

The Auditor-General
Audit Report No.44 1999–2000
Performance Audit

Management of Job Network Contracts

**Department of Employment, Workplace Relations
and Small Business**

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Canberra ACT
16 May 2000

Dear Madam President
Dear Mr Speaker

The Australian National Audit Office has undertaken a performance audit in the Department of Employment, Workplace Relations and Small Business, in accordance with the authority contained in the *Auditor-General Act 1997*. I present this report of this audit, and the accompanying brochure, to the Parliament. The report is titled *Management of Job Network Contracts*.

Following its tabling in Parliament, the report will be placed on the Australian National Audit Office's Homepage—
<http://www.anao.gov.au>.

Yours sincerely



P. J. Barrett
Auditor-General

The Honourable the President of the Senate
The Honourable the Speaker of the House of Representatives
Parliament House
Canberra ACT

AUDITING FOR AUSTRALIA

The Auditor-General is head of the Australian National Audit Office. The ANAO assists the Auditor-General to carry out his duties under the *Auditor-General Act 1997* to undertake performance audits and financial statement audits of Commonwealth public sector bodies and to provide independent reports and advice for the Parliament, the Government and the community. The aim is to improve Commonwealth public sector administration and accountability.

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Contents

Abbreviations/Glossary	7
Summary and Recommendations	
Audit Summary	11
The Job Network and contractual arrangements	11
Audit objective, scope and focus	13
Overall conclusion	14
DEWRSB response	16
Key Findings	17
Communication	17
Contract management support and oversight of contract requirements	17
Management of contract variations	18
Resource planning and priorities	18
Management of client flow	18
IT Systems—security and privacy	19
Performance information and value-for-money	19
Recommendations	21
Audit Findings and Conclusions	
1. The Job Network	27
Introduction	27
Departmental role	27
Job Network services	28
Centrelink role	29
Job Network expenditure	30
The contract	30
Changes to the contract and related matters	31
Job Network members that have ceased providing services	31
The second Job Network contracts and transition arrangements	31
Audit objective	32
Scope and focus	33
Methodology	33
Criteria	34
Previous review	34
The report	34
2. Communication	36
Introduction	36
Communication arrangements within government	36
Communication with Job Network providers	36
Conclusion	40

3.	Contract Management Support and Oversight of Contract Requirements	41
	Introduction	41
	Guidance material	41
	Monitoring	43
	Complaints	48
	National compliance program	48
	Training	49
	Conclusion	51
4.	Management of Contract Variations	52
	Introduction	52
	General contract variations	53
	Individual contract variations	53
	Conclusion	57
5.	Resource Planning and Priorities	58
	Introduction	58
	Arrangements with State Offices	58
	Information on resource deployment by State and District Offices	60
	Conclusion	62
6.	Management of Client Flow	64
	Introduction	64
	Job Seeker Classification Instrument	64
	Intensive Assistance	68
	Job Search Training	69
	Conclusion	72
7.	IT Systems—Security and Privacy	74
	Introduction	74
	IES security	74
	Job Network Contract data input	78
	Consistency of data between the IES and Centrelink systems	79
	Conclusion	80
8.	Performance Information and Value-for-money	81
	Performance information	81
	Job Network evaluation	85
	Value-for-money	85
	Conclusion	88
	Appendices	
	Appendix 1: Payment arrangements	91
	Appendix 2: Changes to the contract and related matters	92
	Index	94
	Series Titles	96
	Better Practice Guides	100

Abbreviations/Glossary

ANAO	Australian National Audit Office
Centrelink	Commonwealth Services Delivery Agency, an independent statutory authority in the Social Security portfolio with responsibility for the integrated service delivery of Commonwealth social welfare payments and services under purchaser/provider agreements
CES	Commonwealth Employment Service
CMIS	Corporate Management Information System
DETYA	Department of Education, Training and Youth Affairs
DEWRSB	Department of Employment, Workplace Relations and Small Business
EAA	Employment Assistance Australia
ELTSS	Entry Level Training Support Services, a service aimed at streamlining services to employers, apprentices and trainees
ESMG	Employment Services Market Group
GCV	General Contract Variation
IA	Intensive Assistance
IES	Integrated Employment System (DEWRSB's mainframe application system that is used to support the operation of the new employment arrangements)
JNIS	Job Network Information System
JNM	Job Network Member
JSCI	Job Seeker Classification Instrument (identifies job seekers most in need of Intensive Assistance and classifies them into appropriate funding levels)
JST	Job Search Training
KPIs	Key Performance Indicators
MDF	Market Development Funding
MIG	Members Information Guide
NACs	New Apprenticeship Centres

NEIS	New Enterprise Incentive Scheme, a service aimed at helping eligible unemployed people establish and run a viable small business
NESA	National Employment Services Association
NITCSC	National IT Computer Support Centre
PIR	Post Implementation Review
RFT	Request For Tender
SLA	Service Level Agreement

Summary and Recommendations

Audit Summary

The Job Network and contractual arrangements

1. On 1 May 1998 the Government introduced the Job Network that replaced the 50 year old public employment services provider, the Commonwealth Employment Service (CES), its case management arm (Employment Services Australia), and most labour market programs. Under the first round of Job Network contracts there was a national network of around 300 private, community and government provider organisations. The first contract with providers concluded on 27 February 2000. A tender assessment for a second round of contracts was held in 1999, with conditional offers being announced on 3 December 1999 for 205 tenderers. The second contract began on 28 February 2000 and will run for three years.

2. The Australian National Audit Office (ANAO) examined the management of the first round of Job Network contracts. While the management of the second round of Job Network was outside the scope of this audit, the ANAO's investigations and recommendations assisted the development of the second round contracts.

3. Job Network members specialise in finding jobs for unemployed people, particularly those who are long term unemployed. The services that Job Network members undertake depends on what they are contracted to provide. The services that the audit focused on are:

- Job Matching (Flex 1)—gathering employers' vacancies and matching unemployed people to these jobs;
- Job Search Training (Flex 2)—training and job search techniques (for example, resumes, interview techniques, presentation) to prepare unemployed people to apply for jobs and give them the skills and confidence to perform well when speaking to employers; and
- Intensive Assistance (Flex 3)—individually tailored help for long term unemployed and other disadvantaged job seekers to address any employment barriers and place them in jobs.

4. Other services provided under the first Job Network contract were New Apprenticeship Centres (NACs), the New Enterprise Incentive Scheme (NEIS) and Project Contracting (labour for harvesting crops).

5. The Department of Employment, Workplace Relations and Small Business (DEWRSB) manages the contracts with Job Network members. The employment services area of DEWRSB was part of the former Department of Employment, Education, Training and Youth Affairs (DEETYA) until October 1998. Overall responsibility for the management of contracts lies with the Employment Services Market Group (ESMG) in DEWRSB's national office and staff in the Department's state and district offices. ESGM also has responsibility for related policy development. The state and district offices play a key role in undertaking day-to-day contact with providers, contract administration, monitoring of contracts, operating Integrated Employment System (IES) help desks, the complaints facility, payments administration as well as fraud and compliance matters.

6. The initial point of contact for a job seeker with the Job Network is Centrelink. Centrelink provides information to job seekers and registers, interviews and assesses them for the different levels of assistance. The IES is used to undertake classification and referral of job seekers to Job Network members.

7. For Job Matching and Intensive Assistance the payments made are based on the providers achieving particular outcomes for job seekers. The payments for Job Matching and Job Search Training were set competitively in the tendering process, with fixed payments applying to Intensive Assistance. Total program expenditure by the Commonwealth on the Job Network in 1998–99 was \$693.7 million.

8. During the operation of the first round of contracts, changes were made to the contract to ensure that the Job Network members remained viable and the Government was able to achieve its objectives for the Network. In the period that the ANAO examined, there were five general contract variations. The most significant changes related to Job Matching, with eligibility being expanded to include people not in receipt of income support and payments to providers being increased above the level at which tenders had originally been made. Up until 22 October 1999, 18 Job Network members ceased to provide services under the contractual arrangements with DEWRSB. The majority of these involved sites providing Job Matching and Job Search Training services.

9. The audit did not examine the tender processes for the second round of Job Network contracts. ANAO Audit Report No.7 (1998–1999), *Management of the Implementation of the New Employment Services Market*, focused on the development and implementation of the new employment services market, including the tender arrangements for the first round of contracts. That report foreshadowed this audit of the management of Job Network contracts.

10. Offers for the second round of contracts were made to about 200 providers, which is considerably less than the number of organisations with contracts under the first round. It is expected that the number of Job Network sites under the second contract will, with these offers, increase by approximately 50 per cent compared with the first round. DEWRSB issued a proposed contract variation to 125 existing providers in January 2000 to facilitate the transition process in relation to Intensive Assistance job seekers. The change between contract periods for Job Matching and Job Search Training services was relatively more straightforward. Management of the transition to the new contracts was not examined in detail by the ANAO.

11. The ANAO briefed the Department on audit findings throughout the audit with a view to providing feedback prior to the commencement of the management of the second round of contracts.

Audit objective, scope and focus

12. The objective of the audit was to examine the efficiency and effectiveness of DEWRSB's management of the first round of employment services contracts. A key part of this examination was to assess the level of confidence that the Department had that the program was meeting government objectives based on performance and management information.

13. The ANAO assessed the efficiency and effectiveness of the management of employment services contracts in the following areas:

- value for money from the new arrangements, bearing in mind the government's objectives, in terms of expected employment outcomes, and the resources applied to introduce the new arrangements;
- the arrangements for monitoring the performance of employment services providers in delivering contracted services;
- the arrangements for monitoring the compliance of Job Network members with contractual obligations, including monitoring visits, processes to identify and investigate Job Network Code of Conduct issues and compliance and fraud control projects relating to the Job Network;
- contract management arrangements, including the management of contract variations and the mechanisms for referring and adjusting the flow of job seekers to Job Network members to assist in meeting market demand and contracted capacity;

- mechanisms in place in DEWRSB to support effective contract management, including guidelines, training and internal and external communication arrangements; and
- the access, security and privacy controls put in place by DEWRSB to manage Job Network member access to, and use of, relevant IT systems in the operation of the Job Network.

14. The ANAO examined contract management at the National and State/District Office levels of DEWRSB, but did not examine documentation at employment service providers. High level feedback on the Department's contract management, from the perspective of Job Network members, was obtained through discussions with industry associations and Employment National.

Overall conclusion

15. The ANAO concluded that the Department managed the first round of Job Network contracts in an efficient and effective manner, bearing in mind that the Job Network is a completely new structure for the delivery of employment services. Nevertheless, the ANAO considers that the Department can improve its management of contracts in certain areas.

16. Communication with provider representatives and Centrelink on strategic, higher level issues is one area where improvements can be made. These groups had not been brought together on a regular basis to consider proposed changes to the management of the Job Network, nor how to approach significant issues confronting the Job Network.

17. The ANAO concluded that the contract management arrangements and guidance material put in place by the Department during the first stage of the Job Network were satisfactory. However, the efficiency and effectiveness of the process for monitoring the compliance of providers with the contract would be improved through directing resources towards 'higher risk' providers or sites, as part of an effective risk management approach. The monitoring process would also be strengthened by producing written summaries of monitoring visits, and through establishing a quality assurance system for monitoring visits.

18. Given the important role that the State and District Offices play in the day-to-day management of Job Network contracts, the ANAO concluded that there should be a framework for resource planning for Job Network functions in those offices that reflects the Department's overall priorities. Resource allocation data is required for the activities undertaken by State and District Office staff to aid development of more efficient contract management approaches.

19. The ANAO concluded that the Intensive Assistance referral process is sound. Referral mechanisms for Job Search Training (JST) are, however, not working satisfactorily. It has been very difficult for Job Network members to maintain a viable level of Job Search Training commencements from referrals based on a mail out using Integrated Employment System (IES) data. The mail out referral process that has been introduced has exacerbated administrative difficulties and created inefficiencies for providers rather than reducing them. The Department should consider a wide range of possible solutions to this problem and do so in an open and consultative manner with both Centrelink and provider representatives.

20. The Department has a generally sound framework for Job Network systems security. However, the reliability and consistency of the IES security framework would be improved through better documentation of security controls and tighter monitoring of changes to user access. The ANAO also proposes a preventative mechanism be implemented to focus on identifying inappropriate access to data that may be considered private or commercially sensitive.

21. The ANAO concluded that the Department's performance information framework was satisfactory. An appropriate range of indicators has been established, and in most cases the performance information reasonably links the objectives and strategies in the business plan.

22. The ANAO notes that there are a number of difficulties in comparing employment services assistance under the Job Network with that provided under previous arrangements. Nevertheless, comparisons that the ANAO was able to make during the audit indicated that, in broad terms, the Job Network affords better value for money than previous employment assistance arrangements. Job Search Training provides similar employment outcomes to an earlier comparable program, but at a much reduced cost per outcome. Intensive Assistance is providing similar employment outcomes at a comparable cost per outcome to previous arrangements, but is targeting clients from more disadvantaged groups. The Department plans to undertake a full evaluation of the effectiveness of the Job Network in improving the employment prospects of job seekers on a sustainable basis, the results of which are expected to be available in December 2001.

DEWRSB response

23. The recommendations of this performance audit are agreed by the Department. The Department notes that this audit was conducted in an environment of substantial change, both for the Department in its role of purchaser of employment services and for the employment services market as a whole. Given the extent of the changes implemented, the Department particularly welcomes the performance audit conclusion that *'the Department managed the first round of Job Network contracts in an efficient and effective manner'*.

24. The Department would highlight that many of the recommendations have already been implemented as Job Network has matured and based on the Department's experiences in managing the market.

Key Findings

Communication

25. The ANAO found that communication within the Department, and between the Department and the Privacy Commissioner, operates effectively. However, there was no ongoing communication between the Department, provider representatives and Centrelink on strategic, management issues. Representatives of providers considered that the Department had accomplished a major achievement with the establishment of the Job Network, but all those spoken to had concerns to raise regarding the ongoing management of the Job Network.

26. The ANAO recommends that consideration be given to establishing a senior grouping that brings together representatives of employment service providers, Centrelink and the Department to meet on a regular basis to discuss strategic and operational matters, including changes to the design of the Job Network and management issues.

