it seeks to have funding for the measurement of motor skills included in its next funding bid.**

- 5.28 The Committee noted the complicated grant application and acquittal process, with the ASC noting they had reduced the administrative burden on both ASC staff as well as schools and OSHCS, and that an automated grants system was being examined.<sup>13</sup>
- 5.29 The Committee looked at monitoring and evaluation of the program, and encouraged ASC to improve the ways in which the success of the program was measured. The ASC noted that it was looking at a new evaluation plan, subject to its resources<sup>14</sup>, but that it was possible given current resourcing levels to set and report on targets more fully.<sup>15</sup>

## Conclusion

- 5.30 The Committee is greatly encouraged by the ASC's rapid development of the program, and is pleased to see how much the program has matured since its inception.
- 5.31 It is glad to see the ASC has addressed the governance issues raised in the audit, and it hopes the new structure and the development of clear goals and targets will enable the ASC to further enhance the program.
- 5.32 The Committee was greatly concerned that many program deliverers had been given exemptions from undergoing a criminal history check, but concludes that the ASC has taken the recommendations from the ANAO seriously in fully addressing this issue.
- 5.33 Further, the Committee notes the focus on increasing physical activity amongst primary school aged children, and urges the ASC to continue to

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13 Ms Flanagan, ASC. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Monday 16 March 2009, p. 13.

14 Mr Espeland, ASC. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Monday 16 March 2009, p. 12.

15 Ms Flanagan, ASC. Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Monday 16 March 2009, p. 12.

promote physical fitness and activity amongst children, rather than promoting an 'ideal' body type.

- 5.34 Finally, the Committee believes the adoption of its recommendation relating to measuring the development of the motor skills of program participants would enable the ASC to better determine whether or not the program is achieving its objectives. By measuring the performance of the program against this objective, an already successful program would be further strengthened.

## Audit Report No. 17 2008-2009

# Administration of Job Network Outcome Payments

## Background

- 6.1 In May 1998, the Government replaced the Commonwealth Employment Service with the Job Network Program, which is now managed by the Department of Education, Employment and Workplace Relations (DEEWR).
- 6.2 Under the Job Network Program, DEEWR does not provide employment services directly to job seekers. Rather, it purchases the provision of services to job seekers from a national network of government and non-government organisations. These are:
- Centrelink, the Australian Government organisation responsible for administering social security entitlements. DEEWR pays Centrelink for services it delivers to job seekers under a Business Partnership Agreement. Centrelink provides services to job seekers, including assessing job seekers' relative labour market disadvantage and referring job seekers to Job Network Members (JNMs); and
  - JNMs, which comprise not-for-profit and commercial organisations that have been contracted by DEEWR to help eligible job seekers gain employment. There are currently some 100 JNMs operating at approximately 1,150 locations throughout Australia. Under

Employment Services Contracts (ESC), DEEWR paid JNMs \$1,030 million in 2007–08 to deliver Job Network services.

## The Active Participation Model

- 6.3 The Job Network Program is in its eleventh year of operation and is currently based on the Employment Services Contract 2006–2009 (ESC 2006–2009). The ESC 2006–2009 gives effect to the Active Participation Model (APM) which was designed to simplify access to services for job seekers and to link services provided by Centrelink, JNMs and related service providers.
- 6.4 Under the APM, job seekers remain continuously engaged in employment assistance until they find suitable employment or undertake a qualifying education course. After three months, most job seekers who remain unemployed receive specialised one-on-one assistance from a JNM. This assistance, referred to as Intensive Support, starts with job search training. Job seekers who remain in a position of being unable to find work after six months of unemployment move into a period of mutual obligation, involving participation in *Work for the Dole* or other programs, and then move onto customised assistance involving a more intensive form of personalised assistance to disadvantaged job seekers.
- 6.5 The services provided by JNMs and the mutual obligation activities form a continuum of service which increases with intensity the longer a job seeker remains unemployed.