Contract management support and oversight of contract requirements

27. The ANAO found that the guidance material produced for use by DEWRSB staff during the first stage of the Job Network was appropriate. The ANAO supports the Department's move to apply a principles based approach to future guidance material and recommends that training include the practical application of risk based principles related to contract management and monitoring.

28. The ANAO found that the monitoring work carried out by the Department was adequate given the nature of the contracts. However, the first monitoring visits for some sites were conducted up to six months later than originally scheduled and there were weaknesses in the monitoring processes followed. The monitoring process and the quality of outcomes achieved as a result of monitoring would be significantly improved by:

- directing the resources available for monitoring more towards the 'higher risk' providers and sites;
- producing a brief written summary of monitoring visits, including issues to be followed-up on; and
- initiating an internal quality assurance and review system.

29. The ANAO found that complaints information is being effectively applied to enhance the monitoring of employment services contracts and that the national compliance program was generally effective in helping detect over claiming in the initial operation of the Job Network.

Management of contract variations

30. The ANAO found that the arrangements for each of the five general contract variations undertaken were satisfactory. The general contract variation process should be made more efficient through the introduction of the Department's Job Network Information System (JNIS).

31. The arrangements for individual contract variations were found to be consistent, fair and equitable. However, issues of timeliness and levels of decision-making need to be addressed as part of further streamlining and clarification of the process.

Resource planning and priorities

32. The ANAO found that there was no resource planning framework in place under which Employment Services Market Group priorities were reflected in State Office resource allocations. The ANAO recommends that the Department establish a suitable framework for resource planning for Job Network functions that allows Employment Services Market Group priorities to be reflected in resource allocations.

33. The ANAO also found that little data was gathered and analysed on activities undertaken by State and District office staff. Such information would help determine what matters are driving resource usage and contract processes which could aid development of more efficient and effective contract management approaches.

Management of client flow

34. The ANAO found that, overall, the Job Seeker Classification Instrument (JSCI) is proving to be a satisfactory tool as part of the task of scoring job seekers according to the level of difficulty they have in finding employment. The ANAO also found that the processes used in JSCI bandwidth reviews are appropriate and that a consistent methodology had been used to determine the bandwidths. The Department should, however, consider introducing a cost effective systems-based model to assist in the review of JSCI bandwidths. Such a model would facilitate more frequent review of bandwidths and enable the Department to test whether assumptions made as part of the bandwidth setting have proved accurate.

35. The Intensive Assistance (IA) referral process has been refined over the period of the first contract. The ANAO found that it is providing a satisfactory flow of job seekers to IA providers. On the other hand, the ANAO found that successful commencements for Job Search Training (JST) are less than 20 per cent of referrals. This makes it difficult for Job Network members to obtain sufficient numbers of job seekers to make JST courses viable. The automated mail out referral process that has been introduced has exacerbated administrative difficulties and created inefficiencies for providers rather than reducing them.

IT Systems—security and privacy

36. The ANAO found that the Department has a generally sound framework for Job Network systems security. However, the application security for IES was relatively fragmented and the documentation of these processes did not effectively link, or adequately describe, the security mechanisms in operation. The ANAO also found that all Job Network systems had transaction and access logs in operation, but that there were very few preventative or regular monitoring and review processes. The reliability and consistency of the IES security framework would be improved through better documentation of security controls and tighter monitoring of changes to user access. The ANAO also proposes a preventative mechanism be implemented to focus on identifying inappropriate access to data that may be considered private or commercially sensitive.

Performance information and value-for-money

37. The ANAO found that the Department has a satisfactory performance information framework. Particular observations supporting this view were as follows:

- in most cases, the performance information reasonably links the objectives and strategies in the business plan;
- there were an appropriate range of indicators to provide a balanced perspective of the Job Network; and
- suitable targets had been set and managers and stakeholders are made aware of results through a comprehensive range of well presented, timely reports.

38. The ANAO found that the Department's evaluation framework for the Job Network is sound and that the early release of interim discussion papers on important evaluation issues is a better practice.

39. The ANAO notes that there are a number of difficulties in comparing employment services assistance under the Job Network with that provided under previous arrangements. Nevertheless, comparisons that the ANAO was able to make during the audit indicated that, in broad terms, the Job Network affords better value for money than previous employment assistance arrangements. Job Search Training provides similar employment outcomes to an earlier comparable program, but at a much reduced cost per outcome. Intensive Assistance is providing similar employment outcomes at a comparable cost per outcome to previous arrangements, but is targeting clients from more disadvantaged groups. The Department plans to undertake a full evaluation of the effectiveness of the Job Network in improving the employment prospects of job seekers on a sustainable basis, the results of which are expected to be available in December 2001.

Recommendations

Recommendation No.1
Para. 2.19 The ANAO recommends that consideration be given to establishing a senior grouping that meets regularly during the year (say three times) to bring together representatives of employment service providers, Centrelink and the Department as part of better strategic and operational communications. The group should:

- (a) recognise the interdependencies of all parties involved in the Job Network;
- (b) provide an opportunity to consider strategies that the Department has developed to overcome specific difficulties in the management of the Job Network;
- (c) provide an opportunity to consider any changes proposed to the design of particular elements of the Job Network; and
- (d) allow the various participants to provide feedback on these and other matters of concern to them.

DEWRSB response: Agreed

Recommendation No.2
Para. 3.22 The ANAO recommends that the monitoring framework be modified to incorporate a risk based approach that includes directing resources, in a cost effective manner, more to the 'higher risk' providers and sites, and tailoring test programs for particular monitoring visits to risks related to the particular provider or site.

DEWRSB response: Agreed

**Recommendation No.3
Para. 3.29** The ANAO recommends that:

- (a) the Department provide a brief written summary of matters discussed to providers after monitoring visits. This would include an outline of actions to be taken by the provider and/or the Department to improve compliance/performance; and
- (b) a system of quality assurance and review be established to improve compliance with monitoring procedures and guidelines.

DEWRSB response: Agreed

**Recommendation No.4
Para. 3.44** The ANAO recommends that the Department include the practical application of risk based principles related to the Job Network contracts in its training of staff as an important element of their contract management and monitoring skills.

DEWRSB response: Agreed

**Recommendation No.5
Para. 5.11** The ANAO recommends that the Department establish a framework for resource planning for Job Network functions at the State and District Office level that allows Employment Services Market Group priorities to be reflected in State and District Office resource allocations for Job Network matters to improve performance.

DEWRSB response: Agreed

- Recommendation No.6**
Para. 5.23
- The ANAO recommends that:
- (a) information relating to the staff effort deployed to undertake particular Job Network activities in the State and District Offices be obtained on a regular basis;
 - (b) such data be analysed to help determine the underlying reasons for the level of resources being devoted to particular activities; and
 - (c) suitable changes be made to administrative practices and resource allocations where existing staff effort does not reflect Job Network management priorities or where efficiencies could be obtained.

DEWRSB response: Agreed

- Recommendation No.7**
Para. 6.19
- The ANAO recommends that the Department consider the benefits and costs of developing and appropriately documenting a systems-based model that facilitates more timely review of the bandwidths used for determining Intensive Assistance eligibility.

DEWRSB response: Agreed

- Recommendation No.8**
Para. 6.44
- The ANAO recommends that the Department work cooperatively with representatives of Job Search Training providers and Centrelink to establish improved longer term options for the management of referral processes for Job Search Training.

DEWRSB response: Agreed

**Recommendation No.9
Para. 7.18** The ANAO recommends that the Department:

- (a) integrate the documentation of the security controls within the Integrated Employment System, and adequately document the dial-up system configurations and supporting manual processes to improve the reliability of controls;
- (b) take cost effective steps to allow the identification and logging of all changes to Radius Server user access; and
- (c) implement, on a risk-managed basis, a suitable monitoring regime that addresses access to, and reporting of, Integrated Employment System data that may be considered private or commercially sensitive.

DEWRSB response: Agreed

**Recommendation No.10
Para. 8.5** The ANAO recommends that performance information be developed that establishes an appropriate linkage between Job Network members' compliance with contract conditions and the performance and operation of the Job Network to assist effective contract management.

DEWRSB response: Agreed

Audit Findings and Conclusions

1. The Job Network

This chapter describes the Job Network, the types of services delivered, the role of the government agencies involved, the first round of contracts and associated variations, and the announcement of the offers for the second contract. It also sets out the audit objective and methodology.

Introduction

1.1 On 1 May 1998 the Government introduced the Job Network that replaced the 50 year old public employment services provider, the Commonwealth Employment Service (CES), its case management arm (Employment Services Australia), and most labour market programs. For the first contract period under the Job Network there was a national network of around 300 private, community and government provider organisations that were contracted to the Government. The first contract with providers concluded on 27 February 2000.

1.2 Job Network members specialise in finding jobs for unemployed people, particularly those who are long term unemployed.

Departmental role

1.3 The Department of Employment, Workplace Relations and Small Business (DEWRSB) manages the contracts with the Job Network members. The employment services area of DEWRSB was part of the former Department of Employment, Education, Training and Youth Affairs (DEETYA) until October 1998. Overall responsibility for the management of contracts lies with the Employment Services Market Group (ESMG) in DEWRSB's national office and staff in the Department's state and district offices. ESGM also has responsibility for related policy development. The state and district offices play a key role in undertaking day-to-day contact with providers, contract administration, monitoring of contracts, operating Integrated Employment System (IES) help desks, the complaints facility, payments administration and fraud and compliance matters. State offices exist in each of the State capitals, with district offices at Newcastle, Wollongong, Orange, Bendigo and Townsville.

1.4 These areas are supported in their role of managing the contracts by the Corporate Legal and Audit Services Group, the Evaluation and Monitoring Branch and the Labour Market Programs and Services Group. The Corporate Legal and Audit Services Group provides support on legal and privacy matters relating to the contract, and compliance and fraud activities related to claims for payment by providers.

1.5 In its general approach to managing the contract, DEWRSB paid particular attention to ensuring that it did not interfere in the normal day-to-day operations of the providers. It impressed on staff that they have a responsibility to enforce the terms of the contract, but not to tell providers how to run their businesses.

Job Network services

1.6 The services which Job Network members undertake depends on what they are contracted to provide. Individual members may be contracted to provide one or more services at their sites. The services undertaken are:

- Job Matching (Flex 1)—gathering employers’ vacancies and matching unemployed people to these jobs;
- Job Search Training (Flex 2)—training and job search techniques (for example, resumes, interview techniques, presentation) to prepare unemployed people to apply for jobs and give them the skills and confidence to perform well when speaking to employers;
- Intensive Assistance (Flex 3)—individually tailored help for long term unemployed and other disadvantaged job seekers to address any employment barriers and place them in jobs. There are three graduated levels of assistance available, Flex 3.1, 3.2 and 3.3;
- New Apprenticeship Centres (NACs)—a ‘one-stop-shop’ providing integrated and streamlined apprenticeship and traineeship support services to employers and job seekers;
- New Enterprise Incentive Scheme (NEIS)—assistance for unemployed people with ideas for a viable business to help them establish their own businesses; and
- Project Contracting—ensures the satisfactory supply of labour to harvest regions that require considerable numbers of out-of-area workers to supplement local labour.

1.7 The ANAO concentrated on examining the management of contracts in relation to Job Matching, Job Search Training and Intensive Assistance. These were the key new elements involved in the Job Network.

Centrelink role

1.8 For a job seeker, the initial contact with the Job Network generally occurs through Centrelink. There are about 300 Centrelink Customer Service Centres across Australia. DEWRSB has a Business Partnership Agreement with Centrelink under which Centrelink carries out certain functions on behalf of the Department. In 1998–99 DEWRSB paid Centrelink \$125 million to undertake these functions. Centrelink is responsible for:

- providing information to job seekers about the Job Network;
- providing job seekers with information about employment services in the local region including those providers with expertise in helping specific groups of job seekers;
- registering and issuing Job Network cards to eligible job seekers;
- enrolling job seekers with Job Network members for job matching;
- interviewing and assessing job seekers to identify those eligible for referral to Intensive Assistance and Job Search Training; and
- providing and explaining self help facilities for use by job seekers in their search for work, including access to the National Vacancy Data Base.

1.9 Centrelink uses the Integrated Employment System (IES) to undertake assessment and classification of job seekers for the different levels of assistance, and referral of job seekers to Job Network members (JNMs). IES is the mainframe application system that DEWRSB uses to support the operation of the new employment arrangements. Centrelink and Job Network members enter information on job seekers, employers, vacancies and contracted service providers as well as the interactions between them.

Job Network expenditure

1.10 The amounts of program expenditure made on the contracted elements of the Job Network in 1998–99 are set out in Table 1.1.

Table 1.1

Program expenditure on contracted elements of the Job Network (1998–99)

<i>Contracted Elements</i>	<i>Expenditure (\$ million)</i>
Job Matching	51.7
Job Search Training	22.5
Intensive Assistance	550.5
NEIS ¹	14.0
Project Contracting	2.0
Total Contract Expenditure	640.7

1.11 Other program expenditure that was made during the year related to the Job Network totaled \$53 million. This included \$9.6 million for market development funding and \$14.4 million for the adjustments to the Job Network announced in December 1998. Total program expenditure by DEWRBSB related to the Job Network in 1998–99 was \$693.7 million.

1.12 Expenditure on NACs, although included in the first Job Network contract, was the responsibility of the Department of Education, Training and Youth Affairs (DETYA) and is not included in these amounts.

The contract

1.13 The Job Network contract managed by DEWRBSB covers all the different types of service provision in the one document. Certain parts of the contract are the same for all providers, whereas other parts that contain prices and quantities of services vary with the individual providers and also vary for different regions. Payments to providers are made by DEWRBSB in line with the provisions of the contract. An outline of how the payment arrangements operate is in Appendix 1.

1.14 It should be noted that individual providers had limited control over the mix of services that was finally offered to them in the contract. They would have bid for what they considered to be an acceptable and viable workload. However, they were offered particular packages based on the assessments made in the tendering process and in line with their submitted tenders. They may not have been offered the spread of different services that they had been seeking, or they may not have received offers in particular regions where they wished to operate.

¹ This includes a pro-rata amount of NEIS payments that were paid in advance in the previous year.

Changes to the contract and related matters

1.15 During the operation of the first contract, changes were made to the contract to ensure that the Job Network members remained viable and the Government was able to achieve its objectives for the Network. The most significant changes related to Job Matching. Some changes were made because of the normal reassessment expected in relation to milestones.

1.16 Up to the time of the audit, five general contract variations had been made to all employment services contracts. Details concerning changes to the contract and related matters are included in Appendix 2.

Job Network members that have ceased providing services

1.17 Up until 22 October 1999, 18 Job Network members ceased to provide services under the contractual arrangements with DEWR/SB. Of those 18 former members, 11 obtained the exit package offered by the Government in an announcement on 6 December 1998. Details of the number of sites that closed that operated particular services are as follows: Job Matching—30, Job Search Training—11, Intensive Assistance—2 and the New Enterprise Incentive Scheme—2.

The second Job Network contracts and transition arrangements

1.18 The first Job Network contracts concluded on 27 February 2000 with the new contracts being operative for a period of three years from the 28 February 2000. On 3 December 1999, the Minister for Employment Services, Mr Tony Abbott, MP, announced that conditional offers of business had been made to 205 tenderers. The offers of business provided for more than 2100 Job Network sites across Australia, which is a 50 per cent increase on the number of sites under the first contract. A key element of the second tender assessment process was the Department's ability to select successful tenderers based on past performance.

1.19 Providers had access through the Department's Internet site to reports on their own performance from early on in the contract. However, the ANAO notes that comparative performance information was only made available to providers in June 1999. The Department indicated that due to the length of time that it takes to achieve an Intensive Assistance outcome, meaningful outcome data was not available until almost 12 months after the commencement of the contract. This allowed little time for providers who had not been performing as well as others to improve their position, with tenders closing on 30 July 1999.

1.20 The change between contract periods for Job Matching and Job Search Training was relatively straightforward. However for Intensive Assistance clients, the situation was more complicated as they are assisted over a longer period of time (up to 18 months). The change to the second contract was also affected by two of the largest Intensive Assistance providers in the first contract, Employment National and Drake, being largely unsuccessful in the second round. DEWRSB issued a proposed contract variation to 125 existing providers to facilitate the transition process in relation to Intensive Assistance job seekers. The contract variation included options for providers to be released from their existing commitments or to carry on with them. This proposed contract variation was advised to providers after the initial offers of new contracts had been made, but before the offers for new contracts had to be responded to.

Audit objective

1.21 The objective of the audit was to examine the efficiency and effectiveness of DEWRSB's management of the first round of employment services contracts. A key part of this examination was to assess the level of confidence that the Department had that the program was meeting government objectives based on performance and management information.

1.22 The ANAO assessed the efficiency and effectiveness of the management of employment services contracts in the following areas:

- value for money from the new arrangements, bearing in mind the government's objectives, in terms of expected employment outcomes, and the resources applied to introduce the new arrangements;
- the arrangements for monitoring the performance of employment services providers in delivering contracted services;
- the arrangements for monitoring the compliance of Job Network members with contractual obligations, including monitoring visits, processes to identify and investigate Job Network Code of Conduct issues and compliance and fraud control projects relating to the Job Network;
- contract management arrangements, including the management of contract variations and the mechanisms for referring and adjusting the flow of job seekers to Job Network members to assist in meeting market demand and contracted capacity;
- mechanisms in place in DEWRSB to support effective contract management, including guidelines, training and internal and external communication arrangements; and

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

Scope and focus

1.23 The ANAO examined the processes in place in DEWRSB to support effective management of the contracts between the Commonwealth and Job Network members. This included an examination of mechanisms to monitor the performance of individual Job Network members during the contract period, and the effectiveness of the Job Network, to ensure that the Government's objectives were being achieved.

1.24 The ANAO examined contract management at the National and State/District Office levels of DEWRSB, but did not examine documentation at employment service providers. High level feedback on the Department's contract management, from the perspective of Job Network members, was obtained through discussions with industry associations and Employment National.

1.25 The examination of DEWRSB's contract management practices and procedures concentrated on Job Matching, Job Search Training and Intensive Assistance as these are the three key services being provided under the current contracts.

1.26 The audit did not examine issues relating to the delivery of NAC services. NACs were part of the first Job Network tender and the first round contracts, however these services are now subject to separate contracts being managed by DETYA.

Methodology

1.27 The plan for the audit was based on a scoping study undertaken in the middle of 1999. Fieldwork in DEWRSB was carried out in August, September and October 1999. As part of the audit, information was gathered at the Department's national office in Canberra, its state offices in Sydney, Melbourne and Adelaide, and its district office in Bendigo.

1.28 In considering the approach taken to managing contract variations the ANAO examined all the general contract variations and a sample of the individual contract variations for the period January to August 1999. This population was stratified on the basis of the types of matters that the variation related to and individual variations were chosen randomly from within each of the groups.

1.29 In examining the contract monitoring carried out in the offices visited, the ANAO examined the monitoring for a sample of contracts. The contracts managed by the offices visited were stratified according to the number of sites that the provider operated and contractors were chosen randomly from within each of the size groups.

Criteria

1.30 The criteria that were used to direct the work of the audit are referred to in the introductory part of each of the chapters.

Previous review

1.31 The tender processes related to the first round of Job Network contracts were examined in *Management of the Implementation of the New Employment Services Market* (Auditor-General Audit Report No. 7 1998–99). The ANAO concluded that the implementation of the new employment services market had been managed effectively and efficiently in accordance with announced Government policy and timeframe. The audit made a number of recommendations that the Department accepted and was implementing in the second round tender process that was completed late in 1999.

The report

1.32 Chapter 2 examines communication arrangements within the department and government generally, and with Job Network providers. Chapter 3 describes the contract management guidance material, the roles and responsibilities of state and district office staff, the monitoring of provider compliance with the contract and training of contract management staff. Chapter 4 examines the management of general contract variations and changes to individual contracts by the Department. Chapter 5 examines the service level agreement arrangements between the Employment Services Market Group and State offices. It also describes information collected on resource usage in State and District Offices visited. Chapter 6 describes how the Job Seeker Classification Instrument operates, and also examines the processes involved in the management of the flow of job seekers to providers for Intensive Assistance and Job Search Training. Chapter 7 examines the effectiveness of processes put in place by DEWRSB to manage security and privacy issues relating to the IT systems used to support the Job Network. Chapter 8 examines the performance information framework that DEWRSB has established to monitor Job Network performance. This chapter also includes an assessment of the overall value-for-money provided by the Job Network.

1.33 A consultant, Mr Pat Farrelly, was engaged to assist the ANAO with the audit. His contribution included determining relevant criteria, designing and carrying out fieldwork, evaluating data gathered and drafting the report. In addition, Ernst & Young were contracted to provide technical input on the security and privacy of IT systems.

1.34 The Australian Bureau of Statistics was consulted in relation to sample selection for the review of the monitoring of contracts component of the audit.

1.35 The audit was conducted in conformance with ANAO auditing standards at a cost of \$331 500.

2. Communication

This chapter examines communication arrangements within the department and government generally, and with Job Network providers. It also discusses the context in which the Department is communicating with providers.

Introduction

2.1 The Department should have in place good internal communication arrangements, as well as mechanisms to communicate with other government stakeholders and Job Network members.

Communication arrangements within government

National Office and State/District Offices

2.2 Communication between the State/District Offices and the National Office flows quite freely. This occurs via email, telephone discussions, telephone conferences and meetings involving the senior staff of State/District Offices and National Office. Senior National Office staff have discussions with officers of State/District offices to provide input to the development of particular Job Network management initiatives.

2.3 The ANAO notes that its suggestion in Chapter 3 regarding National Office staff being part of the quality assurance process in relation to monitoring visits should assist further in promoting communication and understanding of the different roles.

Privacy Commissioner

2.4 There is regular communication between the staff of the Privacy Commissioner and the staff within the Department's National Office responsible for privacy matters.

Centrelink

2.5 Regular reports are provided to Centrelink, and Centrelink can generate its own reports at the local level from information in a data base made available by DEWRSB.

2.6 Communication occurs on a frequent basis between State/District Offices and Centrelink. At the National Office level there are:

- fortnightly meetings between Centrelink employment service delivery staff and DEWRSB national office staff; and
- regular meetings of the Joint Operations Group that brings together Centrelink and DEWRSB officers relating to the Business Partnership Agreement between the two organisations.

2.7 Centrelink considers that if there were more consultation in the early development of initiatives there would be substantial improvement in the operation of the joint arrangements.

Communication with Job Network providers

2.8 The ANAO found that there was limited discussion with Job Network providers on strategic issues.

Relationship with providers—economic considerations

2.9 In papers related to establishing the Job Network², reference is made to establishing a competitive market. Under the first contract round, 300 Job Network members provided services under contract to DEWRSB. However, the providers did not constitute a competitive market in the normal sense.

2.10 DEWRSB effectively has complete control over how the Job Network will operate. An example of a similar single buyer arrangement is the United States government as the only buyer of certain high-tech military equipment. This also occurs in sport where one controlling body has complete control of a particular professional sport in a country.

2.11 Since the inception of the Job Network in May 1998 the Government has had to increase the remuneration paid for certain services and broaden eligibility to help the providers of Job Matching services survive as viable commercial entities. The service types where the department used price competition to determine successful tenderers, Job Matching and Job Search Training, were the same service categories that have been predominant among the providers who ceased their Job Network business at the time of the audit. To some extent better knowledge on the part of tenderers should have improved the situation for the second tender (completed in December 1999), although additional categories of services were open to some price competition that were subject to set pricing in the first tender. As well as being in a dominant position in regard to the economics of pricing of services, the Department provided no guarantee of the volume of work that a provider will achieve under the contract. The contract provided for maximum levels of work that would be available to providers.

² One example is the Australia country paper circulated at the 4th World Association of Employment Services (WAPES) Congress in Mexico, 'Competition and Contestability in Employment Services', May 1999, Employment Services Market Group, DEWRSB.

2.12 The implication for DEWRSB of these arrangements is that it is required to recognise the inter-dependence of the financial health and viability of the providers, and its objective of having a successful means of assisting job seekers. It is not a practicable strategy for the Department to stand back and consider that there is a fully competitive market at work. The Department has substantial control over the existence and financial well being of providers and needs to consciously recognise this in the way in which it manages the contracts with providers, and how it communicates with providers.

Current arrangements with providers

2.13 The ANAO had discussions with representatives of the National Employment Services Association (NESA), Jobs Australia and Employment National regarding the management of the contracts with individual providers. Overall, the representatives considered that the Department had accomplished a major achievement with the establishment of the Job Network. Nevertheless, all those spoken to had concerns to raise regarding the ongoing management of the Job Network.

2.14 For example, providers uniformly raised concerns about the requirement introduced by the Department in September 1999 that providers give a statutory declaration with their invoices for each month, certifying that the claims included are true and correct. The statutory declaration is intended to provide a deterrent to over-claiming and to maximise the Department's chances of prosecuting an individual or company in the event of fraudulent claims. This requirement added another administrative layer and resulted in approximately 3600 statutory declarations being required each year. The contract has always required that the provider take all reasonable steps to prevent fraud upon the Commonwealth, including the implementation of a fraud control plan. It also included provisions related to repayments to the Department of amounts owed. Given the Department's position under the contract, there would be merit in the Department reviewing whether the blanket requirement for additional certification is required.

2.15 The Department has direct discussions with individual providers relating to variations to the contract provisions and a large number of ongoing contract administration matters. These discussions are bilateral and relate directly to the contractual provisions of the particular provider. The Department also advised that it has had regular meetings with NESA.

2.16 These discussions have provided an opportunity to address problems arising in the management of the Job Network. However, there has not been an ongoing forum with meetings scheduled on a regular

basis. Some of the strategies adopted to address problems with the Job Network have had major impacts on particular providers. For example, Chapter 6 includes substantial discussion regarding difficulties that have occurred in ensuring an appropriate flow of clients to the Job Network members who are contracted to provide Job Search Training.

2.17 In discussions with provider representatives it was also commented that a key player in the success of the Job Network is Centrelink. However, apart from at a local level, the providers do not have any direct link to Centrelink. The ANAO considers that having a forum covering providers, the Department and Centrelink is important. In addition, if there is a major provider that is not part of the industry associations there would be merit in including such an organisation on its own. Early in the Job Network's existence the Job Network Implementation Group provided an opportunity for bringing these parties together.

2.18 The ANAO considers that there should be an ongoing means for representatives of the key parties to exchange views and consult in regard to changes proposed to the design of particular elements of the Job Network and the development of strategies to overcome major problems in its operation.

Recommendation No.1

2.19 The ANAO recommends that consideration be given to establishing a senior grouping that meets regularly during the year (say three times) to bring together representatives of employment service providers, Centrelink and the Department as part of better strategic and operational communications. The group should:

- (a) recognise the interdependencies of all parties involved in the Job Network;
- (b) provide an opportunity to consider strategies that the Department has developed to overcome specific difficulties in the management of the Job Network;
- (c) provide an opportunity to consider any changes proposed to the design of particular elements of the Job Network; and
- (d) allow the various participants to provide feedback on these and other matters of concern to them.

DEWRSB response

2.20 *Agreed. DEWRSB strongly supports regular meetings at a senior level between NESAs, Centrelink and the Department and has already taken action to implement this recommendation. Over the transition period since November 1999*

to March 2000, DEWRSB and the NESAs Board met with the Minister approximately every 2–3 weeks on issues relating to Job Network. From May 2000 DEWRSB and NESAs plan to meet each two months to discuss a range of issues. It is intended that Centrelink participate at a senior level in these meetings.

Conclusion

2.21 The ANAO considers that communication within the Department, and between the Department and the Privacy Commissioner, operates effectively. However, there was no ongoing communication between the Department, provider representatives and Centrelink on strategic, management issues. Representatives of providers considered that the Department had accomplished a major achievement with the establishment of the Job Network, but all those spoken to had concerns to raise regarding the ongoing management of the Job Network.

2.22 The ANAO recommends that consideration be given to establishing a senior grouping that brings together representatives of employment service providers, Centrelink and the Department to meet on a regular basis to discuss strategic and operational matters, including changes to the design of the Job Network and management issues.

3. Contract Management Support and Oversight of Contract Requirements

This chapter describes the contract management guidance material, the roles and responsibilities of state and district office staff, the monitoring of provider compliance with the contract and training of contract management staff.