## Job Network Program payments

- 6.6 Under Job Network, a JNM can receive four major types of payment or reimbursement:
- job placements – fees paid to a JNM when a job seeker secures ongoing sustainable employment through a job placement organisation such as a JNM;
  - jobseeker account – reimbursement of costs associated with assisting a registered job seeker to obtain sustainable employment;
  - service fees – payments made to JNMs for specific services delivered to individual job seekers including: commencement of Intensive Support job search training (ISjst); commencement of both the first and second periods of Intensive Support customised assistance (ISca); and a set fee called the Quarterly Service Fee; and

- outcome payments – payment made when a job seeker achieves an employment or education outcome.

## Outcome Payments

- 6.7 DEEWR pays JNMs an outcome payment when a job seeker allocated to them achieves an employment or education outcome that meets the contractual requirements as detailed in the department's Employment Services Contract (ESC) 2006–2009.
- 6.8 Where a JNM actively matches a job seeker to a vacancy, DEEWR characterises this as a positive outcome. After the job seeker has remained in continuous employment or a qualifying education course for a set period and satisfied their participation requirements or reduced their reliance on income support, DEEWR pays the JNM an outcome payment for the placement. An interim outcome payment is paid to the JNM after the job seeker has been in continuous employment for 13 weeks or has undertaken a qualifying education course for one semester. A final outcome payment is paid after 26 weeks continuous employment or two semesters of a qualifying education course.
- 6.9 Outcome payments form a large proportion of the expenditure made as part of the Job Network Program. In 2007–08, DEEWR paid approximately \$386 million to JNMs for outcome payments out of a total program expenditure of \$1,030 million.
- 6.10 The amount DEEWR pays an individual JNM for assisting a job seeker into employment or qualifying education course is determined by the length of time the job seeker has been unemployed and the job seeker's level of disadvantage.
- 6.11 DEEWR uses four different periods of unemployment when paying an outcome payment. The first commences after a job seeker has been unemployed for three months and has commenced receiving Intensive Support services. The four periods are: four months to 12 months; 13 months to 24 months; 25 months to 36 months; and registered for 37 months or longer.
- 6.12 The purpose of dividing the outcome payments into the different periods is to encourage and reward JNMs for achieving sustainable employment or education outcomes for the longer term unemployed and those job seekers considered to be Highly Disadvantaged, rather than focusing the majority of their efforts on the shorter term unemployed, who have a better chance of gaining employment.

## The audit

### Audit Objectives

- 6.13 The objective of the audit was to assess the effectiveness of DEEWR's administration of Job Network outcome payments. The ANAO examined DEEWR's arrangements to:
- specify Intensive Support outcome payments, the purpose of the payments and how JNMs can access/claim the payments;
  - provide assurance that outcome payments are made in accordance with contractual obligations, and that JNMs who are entitled to receive Intensive Support outcome payments do so; and
  - obtain adequate assurance that Intensive Support outcome payments are achieving their stated purpose.
- 6.14 The audit covered outcome payments associated with Intensive Support services delivered under the ESC 2006–2009 for eligible job seekers. The audit did not include outcome payments relating to Australian pensioners or payments relating to Community Development Employment Projects (CDEP) participants.

### Audit Conclusions

- 6.15 The audit report made the following conclusion:

The Job Network is the principal labour market program administered by DEEWR. Outcome payments are made to JNMs when a registered job seeker obtains sustainable employment or completes an approved education course. In 2007–08, outcome payments represented 38 per cent of total payments to JNMs.

The Job Network is in its eleventh year of operation and DEEWR administers this mature program effectively. In doing so, the department has adopted a successful approach to specifying, paying and monitoring outcome payments.

DEEWR pays JNMs an outcome payment when a job seeker allocated to them achieves an employment or education outcome that meets the contractual requirements as detailed in the department's ESC 2006–2009. The outcomes that JNMs are contracted to provide to job seekers are appropriately specified in

ESC 2006–2009 and these requirements are translated into clear guidance material.

Overall, the controls used by DEEWR to administer outcome payments are effective. These controls are reflected in: the functionality of DEEWR's IT system, Employment Assistant 3000 (EA3000); data from Centrelink based on the information that job seekers provide in their fortnightly Application for Payment Form; JNMs certifying that they have the evidence to substantiate their outcome claims; and the department's contract monitoring activities to oversight contractual compliance by JNMs. These controls provide sufficient assurance that outcome payment amounts are made in accordance with contractual obligations and that actual outcome payments made to JNMs are based on a job seeker being placed in continuous employment for 13 or 26 weeks or undertaking a qualifying education course for one or two semesters.