Introduction

3.1 For effective management of the Job Network contracts, the Department should have in place a contract management framework underpinned by appropriate guidelines, procedures and training that:

- promote consistent and accurate contract management decisions by staff; and
- clarify the respective roles and responsibilities of staff.

3.2 The ANAO reviewed the written guidance material used by staff and Job Network members, and the training received by staff in relation to their contract management responsibilities.

3.3 The ANAO also examined the efficiency and effectiveness of the arrangements for monitoring the compliance of employment service providers with contractual obligations. This included an assessment of the conduct of monitoring visits and associated monitoring reports.

3.4 In addition, the ANAO undertook an assessment of the complaints process and the arrangements relating to specific compliance projects initiated by DEWRSB National and State offices.

Guidance material

Job Network Management Handbook

3.5 DEWRSB compiled a Job Network Management Handbook covering the roles and responsibilities of State and District office staff, the monitoring of provider compliance with the contract, performance management, liaison between different functional areas in the Department, contract variations and the operation of the market support function.

3.6 The Handbook provided a useful initial guide for National, State and District Offices to use in carrying out various activities. Additional instructions have been sent out as the need has arisen, and the Handbook should be updated to include these changes as soon as possible. The ANAO acknowledges the difficulty in providing a comprehensive set of guidelines for staff in a manual when there is significant development occurring in both Job Network policy and the Department's understanding of how best it should undertake the contract management role.

The Members Information Guide

3.7 The Members Information Guide (MIG) was established to add consistency in dealing with providers and to provide a transparent means of communicating with providers. The ANAO considers that the MIG has worked satisfactorily in the initial period, although it has some limitations in a changing environment as has been the case in the first contract period of the Job Network. One other concern that was raised in discussions with providers was that the MIG could promote a rule-based approach by DEWRSB staff.

3.8 The Department has indicated that it wishes to adopt a more principle-based approach to the Handbook and the MIG. The ANAO supports this approach and considers that such a move would be consistent with adopting a more flexible, risk based approach to matters such as contract monitoring. The ANAO considers that, to the maximum extent possible, the guidance available to contract managers should be available to providers.

Roles and responsibilities of state/district office staff

3.9 The ANAO assessed the appropriateness of the arrangements between, and the responsibilities allocated to, areas undertaking contract management functions in the State and District offices. This included Contract Management Branches, Market Support Branches and the Investigations and Compliance Units. The roles and responsibilities of these areas should be clear and operate effectively.

3.10 In the offices it visited, the ANAO found that coordination of the Contract Management Branch, the Market Support Branch and the Investigations and Compliance Unit was commendable. There did not appear to be any major overlaps or confusion about which area was responsible for particular matters.

Monitoring

3.11 The ANAO visited four DEWRSB state and district offices. Together, these offices are responsible for the management of approximately 50 per cent of the employment services contracts and 67 per cent of all sites. The ANAO divided the contracts into four groups—small, medium, large and one very large provider. Out of a total of 266 contracts covering the principal service types, approximately 20 per cent were examined. This represents 23 per cent of the medium sized ones, 17 per cent of small contracts and 30 per cent of the large multi-state contracts.

3.12 The monitoring activities undertaken by contract management staff are based on the monitoring plan, guidelines and pro formas in the Job Network Management Handbook. The plan recommends that the following activities be undertaken:

- an initial site visit—to be conducted at the start of the contract period or when a new site is opened; and
- regular monitoring visits to all sites—to be completed within four weeks of the achievement of each milestone period.

Initial site visits

3.13 Initial visits to approximately 1400 sites were conducted during the first six months of the contract period. Typically, one DEWRSB staff member conducted the site visit using a checklist to ensure that the provider had basic arrangements in place, such as insurance, disabled access etc.

3.14 The ANAO found that in general, initial site visits were satisfactorily completed. Some state and district offices developed their own pro-formas, as the Job Network Management Handbook pro-formas were not available in the early stages of the contract. These covered off the basic criteria adequately.

3.15 The ANAO found that although initial site visits were completed for almost all sites in the sample examined, the quality of documentation varied considerably from office to office and within offices. The ANAO suggests that improvements in the quality of initial site visits and associated documentation could be achieved through adoption of a standard pro-forma, signing off of completed reports by the Contract Manager and the use of a checklist to ensure that all sites for all providers have been covered.³

³ The Department has advised the ANAO that following the completion of the audit it has introduced a standard proforma to document site visits for Job Network 2.

Monitoring visits

Timing and planning

3.16 According to the Handbook guidelines, five rounds of monitoring visits were scheduled to cover the 22 month contract period. For each round of monitoring, visits were planned for all providers and all sites. The first round of monitoring visits was due to be completed by the end of December 1998, four weeks after the end of the first milestone period (30 November 1998). The second and third rounds were due for completion at the end of April 1999 and August 1999 respectively.

3.17 The ANAO found that none of the DEWRSB offices visited had completed the three rounds of monitoring scheduled at that time. Three offices had completed one round of monitoring by end of June 1999, and one office had completed two monitoring visits for most providers.

3.18 The first monitoring visits for some providers were conducted in June 1999, more than twelve months after the start of the contract. This was not conducive to effective monitoring and review, as errors identified during these monitoring visits should have been addressed much earlier in the contract period. However, it should be noted that during this time, visits to providers were made to discuss issues other than monitoring, such as the changes to milestones relating to General Contract Variations.

3.19 Given the developmental nature of the monitoring process in the first 15 months the ANAO considers that the initial monitoring schedule was ambitious. The objective of having three rounds of monitoring visits completed by the end of August 1999 was not able to be met. The ANAO suggests that monitoring on a continuous cycle so that the monitoring work is evenly distributed and does not occur all at one time would be preferable to the current approach.

3.20 For ongoing contract management purposes, there is a need to rank identified risks to ensure appropriate monitoring. The ANAO suggests that there would be significant benefits in using a risk based assessment to determine when monitoring visits should be conducted and what particular elements should be examined during a visit. The ANAO acknowledges that, at the beginning of the Job Network, providers cannot be readily distinguished on a risk basis, so the first round of monitoring needs to cover all providers and all sites. However, later monitoring rounds could include risk assessments based on criteria relating to particular providers and sites. Monitoring visits could then be conducted on those providers where it is most needed. Providers that are performing well may not be visited on each occasion. For

example, some of the factors that could be used to assess whether a monitoring visit is needed are:

- the quality and consistency of management and staff;
- the number and types of issues arising in previous monitoring visits;
- the number and types of complaints;
- the level of training provided to staff; and
- the performance of the provider against contracted capacities, milestones etc.

3.21 Under such an approach, DEWRSB Contract Managers would need to document whether a visit is warranted and the reasons for the decision. Contract managers should also assess on the basis of risk which elements of a provider’s operations should be examined during a visit.

Recommendation No.2

3.22 The ANAO recommends that the monitoring framework be modified to incorporate a risk based approach that includes directing resources, in a cost effective manner, more to the ‘higher risk’ providers and sites, and tailoring test programs for particular monitoring visits to risks related to the particular provider or site.

DEWRSB response

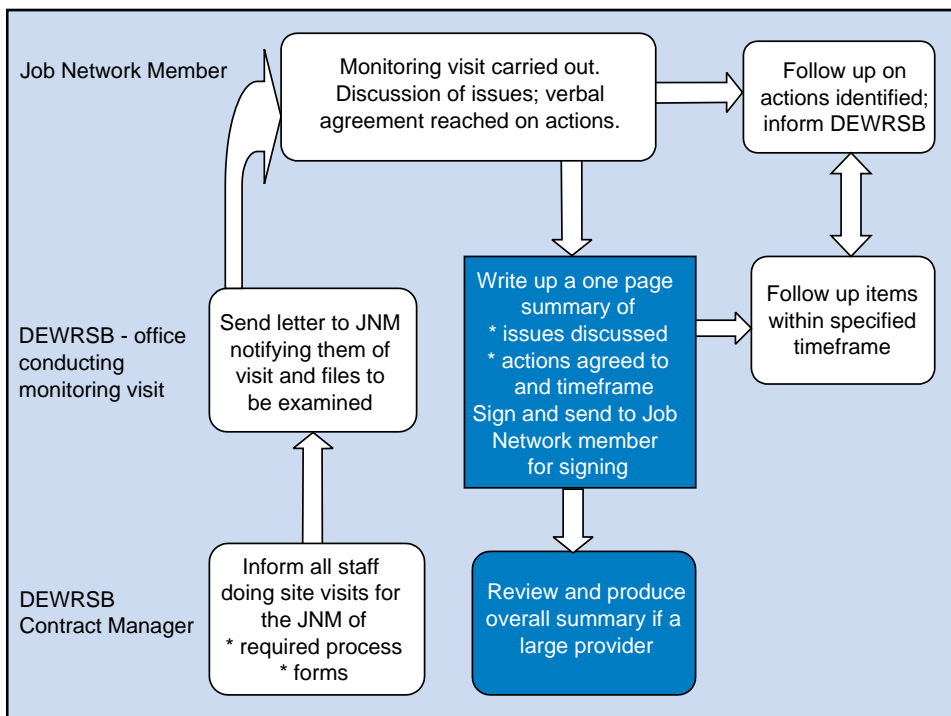
3.23 *Agreed. DEWRSB believes that a risk based approach is essential to contract management of Job Network. To this end it has established a suite of reports to assist Contract Managers identify specific providers, and sites, based on their performance and/or business practices. These reports are able to be accessed by all Contract Management and Market Support Branch staff and are updated weekly through the Corporate Management Information System site. These reports, which will be reviewed over time, combined with information relating to complaints and the local knowledge of Contract Managers about the skills, experience and training of staff employed by Job Network members, will enable Contract Managers to undertake a risk based approach to monitoring providers and sites through the period of Job Network 2.*

Process and documentation

3.24 The monitoring process is set out in Figure 3.1. The process (apart from the planning phase) begins with a letter to the provider advising of the visit and which files will be examined. The monitoring visit is then conducted, usually by two people from DEWRSB Contract Management Branch. At the end of the visit, DEWRSB staff discuss their findings with the provider. Contract management staff are then responsible for ensuring that any items identified for action were followed up on as required.

3.25 However, DEWRSB staff were instructed not to provide written summaries of matters discussed to providers. The absence of a written summary of the visit meant that in the majority of cases, there was little or no documentary evidence of agreed follow-up action between the Department and the member. This represents a significant risk in that items identified as requiring action can be ignored or forgotten and not followed up.

Figure 3.1
The Monitoring Process



3.26 The ANAO suggests that producing a simple written record of the issues discussed and actions agreed to by both parties will significantly reduce some of the risks associated with managing and monitoring provider compliance with the contract. Ideally, the written summary should be signed off by both parties and include a time frame within which the actions are to be implemented. This suggested step is included in Figure 3.1 (see middle shaded portion).

3.27 The ANAO examined the monitoring reports and documentation on file and concluded that in general, the monitoring visits undertaken were completed to a satisfactory standard. However there were a number of common problems relating to the use of the pro formas and in the quality of monitoring visit documentation. These include the lack of documentation for each site visited, no evidence of a test program for

sampling claims and reports not signed off by the Contract Manager. Some of these problems suggest that staff have different interpretations of the monitoring procedures and processes required.

3.28 The ANAO considers that these problems would best be addressed through a quality assurance process on the monitoring function. There would be benefit in staff from the National Office undertaking some of this quality assurance and/or staff from state offices going to other state/district offices.

Recommendation No.3

3.29 The ANAO recommends that:

- (a) the Department provide a brief written summary of matters discussed to providers after monitoring visits. This would include an outline of actions to be taken by the provider and/or the Department to improve compliance/performance; and
- (b) a system of quality assurance and review be established to improve compliance with monitoring procedures and guidelines.

DEWRSB response

3.30 *Agreed. DEWRSB agrees that written summaries of site visits be given to providers and has already implemented this process for the second employment services contract period. DEWRSB plans to have an internal quality assurance framework for monitoring arrangements in place by the end of the first milestone period which is August 2000.*

Multi-state providers

3.31 For providers with operations in more than one state or district, monitoring activities are coordinated by the Contract Manager in the state where the provider has their head office. The Contract Manager informs all DEWRSB staff conducting monitoring visits for a particular provider of any special requirements.

3.32 The ANAO found that although the instructions for the conduct of monitoring visits to multi-state providers were usually clear, the methods used to report back to the Contract Manager were not always clear or consistent. In addition, the ANAO found that the level of reporting back to the Contract Manager was inadequate in some instances. For one provider, staff conducting the monitoring visits were required to report by exception, that is, only inform the Contract Manager of significant issues. There is some risk in relying on negative assurance, as individual staff members may have a different interpretation of what constitutes a significant issue, and a repetition of the one issue at many sites could increase its significance.

3.33 The ANAO suggests that DEWRSB use the Job Network Information System (JNIS), currently being developed, as a mechanism for giving Contract Managers better access to monitoring reports and documentation for multi-state providers. Through having access to all the site visit summaries for a particular provider, a Contract Manager will then be able to review the provider's operations as a whole and produce an overall opinion or summary. This step is shown in Figure 1.

Complaints

3.34 The ANAO examined the processes in place for handling complaints about the Job Network and sought to determine whether information gathered in relation to complaints has been effectively applied to enhance the monitoring of employment services contracts. Information relating to complaints is a useful management tool and complaints statistics are a good indicator of areas of concern and trends in relation to the performance of the Job Network and individual members.

3.35 The ANAO found that complaints information is being effectively applied to enhance the monitoring of the performance of the employment services contracts.

National compliance program

3.36 The Department operates a national compliance program that is overlooked by the Corporate Governance Branch in DEWRSB's national office. The basic approach with the compliance projects undertaken involves sending questionnaires to job seekers and employers and raising instances of potential over claiming with the staff of providers. Compliance projects are carried out by the Investigations and Compliance Units in State offices. The results of these projects are made known to Contract Managers and recoveries are organised by Market Support Branch.

3.37 The ANAO found that these arrangements were generally effective in helping detect over claiming in the initial operation of the Job Network. With the contractual arrangements between the provider and the Department, the ANAO considers that there is scope to rely more on the individual providers to respond to potential errors in claims on the Department. This is particularly applicable in those circumstances where the providers have a track record and the Department can therefore assess the risk associated with a particular provider. Factors that could influence the determination of risk associated with individual contractors include the overall extent of management control exercised in the provider, the

standard of the provider's internal audit operation, the standard of training provided to staff by the provider and the past record of the agency in previous compliance activity by DEWRSB. The Department would still need to assess whether a provider had made an appropriate overall response to any list of potential over claims.

3.38 The ANAO found that the national compliance program was generally effective in helping detect over claiming in the initial operation of the Job Network. However, the ANAO considers that there would be merit in trialing a system that relied more on individual providers to respond to potential errors in claims on the Department, subject to the providers' own audit and control arrangements meeting particular standards.

Training

3.39 Staff in the Contract Management Branches in the State/District Offices are key participants in the contract management role. There was a range of training available to these staff during the preliminary stages of managing the employment services contracts. This included:

- a walk through of the contract conducted by the department's legal staff;
- attendance at performance management training by Blake Dawson Waldron prior to the commencement of the first contracts;
- probity training by the probity adviser (Blake Dawson Waldron);
- a contract management course and a risk management course from the Department's Portfolio Training Strategy;
- training in relation to relevant IT systems; and
- a number of additional training measures used in individual State/District Offices to promulgate material related to particular aspects of the Job Network contracts (for example, quality audits under the Code of Conduct).

3.40 The ANAO found that this mix of training materials was satisfactory to ensure that staff were trained for the initial contract period.

3.41 The ANAO suggests that records be maintained of all training undertaken by staff to help identify any gaps in the skills of individual staff and there be an ongoing program to ensure that new staff are trained to an appropriate standard.

3.42 The Department advised the ANAO that it is implementing a process of continuous improvement and has started looking at contract compliance monitoring. This approach will involve a change in the way in which staff deal with Job Network members, with greater emphasis on a partnership with providers, and greater consideration of issues related to managing and developing the market. A skills analysis of staff would be undertaken to find out what was needed. Strategies that might be used to bring these changes about include:

- the use of best practice workshops (for example, a workshop of staff who have undertaken quality audits to document what has worked); and
- adopting a principles based approach to decision-making (convert MIG material to principles to reduce the expansion of rules).

3.43 The ANAO has recommended improvements to the Department's contract monitoring arrangements earlier in this chapter. This involves taking decisions about the extent and frequency of monitoring that is warranted and developing practical monitoring tools for officers to use as part of monitoring visits and subsequent reporting. Confident application of risk based approaches will be necessary if contract monitoring and management is to be efficient and effective in the longer term. These skills are required to manage the tensions between obtaining assurance on compliance with contract provisions and the continuing calls on staff resources to cope with unexpected problems.

Recommendation No.4

3.44 The ANAO recommends that the Department include the practical application of risk based principles related to the Job Network contracts in its training of staff as an important element of their contract management and monitoring skills.

DEWRSB response

3.45 *Agreed. DEWRSB strongly supports the practical application of risk based principles to the contract management of Job Network. Since October 1998 (the formation of DEWRSB) it has conducted ongoing Risk Management training for National and State based staff. All staff are encouraged to undertake this training and as of the end of March 2000, 140 staff had attended the Department's courses. State and Group Managers are required to monitor attendance for these training sessions. The principles underlying risk management in the Department are set out on the Department's intranet site.*

Conclusion

3.46 The ANAO concluded that the guidance material produced for use by DEWRSB staff during the first stage of the Job Network was appropriate. The ANAO supports the Department's move to apply a principles based approach to future guidance material and recommends that training include the practical application of risk based principles related to contract management and monitoring.

3.47 The ANAO found that the monitoring work carried out by the Department was adequate given the nature of the contracts. However, the first monitoring visits for some sites were conducted up to six months later than originally scheduled and there were weaknesses in the monitoring processes followed. The monitoring process and the quality of outcomes achieved as a result of monitoring would be significantly improved by:

- directing the resources available for monitoring more towards the 'higher risk' providers and sites;
- producing a brief written summary of monitoring visits, including issues to be followed-up on; and
- initiating an internal quality assurance and review system.

3.48 The ANAO concluded that complaints information is being effectively applied to enhance the monitoring of employment services contracts and that the national compliance program was generally effective in helping detect over claiming in the initial operation of the Job Network.

4. Management of Contract Variations

This chapter examines the management of General Contract Variations and changes to individual contracts by the Department.

Introduction

4.1 The contract between DEWRSB and each of the employment service providers was subject to five General Contract Variations during the first 18 months of the contract period. Changes to the Employment Services Agreements (the contract) between the providers and the Department were required to reflect the adjustments made to the delivery of employment services.

4.2 Changes to individual contracts are made at the request of providers and, on occasion, as a result of Departmental decisions. Individual contract variations range from simple changes, such as new bank account details, to more complex amendments such as changes in contracted capacities.

4.3 The ANAO examined 34 (approximately 22 per cent) of the 153 individual contract variations listed in the Contract Variation Register relating to the period January—August 1999. Of these, 27 were complex contract variations and seven were simple administrative changes.

4.4 The ANAO sought to determine whether:

- the arrangements for each of the five general contract variations undertaken were efficient and effective;
- the arrangements for individual contract variations were consistent, fair, equitable and timely; and
- DEWRSB had properly taken into account the likely flow-on effects of amending individual contracts for the management of other employment services contracts.

General Contract Variations

4.5 The organisations that form the Job Network, including DEWRSB, faced considerable challenges in establishing and developing the new operations for the delivery of employment services. Changes to Job Network policy were made in response to difficulties that emerged after the start of the contract such as additional costs relating to the provision of Job Matching services, and a three month extension to the contract period itself. Five variations were made to all employment services contracts during the first 18 months of the contract period. These contract amendments are set out in some detail in Appendix 2.

4.6 The first General Contract Variation (GCV), the Job Matching Eligibility Contract Variation, was largely a response to criticisms that the new arrangements for the provision of Job Matching services did not extend to non-allowees (job seekers not on benefits), a group that was serviced under the previous CES arrangements. Under this GCV, eligibility for Job Matching services was extended to include people not in receipt of income support. To cover the increased pool of job seekers, Job Matching contracted numbers for each Job Network member were increased by 25 per cent.

4.7 GCV2 and GCV3 were the result of a package of proposals announced by the Minister for Employment Services, the Honourable Tony Abbott, in December 1998. The proposals were designed to accelerate the development of the employment services market and to improve the income and cash flow of Job Network members, particularly those providing Job Matching services.

4.8 More specifically, new initiatives introduced through the GCVs, and the reasons for them included:

- a Job Matching retainer—paid up front at the commencement of each milestone period and designed to address the imbalance between Job Matching costs and related government payments (some providers found that the prices they submitted for Job Matching were lower than the cost of delivering the service);
- a Job Matching service fee—intended to meet the cost of undertaking additional tasks for Job Matching, such as registering non-allowee job seekers;
- funding for marketing activities—further information on Job Network for employers and job seekers was required to address confusion over how the new arrangements worked. It was also intended that extra marketing activity would assist in counteracting negative publicity about the Job Network;

- arrangements for members wishing to exit the Job Network—there should be no barriers to organisations that decide they cannot continue to operate in the Job Network;
- extending the contract period—to allow more time for suggestions before the next tender; and
- revision of contracted numbers—necessary after the extension of the contract period and to better reflect actual performance over the contract period.

4.9 Job Network members were informed of the impending changes through letters from DEWRSB and notices in the Job Network Bulletins. The more complex variations, GCV2 and GCV3, were developed after consultations with Job Network members and other stakeholders undertaken in November 1998.

4.10 The administrative processes for GCVs varied slightly for each GCV. However, in general the Contract Managers discussed the proposed changes with Job Network members, particularly when changes to contracted numbers and milestones were involved. An offer to vary the contract was then prepared by National Office, checked by Contract Managers and sent to the Job Network members.

4.11 The processes used in these variations required a large amount of manual intervention and checking, particularly by the Contract Managers. Introduction of the Department's Job Network Information System (JNIS) should considerably improve the Department's efficiency in carrying out contract variations in the second round.

4.12 The administrative processes related to the implementation of the GCVs was considered to be satisfactory given that this was the first time the Department had to cope with a contract amendment process of this size—amending some 300 contracts at the same time.

Individual Contract Variations

4.13 Individual contract variations are divided into two categories:

- simple, administrative amendments such as changes in the designated contact person for the Job Network member, and changes to bank account or insurance details; and
- more complex amendments such as changes in contracted numbers and capacity, the services to be offered, site locations and coverage, sub-contracting arrangements or a change in the contracted entity name or ownership.

The process and timeliness

4.14 Guidelines for varying contracts are outlined in the Job Network Management Handbook. The simple, administrative contract variations can be approved for inclusion in a contract amendment by the Contract Manager at the State and District DEWRSB office level. Advice of the variation is then sent to National Office so that records and databases can be updated with the new details.

4.15 The more complex amendments require the approval of the delegate in National Office. The Handbook states that a formal request should be prepared by the Contract Manager and that this should be sent to the National Office within five days of receipt of the request from the Job Network member.

4.16 The ANAO found that approximately 42 per cent of requests for contract variations sent from state or district offices did not meet the requirement that requests be forwarded to National Office within five days. Formal requests for contract variations appear to be taking longer to prepare than originally anticipated, largely because of the complexity of information required for many contract variations. For example, in requesting a change in site location, factors to be considered include:

- details of the Job Network member's contract overall;
- impact on the services in the affected region;
- effect on job seekers and employers; and
- effect on other Job Network members.

4.17 It is important that providers and Contract Managers have some idea of how long it may take for National Office to reach a decision on a request for a variation of contract, as this can have implications for the business operations of the Job Network member. Currently, there are no specific requirements for National Office to deliver decisions within a certain timeframe.

4.18 The ANAO found that the time taken for a decision to be made at National Office level, after receiving a request for a contract variation, varied from one day to several months, with the average being 12 working days. In one instance, it took four months for a decision to be made. However, it should be noted that in the early stages of the contract, the first requests for significant contract variations required policy decisions which inevitably took time.

4.19 Another factor which contributed to the length of time taken to reach decisions was that in some instances, other areas such as Corporate Legal and Audit Services Group, Job Seeker Services Branch or the Job Matching Section had to be consulted. This often added two weeks or more to the process.

4.20 To the extent that requests for contract variations are categorised according to complexity, the ANAO suggests that there would be merit in setting target time limits for each category of variation to be dealt with.

4.21 Consistency in decision-making is important (particularly in the early days of the Job Network), and as such, decisions on almost all contract variations, both major and minor, were made by the First Assistant Secretary. After the first 12 months, patterns began to emerge with some types of contract variations, and, in limited situations, decisions are made at lower levels. For example, milestone changes are approved for inclusion by the Assistant Secretary of Contract Management Branch, and there was one instance of a change to contracted capacity being approved for inclusion by the Job Search Training Section Head.

4.22 The ANAO considers that having different levels of decision-making for contract variations is appropriate, especially given the broad range of complexity with regard to matters covered in contract variations. However, the ANAO found that there is no documentation that sets out clearly who has the responsibility for approving particular types of contract variations. Without clear guidelines, there is a risk that inappropriate decisions will be made by unauthorised staff. The ANAO suggests that the Department clearly document who can approve particular types of matters relating to contract variations to reduce this risk. Efficiencies in the time taken for decisions may also be gained through clarification of this process.

Flow-on effects of contract variations

4.23 The ANAO looked for evidence that DEWRSB had considered the potential impact of individual contract variations on job seekers, other Job Network members and contract management overall.

4.24 The ANAO found that appropriate consideration by DEWRSB of the potential impact of contract variations on job seekers and other Job Network members was evident for the majority of the contract variations examined.

Conclusion

4.25 The ANAO concluded that the arrangements for each of the five general contract variations undertaken were satisfactory. The general contract variation process should be made more efficient through the introduction of the Department's Job Network Information System (JNIS).

4.26 The ANAO considers that the arrangements for individual contract variations are consistent, fair and equitable. However, issues of timeliness and levels of decision-making need to be addressed as part of further streamlining and clarification of the process.

5. Resource Planning and Priorities

This chapter examines the service level agreement arrangements between the Employment Services Market Group and State offices. It also describes information collected on resource usage in State and District Offices visited, and draws attention to the scope for such information to aid resource management decisions.

Introduction

5.1 The ANAO examined whether the distribution of staff resources to particular contract management tasks at the State and District Offices reflected the relative importance of these tasks to the Job Network contract management function.

5.2 During visits to Sydney, Melbourne, Adelaide and Bendigo the ANAO gathered data on resources allocated to various employment services related areas such as the Contract Management Branch, the Market Support Branch and the Investigations and Compliance Unit. The ANAO also gathered information on the estimated percentage of staff effort devoted to particular activities by the Branches.

5.3 Information was obtained regarding the proposed Service Level Agreement (SLA) arrangements between the Employment Services Market Group (ESMG) and State Offices.

Arrangements with State Offices

5.4 An agreed arrangement should exist between the ESGM and each State Office so that both parties have a consistent understanding of their obligations to each other. The arrangement should cover key activities, levels of service, Key Performance Indicators (KPIs) and a framework for setting resource priorities for Job Network management in State offices.

5.5 The ANAO was advised that the Department proposes to introduce service level agreements (SLAs) between ESGM and the State Offices as a basis for agreed arrangements between the two areas. The need to develop SLAs has been discussed at meetings of the Employment Services Management Committee. The ANAO was advised that a draft is under preparation, although at the time of the audit there was no particular document available for examination.

5.6 In discussions with DEWRSB it was apparent that a key element of the proposed SLA was to be the inclusion of KPIs. KPIs are apparently to be a prime means through which the States and ESGM would manage resource allocation matters.

5.7 It is difficult to envisage how KPIs will provide the level of interaction between ESGM and the States that is necessary to get an appropriate allocation and distribution of resources. As indicated above, KPIs are only one element of an integrated arrangement.

5.8 In visits to Sydney, Melbourne, Adelaide and Bendigo data was collected on the distribution of State and District Office resources for the 1998–99 financial year. These offices are organised differently, and there are some functions carried out in some offices and not in others (for example, IES help desks). An overall summary of the staff resource allocations to Job Network matters in these offices is set out in Table 5.1.