An area that could be strengthened by DEEWR is the clarity of Job Network performance information provided to external stakeholders. A key feature in the management of the Job Network has been an increasing emphasis on paying for outcomes (placements) rather than paying for services (process). Internally, DEEWR monitors Job Network expenditure outcome payments and service fees separately. For external reports, including Portfolio Budget Statements and Annual Reports, DEEWR reports its annual aggregated expenditure on the Job Network. In this regard, DEEWR could strengthen its reporting of Job Network performance. This could be achieved through publishing sufficiently disaggregated and appropriately disclosed Job Network financial and performance information in the department's Portfolio Budget Statements and Annual Reports.<sup>1</sup>

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1 Australian National Audit Office (ANAO) Audit Report No. 17, 2008-09, pp. 15-16.

## ANAO Recommendation

6.16 The ANAO made the following recommendation:

Table 1.1 ANAO Recommendations, Audit Report No. 17 2008-09

1.	<p>To improve external understanding of the efficiency and cost effectiveness of the Job Network, the ANAO recommends that DEEWR includes in its Annual Reports:</p> <ul style="list-style-type: none"> <li>a) disaggregated financial data on Job Network expenditure including outcome payments and service fees; and</li> <li>b) a brief overview of the methodology used by the department to calculate cost per employment outcome.</li> </ul> <p><i>DEEWR response: Agreed</i></p>
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## The Committee's review

6.17 The Committee held a public hearing on Wednesday 18 March 2009, with the following witnesses:

- Australian National Audit Office (ANAO); and
- Department of Education, Employment, and Workplace Relations (DEEWR).

6.18 The Committee took evidence on the following issues:

- collection of job seeker information;
- disaggregation of financial data; and
- special claims processing.

## Collection of job seeker information

6.19 The ANAO identified that JNMs were required to collect information from job seekers about the hours worked and pay received that the job seeker had already provided to Centrelink on SU19 forms. The JNMs are unable to compel job seekers to provide this information and have resorted to offering incentives to encourage cooperation.

6.20 DEEWR informed the Committee that DEEWR and Centrelink are exploring ways to ensure that information is collected only once and these changes will be implemented under the new Employment Services Contract to decrease the administrative burden on JNMs. These changes are due to be introduced with the new Employment Services Contract on 1 July 2009.



## Disaggregation of financial data

6.21 The ANAO reported that DEEWR reported outcome payments and service fees as a single expenditure. This does not allow external stakeholders to identify the contributions that outcome payments and services made to the Job Network expenditure. The ANAO recommended that these figures be reported separately. A similar recommendation was made in the ANAO Audit Report No.6, 2005-06, *Implementation of Job Network Employment Service Contract 3*. The department, at the time the Department of Employment and Workplace Relations (DEWR), disagreed with the recommendation stating:

Job Network is a single programme and is reported as a single programme in accordance with government policy. DEWR will give consideration to additional explanatory information, where appropriate, as part of the normal process of reviewing the presentation of its Annual Report and other information publications.<sup>2</sup>

6.22 DEEWR's response to the recent ANAO Audit Report stated that they accept 'the recommendation on further opportunities to improve external understanding of the efficiency and cost effectiveness of the Job Network.'<sup>3</sup> With a new employment service having been announced to commence 1 July 2009, a new Employment Services Contract will be implemented superseding the Job Network Outcome Payments. DEEWR's response to the Audit Report stated that the recommendation will be addressed in determining reporting arrangements for the new Job Services Contract. A previous Joint Committee on Public Accounts and Audit report recommended that 'DEEWR provide a breakdown of estimates and actual expenditure on service fees and outcome fees for the Job Network programme in its annual report.'<sup>4</sup>

6.23 DEEWR informed the Committee at the hearing that the Government is considering the ANAO's recommendation and that a final decision had not been made.

6.24 The Committee is still concerned that interested parties are unable to assess the success of DEEWR in meeting key objectives or determine the contributions outcome payments and service fees make to the Job

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2 ANAO Audit Report No. 6, 2005-06, *Implementation of Job Network Employment Service Contract 3*, p. 69.

3 ANAO Audit Report No.17, 2008-09, *Administration of Job Network outcome payments*, p. 95.

4 Joint Committee of Public Accounts and Audit, *Report 412 - Audit reports reviewed during the 41<sup>st</sup> Parliament*, August 2008, p. 35.

Network expenditure. Also, any trends that reflect DEEWR's success in making the program outcome focused can not be determined according to the ANAO. Both the ANAO in its report and DEEWR in giving evidence to the Committee stated that DEEWR already has the systems to produce the requested information.

### **Recommendation 5**

**The Committee recommends that the Department of Education, Employment and Workplace Relations provide disaggregated financial data on the estimated and actual expenditure on outcome payments and service fees paid for the Job Network program in its annual reports.**

#### **Special claims processing**

- 6.25 The Audit Report highlighted a special claims process used when JNMs are unable to use the normal auto-claim process to achieve an acceptable result. The special claims process involves the use of a system override module which turns off business controls. The claim is submitted by the JNM and then processed by a DEEWR contract manager. The majority of special claims concern outcome payments for non-activity tested job seekers such as apprentices. Special claims represent about 8 per cent of all outcome claims at present.
- 6.26 DEEWR assured the Committee that:
- ... in the new employment services that will start from 1 July, we have done additional work to reduce the number of instances in which there is a need for special arrangements or special claims process.<sup>5</sup>
- 6.27 DEEWR estimates that 75 per cent of the 8 per cent of claims that previously needed to be handled as special claims can now be handled online due to additional reconciliation processes in place. This increase in automation allows JNMs more time to service their job seekers.

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5 Ms Caldwell, Department of Education, Employment and Workplace Relations (DEEWR). Committee Hansard, Joint Committee of Public Accounts and Audit, Review of Auditor-General's reports Nos 3 to 17 (2008-09), Wednesday 18 March 2009, p. 16.

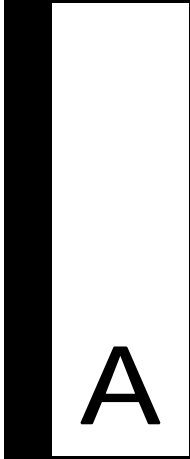
## Conclusion

- 6.28 The Committee is pleased to see DEEWR addressing some of the issues identified in the Audit Report in preparing for the new Employment Services Contract. Changes that reduce the burden placed on JNMs and allow them more time to place job seekers in work supports the very purpose of this program.
- 6.29 The Committee is of the opinion that full implementation of its recommendation and the recommendation made in the Audit Report would provide external stakeholders with the ability to determine the contribution outcome payments and services fees had on the Job Network expenditure, and allow for trend analysis to determine DEEWR's success in making the program outcome focused.

Sharon Grierson MP

Committee Chair





## Appendix A – Conduct of the Committee’s review

### **Selection of Audit Reports 2008-09**

The Committee considered the following Audit Reports which were tabled in Parliament in the period from 23 September 2008 to 28 January 2009:

- No. 3 2008-09, *Establishment and Management of the Communications Fund*;
- No. 4 2008-09, *The Business Partnership Agreement between the Department of Education, Employment and Workplace Relations (DEEWR) and Centrelink*;
- No. 5 2008-09, *The Senate Order for Departmental and Agency Contracts (Calendar Year 2007 Compliance)*;
- No. 6 2008-09, *Illegal, Unreported and Unregulated Fishing in the Southern Ocean*;
- No. 7 2008-09, *Centrelink’s Tip-off System*;
- No. 8 2008-09, *National Marine Unit*;
- No. 9 2008-09, *Defence Materiel Organisation – Major Projects Report 2007-08*;
- No. 10 2008-09, *Administration of the Textile, Clothing and Footwear Post-2005 (SIP) Scheme*;
- No. 11 2008-09, *Disability Employment Services*;
- No. 12 2008-09, *Active After-school Communities Program*;

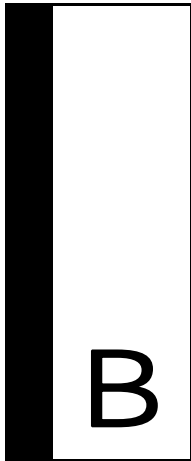
- No. 13 2008-09, *Government Agencies' Management of their Websites*;
- No. 14 2008-09, *Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2008*;
- No. 15 2008-09, *The Australian Institute of Marine Science's Management of its Co-investment Research Program*;
- No. 16 2008-09, *The Australian Taxation Office's Administration of Business Continuity Management*; and
- No. 17 2008-09, *Administration of Job Network Outcome Payments*.