Table 5.1

DEWRSB State/District staff resource allocation to Job Network matters

<i>Number of staff—1998–99</i>							
	<i>Contract Management Branch</i>		<i>Market Support Branch</i>		<i>Investigation & Compliance Unit</i>		<i>Total</i>
	<i>Staff</i>	<i>%</i>	<i>Staff</i>	<i>%</i>	<i>Staff</i>	<i>%</i>	<i>Staff</i>
Sydney	19.0	39	25.6	53	3.7	8	48.3
Melbourne	17.5	38	24.1	52	4.5	10	46.1
Adelaide	13.6	62	6.2	28	2.3	10	22.1
Bendigo ⁴	6.9	100					6.9
Total	57.0		55.9		10.5		123.4

5.9 The ANAO considers that because different offices operate in different environments, it is expected that there would be some variations in resource allocation approaches at different offices. However, there would be merit under any agreed arrangement in having a system of resource allocation and planning that provides an opportunity for the State and National Offices to negotiate on the allocation of resources for the management of the Job Network in State and District Offices.

⁴ The Bendigo Office only has Contract Management Branch staff.

5.10 The ANAO considers that an appropriate framework for resource planning for Job Network management in the State and District Offices should include:

- an indication by the State of what portion of its total resource allocation is to be provided towards Job Network matters;
- the State developing a draft plan of how resources deployed on Job Network matters are to be distributed to the various employment services functions—estimates should be based on experience and ESMG advice on priorities;
- a negotiation process between ESMG and State Offices to resolve any differences in where resources should be allocated on a priority basis; and
- the State Offices reporting on the final outcome for the year in terms of resource usage.

Recommendation No.5

5.11 The ANAO recommends that the Department establish a framework for resource planning for Job Network functions at the State and District Office level that allows Employment Services Market Group priorities to be reflected in State and District Office resource allocations for Job Network matters to improve performance.

DEWRSB response

5.12 *Agreed. The Department notes that the framework for resource allocation for Job Network functions is to be part of the Departmental approach to resource planning, and linked to the Department's Outcomes and Outputs based corporate planning framework.*

Information on resource deployment by State and District Offices

5.13 Good management practice requires that organisations monitor resource usage and analyse the reasons for particular patterns developing. This analysis can suggest fundamental changes to the way particular matters are administered, and can also provide an indication of areas where administrative efficiencies could be obtained.

5.14 This type of data on resource usage would also assist State Office management in developing material related to the resource planning framework referred to previously.

5.15 In the course of its visits to State Offices the ANAO collected estimates from the Contract Management Branches, Market Support Branches and the Investigations and Compliance Units on the way in which their time was taken up with particular activities related to the Job Network.

5.16 The Contract Management Branches in the State and District Offices undertake some key activities that are relevant to this audit. Table 5.2 sets out a broad picture of the estimated deployment of Contract Management Branch staff for 1998–99 for the four offices visited by the ANAO.

Table 5.2

Percentage of staff time attributed to particular tasks (1998–99)

<i>Task</i>	<i>Staff Level</i> ⁵					
	<i>ASO3</i>	<i>ASO4</i>	<i>ASO5</i>	<i>ASO6</i>	<i>EL1</i>	<i>EL2</i>
Contract administration	71	55	40	45	40	26
Formal contract monitoring	9	17	29	29	16	15
Desk Monitoring	12	9	9	7	7	4
Other liaison and branch functions	8	19	22	19	37	55

5.17 The above data summarises estimates made by DEWRSB staff during ANAO investigations at State and District Offices. Given that this data has only been collected on one occasion, it needs to be treated with some caution. Nevertheless, some valuable information can be obtained on where resources are being deployed. For example, for those staff levels that have the majority of resources (ASO4, ASO5, ASO6 and EL1), there is between 40 per cent and 55 per cent of staff effort being deployed on contract administration. The lower level descriptions that were used to describe the types of activities that were included in this category were correspondence; information requests; NEIS business plans; IES overrides; special claims; policy queries and clarification; IES access requests; and acquittals for market development and promotional funding.

⁵ Staff levels in the table are ordered according to level of responsibility from least to most, eg. an Administrative Service Officer Level 3 (ASO3) carries less responsibility than an ASO6. Similarly, an Executive Level 1 (EL1) has less responsibility than an EL2.

5.18 It is important that information such as displayed in the above table is gathered and analysed on a regular basis to ensure that both the States and ESMG are aware of what matters are driving resource usage in the State and District Offices. One of the current matters having a particular impact on staff effort is the processing of special claims. However it is difficult to know how big a problem this is, and whether it is growing. There is no information in IES that sets out the current level of special claims, or at what rate they have grown over the period of the contract. It is also not possible to determine whether particular providers are submitting more special claims than others, and the reasons for such claims. The ANAO acknowledges that gathering information on special claims would require changes to IES that would need to be considered along with other priorities for changing IES.

5.19 The ANAO understands that in future years the Department intends to undertake two monitoring visits to each site per year. One difficulty that the above table illustrates is that it may be difficult for staff in the State and District offices to carry out two monitoring visits using current approaches in a financial year with their current resourcing levels. For example, ASO6 staff, who are key in the monitoring process, spent 45 per cent of their time on contract administration, 29 per cent on monitoring visits and 26 per cent on other activities in 1998–99. In this period staff generally undertook only one monitoring visit to each Job Network site.

5.20 The ANAO notes the points raised in Chapter 3 regarding the need to apply risk based approaches to the contract monitoring process. Such an approach could provide efficiencies in the contract monitoring process in the longer term.

Conclusion

5.21 The ANAO concluded that there was no resource planning framework in place under which Employment Services Market Group priorities were reflected in State Office resource allocations. The ANAO recommends that the Department establish a suitable framework for resource planning for Job Network functions that allows Employment Services Market Group priorities to be reflected in resource allocations.

5.22 The ANAO also considers that it is important that data be gathered and analysed on activities undertaken by State and District office staff. Such information would help determine what matters are driving resource usage and contract processes which could aid development of more efficient contract management approaches.

Recommendation No.6

5.23 The ANAO recommends that:

- (a) information relating to the staff effort deployed to undertake particular Job Network activities in the State and District Offices be obtained on a regular basis;
- (b) such data be analysed to help determine the underlying reasons for the level of resources being devoted to particular activities; and
- (c) suitable changes be made to administrative practices and resource allocations where existing staff effort does not reflect Job Network management priorities or where efficiencies could be obtained.

DEWRSB response

5.24 *Agreed. The Department will continue to monitor the patterns of resource usage across its range of functions including Job Network contract management and market support/development activities. As noted under Recommendation No.5, the Department undertakes this activity, within the context of its Outcomes and Outputs based planning and resource allocations framework. Monitoring and deployment of resources will continue to be developed within this framework.*

6. Management of Client Flow

This chapter describes how the Job Seeker Classification Instrument operates, and also examines the processes involved in the management of the flow of job seekers to providers for Intensive Assistance and Job Search Training.

Introduction

6.1 A key part of managing the contract for providers that are contracted to carry out Intensive Assistance (IA) services and Job Search Training (JST) services is managing the referral of job seekers requiring these services to appropriate providers. Without the Department taking an active role in ensuring that the referral of job seekers occurs appropriately, contractors are unlikely to achieve the levels of service supply envisaged in their contracts. The Department has an objective of commencements for a provider being at least 85 per cent of the contracted quantity.

6.2 The audit examined whether the Department had:

- established processes that met job seeker needs and maintained a smooth flow of job seekers to Job Network members across the range of assistance levels;
- made adjustments to the flow of job seekers to assist Job Network members to meet their contract capacity;
- responded adequately to problems in the flow of job seekers to JST and IA providers and the administrative processes that support the referral of job seekers to these services; and
- carried out assessments of whether its adjustments to flow had the desired effect.

6.3 The operation of Job Seeker Classification Instrument (JSCI), and the referral processes related to both IA and JST, is analysed in the following sections.

Job Seeker Classification Instrument

6.4 At the time of registration, Centrelink asks each job seeker questions to collect information on the 18 factors in the JSCI which are associated with long term unemployment. Each factor is assigned a numerical weight indicative of the average contribution the factor makes to the difficulty of placing a job seeker into employment.

6.5 This information is entered by Centrelink staff into the Department's computer system, the Integrated Employment System (IES), and a JSCI score is assigned to each job seeker so that job seekers can be ranked according to their likely placement difficulty. The JSCI does not assess the job seeker's needs, but is simply a classification tool to estimate the level of disadvantage the job seeker faces in the labour market relative to other job seekers.

6.6 The JSCI scores are used to regulate the flow of job seekers into each of the three IA funding levels. A secondary classification process is used to clarify the outcome of the JSCI in the circumstances where the job seeker has a particularly severe barrier or where the nature of the employment barrier requires professional and/or specialist advice.

Post Implementation Review

6.7 The Department undertook a Post Implementation Review (PIR) of the JSCI in late 1998 and the first half of 1999. The PIR findings and recommendations included that:

- the JSCI bandwidths that regulate job seekers into the three IA funding levels are functioning well and continued monitoring and adjustments where necessary should achieve the required IA level commencement quotas by the end of the contract period;
- there is statistical evidence that the JSCI is selecting the most disadvantaged job seekers for IA;
- Geographic Location Factor weightings should be updated regularly to reflect current regional labour market differences;
- continued development and refinement should occur in respect of factors that are designed to take into account specific disadvantages;
- in consultation with the Department, Centrelink should review the form used for Centrelink staff conducting interviews, adopt procedures and processes which ensure adequate time and expertise are available to obtain accurate JSCI information, ensure there is further training for Centrelink staff, and improve its processes for job seekers with particular disadvantages; and
- the Department continue to work on enhancements to IES that will facilitate easy recording of JSCI information.

6.8 This report was formally concluded in July 1999 and the Department intends to make the recommended improvements as resources become available with the second tender arrangements being concluded late in 1999. Centrelink is aware of the areas in which it has been recommended that it make improvements. The Department, in consultation with Centrelink, is developing an implementation plan covering recommended improvements.

JSCI score reviews

6.9 Where providers consider that the scores of individual job seekers are inappropriate, they can request that Centrelink review the job seeker's score. There are some 75 000–80 000 JSCI scores completed by Centrelink each month. The total number of reviews between mid-January 1999 and 31 August 1999 was less than 0.2 per cent of all the JSCI scores that were completed in this period. This supports the view that the JSCI is operating satisfactorily.

JSCI Bandwidths

6.10 The ANAO examined the process for reviewing and resetting the bandwidths that has been followed since the Job Network has been in operation.

6.11 The process that is undertaken in setting the bandwidths requires considerable knowledge of how the scores are built up and what is required to be achieved under the Job Network contracts. Factors included in the calculation of new bandwidths include:

- the contracted targets for specific funding levels;
- the history of commencements for IA to date;
- IA completions and retention rate history;
- allowances related to the need to have a 'waiting room' of job seekers ready to undertake IA; and
- the likely impact of any refinements to the factors included in the JSCI itself.

6.12 The ANAO found that the processes used in these reviews are appropriate and that a consistent methodology has been used to determine the bandwidths. Table 6.1 sets out the bandwidths applied during the first contract.

Table 6.1

JSCI Score Bandwidths

<i>Intensive Assistance Funding Level⁶</i> (by Flex category)	<i>1 May 1998 to 22 July 1998</i>	<i>23 July 1998 to 25 July 1999</i>	<i>26 July 1999 onwards</i>
Flex 3.1	27–34 points	26–33 points	24–30 points
Flex 3.2	35–44 points	34–41 points	31–38 points
Flex 3.3	45 or more points	42 or more points	39 or more points

⁶ There are three graduated levels of funding applicable to Intensive Assistance (Flex 3)—see Appendix 1 for more information.

6.13 The higher the JSCI score for an individual job seeker, the higher the level of IA funding provided. Job seekers who do not meet the threshold score of 24 are eligible to be considered for Job Search Training.

6.14 The objective with the band setting process is to ensure that the target funding proportion of places are met. The targets were:

- Flex 3.1—67 per cent of funded IA places;
- Flex 3.2—26 per cent of funded IA places; and
- Flex 3.3—7 per cent of funded IA places.

6.15 The most recent adjustment to bandwidths was designed to increase the number of job seekers available for Flex 3.3 and also to ensure that the number of job seekers referred for assistance was sufficient to meet contracted numbers.

6.16 Undertaking these reviews of bandwidth is complex and can take some time. Currently this process is carried out by ESGM staff and staff movements can affect the availability of people with appropriate knowledge and understanding to undertake such a task in a timely manner.

6.17 The ANAO suggests there would be benefit in being able to review the bandwidths more frequently. This would assist in more timely monitoring of whether the assumptions made as part of the bandwidth setting have proved accurate.

6.18 To make more frequent assessments of the bandwidth feasible it would be necessary to build a model which would facilitate the processes that need to be undertaken to review bandwidths. Having a reliable model in place would reduce the risk associated with particular staff having knowledge of the mechanics of the JSCI bandwidth setting process.

Recommendation No.7

6.19 The ANAO recommends that the Department consider the benefits and costs of developing and appropriately documenting a systems-based model that facilitates more timely review of the bandwidths used for determining Intensive Assistance eligibility.

DEWRSB response

6.20 *Agreed. The Department has taken steps to develop a system-based process of bandwidth calculation. From the commencement of the second contract period, the Department is monitoring and reviewing the flow of referrals and the bandwidths in a series of monthly reports using a system-based model. Bandwidths will be adjusted during the contract period as necessary.*

Intensive Assistance

6.21 There are three ways in which job seekers can be identified as eligible for IA. These are:

- at the registration interview with Centrelink—if the JSCI score given falls within the 3.1, 3.2 or 3.3 ranges, the job seeker then attends an information seminar at Centrelink at which IA preferences are recorded;
- with the monthly automatic update of JSCI scores in IES—if the job seeker becomes eligible for 3.1, 3.2 or 3.3 a letter is sent to them seeking advice of their preferences; and
- at the 12, 24, 36 and 48 month face-to-face Centrelink interviews if a JSCI score results in a job seeker being eligible for 3.1, 3.2, or 3.3.