The JCPAA discussed the above audit reports and considered whether the issues and findings in the reports warranted further examination at a public hearing. In making this assessment the Committee considered, in relation to each audit report:

- the significance of the program or issues canvassed in the audit report;
- the significance of the audit findings;
- the response of the audited agencies, as detailed in each audit report; and
- the extent of any public interest in the audit report.

The Committee selected the following reports for review:

- Audit Report No. 4 2008-09, *The Business Partnership Agreement between the Department of Education, Employment and Workplace Relations (DEEWR) and Centrelink*;
- Audit Report No. 7 2008-09, *Centrelink's Tip-off System*;
- Audit Report No. 11 2008-09, *Disability Employment Services*;
- Audit Report No. 12 2008-09, *Active After-school Communities Program*; and
- Audit Report No. 17 2008-09, *Administration of Job Network Outcome Payments*.

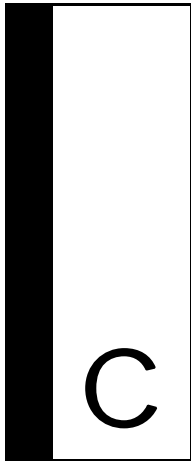


## Appendix B – List of Submissions

- 1 Australian National Audit Office
- 2 Australian National Audit Office
- 3 Australian National Audit Office
- 4 Australian National Audit Office
- 5 Department of Education, Employment and Workplace Relations
- 6 Australian National Audit Office
- 7 Australian Sports Commission
- 8 Department of Education, Employment and Workplace Relations
- 9 Department of Education, Employment and Workplace Relations
- 10 Department of Human Services
- 11 Department of Education, Employment and Workplace Relations







## Appendix C – Witnesses Appearing at Public Hearings

**Monday 16 March 2009**

### **Australian National Audit Office**

Mr M Cahill, Group Executive Director, Performance Audit Services Group

Ms B Cass, Executive Director, Performance Audit Services Group

Ms A Geue, Audit Manager

Ms D Hanson, Audit Manager

Mr S Lack, Executive Director

Mr N Williamson, Executive Director

### **Australian Sports Commission**

Mr B Espeland, Acting Chief Executive Officer

Ms J Flanagan, Director, Community Sport

### **Centrelink**

Ms A Andruska, Deputy Chief Executive Officer

Mr T Burgess, Chief Financial Officer

Mr P Cotterill, National Manager, Business Integrity Performance

Ms N Howson, General Manager

Mr J Ryman, Business Manager, Intelligence Team

Mr M Withnell, General Manager, Business Integrity Division

**Department of Education, Employment and Workplace Relations**

Ms M Golightly, Deputy Secretary, Employment

Ms M Milliken, Group Manager

**Wednesday 18 March 2009**

**Australian National Audit Office**

Mr M Cahill, Group Executive Director, Performance Audit Services  
Group

Mr K Jorgensen, Audit Manager

Mr S Lack, Executive Director

Ms S Sheridan, Audit Manager

Mr N Williamson, Executive Director

**Department of Education, Employment and Workplace Relations**

Ms J Caldwell, Group Manager, General Employment Services Group

Ms M Golightly, Deputy Secretary, Employment

Mr S Matheson, Assistant Secretary, Research Branch

Ms S Stuart, Branch Manager, Disability Employment Services

Mr T Waslin, Group Manager, Specialist Employment Services Group

**Department of Families, Housing, Community Services and Indigenous Affairs**

Mr A Bartolo, Section Manager, Participation Program Management

Ms C Bruce, Branch Manager, Disability Participation and Reform  
Branch