Input management

6.22 The Department and Centrelink have managed the flow of job seekers such that overall the Job Network members providing IA services have been operating at close to 94 per cent or 95 per cent of contracted capacity. Over the course of the contract period changes have been made to the referral process to ensure that the flow of job seekers to members is smooth and timely. The Department operates what is termed a Virtual Waiting Room in IES to help smooth the flow of eligible job seekers and a mail out referral process (Accelerated Referral Process) that reduces the need for face to face interviews by Centrelink. In certain locations (principally more remote areas) Centrelink continues to undertake manual referrals (involving interviews) to ensure the flow of job seekers is in line with contracted quantities in the region.

6.23 The mail out referral process involves:

- letters being generated to be sent to IA eligible job seekers on particular nights each week;
- the job seeker either calls the Centrelink Call Centre and registers their preferences for a particular provider, or is automatically referred; and
- the Job Network member accesses the list of job seekers who have been referred to them and takes actions that allow Centrelink to send the job seeker a letter with interview details.

6.24 Following some initial teething problems, the mail out referral process has operated satisfactorily for IA providers.

6.25 There have been certain individual members who have not been able to meet 85 per cent of their contracted capacity. One factor that affects the flow of job seekers to individual providers is the choice that job seekers are able to exercise as to the provider they wish to use. Another factor influencing this is the initial allocation of contracted numbers to regions, and hence to providers in those regions. Some regions have received too many places and others have insufficient places. To some extent this can be remedied where there are providers operating in multiple regions, although this needs to be done in a manner that does not disadvantage other providers in regions where capacity may be increased. Where a provider only operates in one region there may be little that can be done to bring the member towards their contracted capacity. The experience of the first tender should allow the distribution of allocations in the second tender to be improved.

6.26 The ANAO found that the Department is managing the referral process in respect of IA in an appropriate manner and has taken steps to meet particular difficulties in a timely manner.

Job Search Training

6.27 The primary employment characteristics of job seekers eligible for JST include:

- they have been unemployed for more than two months;
- they are not eligible for IA;
- are not participating in IA, NEIS or various other approved eligible activities; and
- have not completed a JST placement during the period.

6.28 In the amendments to JST announced in December 1998, eligibility for JST was extended to include women wishing to return to the workforce. Job seekers registered with Centrelink are also able to volunteer to undertake JST prior to them being included in the referral mailout.

6.29 A number of changes were also introduced to the eligibility for JST in September 1999 following the expansion of the JSCI bandwidth for IA eligibility. These measures were aimed at broadening access to JST by job seekers and generating more referrals to JST providers to help them meet their contracted capacities. These included:

- allowing job seekers to volunteer for JST after three months registration as unemployed (instead of six months previously);

- starting the referral process at two months after registration (had been three months);
- extending the mail out referral process to include 18–24 year olds at the 2–4 months duration of unemployment (prior to their obligation to undertake mutual obligation activity⁷); and
- referring job seekers to JST when they complete their period of Mutual Obligations.

Mail out referral process

6.30 Initially the referral of job seekers to JST providers was undertaken solely by Centrelink. This was relatively labour intensive on Centrelink's part and is termed 'manual referral'.

6.31 Since March 1999 the principal method of referral for JST has been based around a mail out process. A job seeker who is JST eligible is selected from an overnight run that is carried out in IES. The process involves:

- the selection being made on a priority basis with those eligible and unemployed for the longest period, within certain categories of length of unemployment, being chosen first;
- the Department specifying the number of letters that are sent out each week for particular labour market regions, as well as the numbers being sought from particular categories of length of unemployment in those regions;
- a mapping process under which providers are mapped to Centrelink offices, and job seekers are mapped to Centrelink offices according to their postcodes;
- with each weekly mail out run from IES, job seekers receiving a letter from Centrelink asking them to ring a Centrelink call centre and advise of their choice of Job Network member who will provide them with JST and Job Matching services;
- these letters going out to job seekers who are activity tested⁸ and to those who are not activity tested; and
- if the job seeker does not respond to the letter and call Centrelink, they are automatically referred to a particular Job Network member.

⁷ All unemployed people aged 18–24 years who pass the point of being in receipt of unemployment payments for six months have been asked to undertake an additional activity as well as continue to look for work. Mutual obligation could include arrangements such as Work for the Dole, literacy/numeracy training or Green Corps.

⁸ Under the Social Security Act there is a requirement for certain benefit recipients to undertake agreed looking for work activities.

6.32 Centrelink still undertakes manual referrals in cases where the volume of job seekers is low and where training courses are only run intermittently. A large number of the more remote labour market regions operate with manual referrals being undertaken by Centrelink.

Performance of the mail out referral process

6.33 Based on investigations made during the audit, the ANAO found that the referral process using a mail out based on IES information is not resulting in the job seekers commencing JST with Job Network members at the levels envisaged in their contracts. In broad terms the successful commencements that are being achieved with the mail out process are less than 20 per cent of referrals. This makes it difficult for individual providers to obtain viable numbers of job seekers for JST courses. In addition, providers have to undertake considerable administrative effort to achieve the numbers that are required for training courses. In discussions with industry there was reference to specific examples of providers where difficulties exist, for example, one provider received 40 referrals, but only managed to get three commencements from these referrals. This process involves elements that both providers and Centrelink are involved in, as well as the Department.

6.34 The ANAO notes that the regular reporting that occurs on referral matters, the Fortnightly Centrelink Performance Analysis (used within DEWRSB and Centrelink), is based on the ratio of referrals to commencements over the total period of the contract. However, the report does not give any indication of the current referral to commencement ratio when the majority of referrals are occurring with the automated mail out process. The ANAO considers that the material in this report should be improved by providing a clear indication of the effectiveness of the mail out referral process.

6.35 The percentage of referrals that were exited from the JST referral process as unsuitable (UNS) between mid March 1999 and late October 1999 was 7.4 per cent. In the same period the number of referrals that were exited on the grounds of Sick, Work or Study (SWS) was 15.8 per cent. The level of UNS and SWS exits do not explain in full the fall-off of about 80 per cent that occurs between referral and commencement.

6.36 JST commencements in late October 1999 were occurring at a rate of slightly more than 1000 per week. However it was indicated that commencements would need to increase to 2843 per week if contracted target numbers were to be met. This indicates that on average JST providers will not be able to meet their contracted quantities.

6.37 The ANAO's principal finding relating to JST referrals is that it has been very difficult for Job Network members to maintain a viable level of JST commencements with referrals being based on a mail out using IES data. The ANAO acknowledges that this particular innovation was introduced to overcome other difficulties with referrals, although it considers that the automated mail out process has exacerbated administrative difficulties and created inefficiencies for providers rather than reducing them.

Reasons for the difficulties

6.38 In discussions with the Department a list of possible reasons was advanced to explain the difficulties being experienced. However, there appeared to be no single factor that could be remedied to overcome the difficulties that were occurring. Given that it is unclear why these difficulties are being encountered, the ANAO suggests that the Department consider commissioning independent research of job seekers to determine underlying weaknesses in JST from their point of view.

Improvements being considered by the Department

6.39 The Department has a number of proposals under consideration that it considers would help address this difficulty. In discussions with the ANAO the Department noted:

- there was a need for some flexibility to be exercised in the application of the 15 day availability normally required to undertake JST;
- the design of JST may need to be re-examined (how to cope with small amounts of part-time work or study);
- different packaging of JST to better reflect the needs of job seekers may assist;
- encourage greater contact with Centrelink to record preferences so that availability can be checked prior to referral; and
- further exploration of market development opportunities was needed.

6.40 The Department also noted that the evolving market for JST might improve the situation over the next 12 months. Currently, the Department is not actively considering using Centrelink as the principal means of referring job seekers to Job Network members for JST.

Conclusion

6.41 The ANAO concluded that, overall, the Job Seeker Classification Instrument (JSCI) is proving to be a satisfactory tool as part of the task of scoring job seekers according to the level of difficulty they have in finding employment. The ANAO also concluded that the processes used

in JSCI bandwidth reviews are appropriate and that a consistent methodology had been used to determine the bandwidths. The Department should, however, consider introducing a cost effective systems-based model to assist in the review of JSCI bandwidths. Such a model would facilitate more frequent review of bandwidths and enable the Department to test whether assumptions made as part of the bandwidth setting have proved accurate.

6.42 The Intensive Assistance (IA) referral process has been refined over the period of the first contract and the ANAO concluded that it is providing a satisfactory flow of job seekers to IA providers. On the other hand, the ANAO concluded that it has been very difficult for Job Network members to maintain a viable level of JST commencements with referrals based on a mail out using IES data. The mail out referral process that has been introduced has exacerbated administrative difficulties and created inefficiencies for providers rather than reducing them.

6.43 For improvements to occur in the JST referral process the ANAO considers that the Department should examine a wide range of possible solutions and do this in an open and consultative manner, drawing on the knowledge of Centrelink, provider representatives and State and National office staff. The Department should also consider improving its understanding of the perceptions and needs of job seekers through commissioning independent research of job seekers to help determine underlying deficiencies in JST from their point of view.

Recommendation No.8

6.44 The ANAO recommends that the Department work cooperatively with representatives of Job Search Training providers and Centrelink to establish improved longer term options for the management of referral processes for Job Search Training.

DEWRSB response

6.45 *Agreed. The Department has been continually monitoring and improving the referral process of job seekers to Job Search Training to achieve each Job Search Training provider's contracted numbers. Most recently, revisions were introduced from 28 February 2000. The Department and NESA have agreed to work together on a good practice project which will focus on maximising the referral to commencement conversion ratio for Job Search Training. Centrelink will be invited to contribute to this project. The issue of referral will also be a standing item on the agenda of the joint NESA, Centrelink and Department meetings referred to in Recommendation No.1.*

7. IT Systems—Security and Privacy

This chapter examines the effectiveness of processes put in place by DEWRSB to manage security and privacy issues relating to the IT systems used to support the Job Network.

Introduction

7.1 In this section of the audit the ANAO concentrated on the integrity, completeness of coverage and appropriateness of the control environment implemented to safeguard access to private and commercially sensitive information. The audit examined relevant manual procedures and automated controls employed to ensure the accuracy and appropriateness of access to sensitive data contained within, and related to, the Integrated Employment System (IES). The audit also examined matters related to data consistency between the IES and employment related aspects of Centrelink's Income Security Integrated System (ISIS).

IES security

7.2 The ANAO examined the management and administration of the security framework employed by DEWRSB to safeguard information in the Job Network systems. In forming an opinion on the adequacy of the security framework the review examined, but was not confined to, the following:

- processes and management applied to the authorisation of IES users;
- adequacy of controls used for confining users' access to appropriate functionality and data within the IES;
- adequacy and completeness of logging mechanisms used to monitor user activity and system processing; and
- the effectiveness of procedures used to monitor user access and system usage to ensure that, where possible, privacy or confidentiality breaches are prevented or detected and appropriately actioned.

IES application security

7.3 The automated information system (IES) underpinning the Job Network is effectively a large and complicated set of business rules that have been automated. An assessment of assistance entitlement, or benefits, is made based on the application of these business rules with reference to case specific and eligibility data such as:

- a job seeker's circumstances, for example, location, current benefits received, education level, family/social dependencies, employment preference, duration of current unemployment, and training requirements;
- base eligibility guidelines; and
- Job Network member details, for example, location, contracted capacities and services.

7.4 In some instances the application of the IES business rules to the relevant case data is quite straight forward. In others, significant amounts of assessment, data verification and cross agency entitlement adjustment need to be processed. Irrespective of the circumstances of a particular employment benefit eligibility assessment, it is vital that the security of this system relies on an integrated, transparent process that ensures all elements work together effectively.

7.5 In discussions with DEWRSB staff, the ANAO found that it was apparent that the application security for IES was relatively fragmented, and the architecture of the IES application detracts from the concept of transparency. The application security consists of several elements including:

- systemic controls attached to the IES data tables;
- security related business rules that are associated with and apply to specific IES application screens; and
- user-based security rules determining the level of access to information according to the security profile accorded to that user.

7.6 Testing and re-performance confirmed the operation of essential elements of the controls were performing as expected. However, the ANAO found that the documentation of these processes did not effectively link, or adequately describe, the security mechanisms in operation.

7.7 A sound security framework would include adequate documentation of systems and processes that are required to ensure the continued effective operation of that framework. A lack of adequate documentation can have serious effects on both the efficiency and effectiveness of the system over time. These may include problems related to over-dependence on key staff, corporate knowledge not retained when tasks are performed by contract staff, inefficiencies suffered from re-working existing solutions and erroneously discarding key components of a system or process during change periods.

Documentation of dial-up system access connection configuration and processes

7.8 In order to safeguard IES from inappropriate dial-in access, DEWRSB has a two phase authentication and access configuration for dial-up connections by Job Network members. This system was reviewed and it was noted that it operated effectively. There was, however, a lack of documentation of administrative and maintenance processes required to support the dial-up access system.

7.9 Discussion of this matter with the Department indicated that the issue of documentation has been identified as a business requirement but has not been considered a high enough business priority to warrant attention at this time.

Accountability over high level systems access to the dial-up system configuration

7.10 The review noted a limitation with the version of access management software for dial-up currently implemented. This limitation does not allow adequate accountability of administration access to the system. Administration access is required to undertake high level configuration and control activities with the access management software. This software deficiency has resulted in the National IT Computer Support Centre (NITCSC) staff using a generic user identification. Therefore changes made to user access rights and other aspects of access configuration cannot be adequately logged to individual NITCSC operators.

7.11 The lack of adequate accountability in the logging process prevents DEWRSB from controlling the processes of administering user access to the dial-up systems. DEWRSB staff are confident that the problem will be fixed when the latest version of the access manager application is running on the system. The ANAO considers that this situation could develop into a high risk if it was to continue for some time. It may be necessary to use alternative access management software if the current application is not able to perform this function.

Monitoring of IES transaction and access logs

7.12 The various access paths available to users of the Job Network systems have necessitated different component related systems to log various types of user activity. The ANAO found that all Job Network systems had logs of some sort in operation. However, there were very few proactive or regular monitoring and review processes.

7.13 In relation to log monitoring and review, it was noted that the:

- NITCSC has an active log control over access to data sets. Any attempt to access an application environment that a user is not authorised to use will result in a refusal and a follow-up with the user to determine why they had attempted the access; and
- Compliance Section uses data from the logs for analysis, however, this is limited to identifying potential overclaiming or fraudulent transactions.

However, neither of these processes adequately addresses breaches related to privacy or non-financial data misuse.

7.14 Owing to the highly sensitive nature of the information in the Job Network systems it is incumbent upon the Department to ensure that adequate monitoring procedures be implemented. Best practice access and control monitoring procedures also dictate that there should be a proactive review and monitoring process for privacy or non-financial data misuse similar to the current Compliance Section process referred to above.

7.15 The proactive aspect of the monitoring regime is to ensure that, in as many cases as is possible, potential breaches of privacy or security standards are identified and resolved before they become an issue. In circumstances where only re-active mechanisms are relied upon the Department is potentially only dealing with a lesser percentage of breaches, and only dealing with them when they have already become an issue. Re-active mechanisms include complaints registering and investigation processes.

7.16 Overall, the lack of balance between proactive and reactive monitoring processes increases the risk that:

- unauthorised users may obtain access rights to which they are not entitled; and/or
- authorised users may be using system functionality or accessing system data for inappropriate purposes.

7.17 In addition to increased exposure to the above risks, DEWRSB's current approach represents an exposure to criticism in relation to obligations under the Privacy Act 1988. This Act requires agencies to take reasonable measures to safeguard the confidentiality of information they retain.

Recommendation No.9

7.18 The ANAO recommends that the Department:

- (a) integrate the documentation of the security controls within the Integrated Employment System, and adequately document the dial-up system configurations and supporting manual processes to improve the reliability of controls;
- (b) take cost effective steps to allow the identification and logging of all changes to Radius Server user access; and
- (c) implement, on a risk-managed basis, a suitable monitoring regime that addresses access to, and reporting of, Integrated Employment System data that may be considered private or commercially sensitive.

DEWRSB response

7.19 (a) *Agreed. Documentation of all security controls is being actively progressed as part of the IT Outsourcing initiative. The security controls in question are expected to be outsourced by mid 2001.*

(b) *Agreed. A new release of the Radius administration software is now available from the vendor, which will allow the Department to address this exposure in a cost effective manner.*

(c) *Agreed. All viewing of client address details in IES is already written to a browse log that can be interrogated if a query is raised about a breach of privacy. The Department will now examine browse logging the viewing of commercially sensitive information in the same way as it presently logs viewing of client address details, and put a recommendation to the IES Project Board for its consideration and scheduling into a future release of the IES system.*

Job Network Contract data input

7.20 The ANAO noted that there was no evidence of formal reconciliation or confirmation processes for the contract details entered into IES following the first round of the Employment Services Contract tendering processes. The ANAO undertook sample based testing to confirm the accuracy of recorded contract details. Testing revealed no errors.

7.21 In the first round of the Employment Services Contract the Intensive Assistance contract rates, entailing the largest expenditures, were fixed. In the second round these rates were established on a contestable basis and this will introduce a much greater degree of variability in the rates established.

7.22 The current processes for entering data will, therefore, be exposed to higher risks of error in the second contract. The complexity of the system will be the same but the variability of data will increase. It is important that payment processes are supported by effective controls over the input of master data such as the contract rates information.

7.23 The ANAO understands that the checking of material in contracts and ensuring that this was correctly included in IES was carried out by staff in the State and District offices.

7.24 The ANAO suggests that controls be formalised regarding input of contract details, with key contract financial details in IES being confirmed back to source documentation for correctness of data entry. The IES system could also incorporate reasonableness validations for contract financial data entry.

Consistency of data between the IES and Centrelink systems

7.25 One area where difficulties have been experienced that have led to problems in the process of referring job seekers to Job Network members, is the consistency of data in IES and Centrelink systems.

7.26 DEWRSB undertakes two IES-to-Centrelink reconciliations on a monthly basis addressing allowance data and client address data. These reconciliations are not subject to a formal review process. The ANAO suggests that the reconciliation processes for non-financial data be formalised and subject to consistent review and monitoring processes, including the recording and follow-up of errors uncovered by the reconciliation process.

7.27 There are continuing issues concerning the interface between the IES and Centrelink systems. To address this problem there are several joint committees in operation that draw membership from both sides at appropriate levels. The latest initiative by DEWRSB and Centrelink has been to form the Systems Interface Steering Committee to take carriage of the identified interface issues and set the priorities for resolution.

7.28 These reconciliation processes, and the activities of the joint committees, have become a valuable tool in the identification of issues related to manual and automated processing. In recognition of the value of these processes, system stakeholders have requested to be kept informed of the status of reconciliations and the subsequent remedial actions.

Conclusion

7.29 The ANAO concluded that the Department has a generally sound framework for Job Network systems security. However, the application security for IES was relatively fragmented and the documentation of these processes did not effectively link, or adequately describe, the security mechanisms in operation. The ANAO also found that all Job Network systems had transaction and access logs in operation, but that there were very few preventative or regular monitoring and review processes. The reliability and consistency of the IES security framework would be improved through better documentation of security controls and tighter monitoring of changes to user access. The ANAO also proposes a preventative mechanism be implemented to focus on identifying inappropriate access to data that may be considered private or commercially sensitive.

8. Performance Information and Value-for-money

This chapter examines the performance information framework that DEWRSB has established to monitor Job Network performance. This chapter also includes an assessment of the overall value-for-money provided by the Job Network relative to the arrangements that existed in 1996–97.

Performance information

8.1 The ANAO examined the performance information for the Job Network from a national perspective to determine if it is consistent with the principles of better practice for performance information. That is, performance information should:

- link Job Network objectives and strategies;
- have an appropriate range of indicators;
- include targets and benchmarks; and
- be appropriately reported.

Linking of objectives and strategies

8.2 The business plan prepared by the Employment Services Market Group (ESMG) has as an overarching objective—the improved performance and operation of the Job Network. It includes formal strategies relevant to the:

- provision of briefings and policy advice;
- preparation of research papers;
- management of contracts related to Job Network service delivery;
- monitoring of compliance (by Network members) with contract conditions; and
- communication of information to client groups and other stakeholders.

8.3 The business plan also includes a number of indicators (for example, outcomes, commencements, stakeholder satisfaction, complaints and claims lodged) which, if appropriate, should link the objective to the strategies.

8.4 The ANAO found that in most cases the performance information links the objectives and strategies in the business plan. For example, DEWRSB collects outcome information for unemployed people who use the Job Network (for example, whether they are now in employment and further education). This information directly links Job Network management strategies to the objective stated previously. The indicator relating to Ministerial satisfaction links to the strategy of providing the Minister with briefings and policy advice to the objective. However, the ANAO could not identify any performance information that provided links between Job Network compliance with contract conditions and the objective⁹. The ANAO considers that the compilation of information on the outcome of monitoring visits by State office staff would provide the necessary link. The ANAO considers that this approach would provide an important indicator related to the contract management role of State and District office staff. Necessarily, State office staff would have to provide information in a standard form that could be used to provide a qualitative and quantitative overview of Job Network operations.

Recommendation No.10

8.5 The ANAO recommends that performance information be developed that establishes an appropriate linkage between Job Network members' compliance with contract conditions and the performance and operation of the Job Network to assist effective contract management.

DEWRSB response

8.6 *Agreed. The Department strongly believes that the provision of performance information on a regular basis is crucial to continued improvement of Job Network. Performance information has been a key aspect of the first Job Network contract period and will be enhanced. Performance was a key criterion in the second Job Network tender and is reflected in the contract offers made. Although no decision has yet been made the contract allows for the extension of contracts beyond the originally planned contracted term on the basis of continuing good performance. Pursuing the links between individual providers and whole-of-Network performance will be a continuation of the process of improvement associated with the development and release of performance information to Job Network members, job seekers, employers and other affected/interested stakeholders*

⁹ While DEWRSB State office staff prepare monitoring reports for particular Job Network members, the ANAO was not made aware of any performance information derived from these reports.

8.7 The ANAO acknowledges that, in assessing tenders for the second contract, knowledge of performance during monitoring visits was taken into account by the Department. The Department also noted that the second contract will include specific provisions to enable action to be taken during the contract based on performance at that time.

Range of indicators

8.8 To provide a full, balanced perspective of the Job Network it is necessary for performance information to have indicators that address key aspects of the performance and operation of the Job Network.

8.9 The ANAO found that the business plan had an appropriate range of indicators to provide a balanced perspective of most aspects of the Job Network. It required, for example, the collection and reporting of information on:

- outcomes, as determined by the Post Program Monitoring system;
- process measures (for example, placements, referrals, commencements with Job Network members); and
- client service measures (for example, Minister's satisfaction with advice and customer complaint information).

8.10 The performance information would, however, provide a better perspective of the performance and operation of the Job Network if it included additional information on important process issues such as the efficiency of DEWRSB administrative operations and the incidence of special claims. The ANAO acknowledges that a systems change would be necessary to gather such information and that it must be considered along with other priorities. The ANAO considers that the cost/benefit of collecting information on particular problems should be monitored over time as the magnitude of particular problems may change.

Targets and benchmarks

8.11 Satisfactory performance information should include targets for the factors that managers can influence. Besides providing a management tool, targets improve accountability by providing basic reference points that assist readers in determining how well operations, such as the Job Network, are performing. Targets should be based on suitable standards and benchmarks.

8.12 The ESMG business plan refers to the existence of targets for placements, referrals and commencements but does not provide details on what these targets are. The Business plan also had specific timeliness performance targets for Ministerial correspondence.

8.13 The ANAO reviewed reports to determine whether the information disseminated on the Job Network included performance targets. The ANAO found from reports that Intensive Assistance, Job Search Training and NEIS had placement or commencement targets. Targets were also set for referrals to Intensive Assistance for particular disadvantaged groups. Expenditure targets existed for Job Matching, Job Search Training, Intensive Assistance and the Job Network as a whole.

8.14 The ANAO found that suitable targets have been set and that managers and stakeholders are made aware of these targets in performance information reports.

Performance information reports

8.15 Performance information reports are important because they provide the basis for internal management monitoring and decision making and the means by which external accountability is achieved.

8.16 The ANAO found that DEWRSB has a comprehensive range of well presented, timely reports that demonstrate several better practices and, therefore, should facilitate the effective management of the Job Network. For example:

- a fortnightly report on Job Network performance has national information on Job Network expenditures, NEIS and Job Matching placements, Job Search Training commencements and Intensive Assistance referrals. Graphical presentations of this information make the data easier to comprehend;
- a monthly monitoring report with qualitative discussions that complement statistical data. Particular good practices were the inclusion of explanatory notes to ensure readers do not unnecessarily misinterpret terms and short discussion papers on important issues; and
- another (monthly) report that provides placement, commencement and referral information on a State and regional basis that allows local managers to assess their performance relative to others.

8.17 The ANAO considers that the weekly reports based on complaints and queries coming through to the DEWRSB customer service areas are a particularly useful means of identifying current management issues and providing operational staff with advice on what course of action should be taken should they encounter a similar situation.

Job Network evaluation

8.18 As discussed previously, the Job Network represents a significant change in service delivery. It is therefore important that the new arrangements be evaluated in a timely manner to determine how well they are working so that adjustments can be made to the Network and/or operational procedures as necessary.

8.19 DEWRSB has planned a three stage evaluation with the first progress report on the implementation of the Job Network and implementation issues to be available in late 1999. The Department plans to have the other two stages completed by December 2000 and December 2001 respectively. The ANAO considers that the Department has established an appropriate evaluation program. The ANAO has examined a draft of the Stage 1 Evaluation Report that focuses on the implementation of the Job Network. The report contains only limited data on outcomes and does not address key issues of the effectiveness of the Job Network in securing sustainable employment for job seekers. It is intended that the third stage report will provide an evaluation of the effectiveness of the Job Network in improving the employment prospects of job seekers on a sustainable basis.

8.20 Complementing the three stage evaluation of the Job Network has been the preparation and distribution of a steady stream of discussion papers that provide good quantitative and qualitative information on important issues. The preparation and timely distribution of these discussion papers is considered to be a good means of ensuring that the (necessarily long) timelines associated with most major evaluations does not prevent stakeholders (for example, the Minister and DEWRSB managers) from becoming aware of trends and issues at the earliest possible time.

Value-for-money

8.21 The ANAO sought to determine if, relative to previous arrangements, the Job Network provided value-for-money. Comparisons between the performance of the Job Network and previous arrangements for assisting unemployed persons are not easy to make. Care should be taken in comparing assistance provided under the Job Network with previous arrangements because different types of assistance:

- are targeted at job seekers with difference characteristics;
- vary in the size of their eligible populations;
- have different objectives and service arrangements; and
- have operated under different economic conditions.

8.22 In the longer term the Department's full evaluation of the Job Network should provide an appraisal of the overall value-for money of the Job Network. Bearing in mind the above qualifications, the ANAO has undertaken a broad assessment of the Job Network's value for money by examining employment outcomes where appropriate, and the overall expenditure of government on the Job Network.

8.23 For Job Search Training and Intensive Assistance the assessment was based on an examination of the employment outcomes for customers three months after the cessation of assistance and the overall cost of providing these people with assistance through either the Job Network or the previous employment services arrangements. The periods used for the comparison are 1996–97 and 1998–99. In 1996–97, customers were provided with assistance through the Commonwealth Employment Service (CES), Employment Assistance Australia (EAA) and contracted case managers. The main functions of the CES included the provision of Labour Market Programs, job seeker registration and job referral and placement. Case management services were provided by EAA and contracted case managers.

8.24 While indicative only, the ANAO estimated that the overall cost of arrangements in 1996–97 was approximately \$1630 million, with the cost of a comparable set of services under the Job Network in 1998–99 being in the order of \$835 million.¹⁰ However, because of the significantly changed approach to providing employment services under the Job Network, and different economic conditions, an assessment of overall value for money can only be properly informed by an evaluation of the program's effectiveness. As indicated above, the Department plans to undertake a full evaluation of the effectiveness of the Job Network, the results of which are expected to be available in December 2001.

Job Matching

8.25 The Department's draft Stage 1 Evaluation Report provides some information that allowed the ANAO to compare the performance of the Job Network in delivering Job Matching with the Commonwealth Employment Service (CES) delivering similar services. The report indicates that Job Network was used by 38 per cent of employers to lodge vacancies and recruit staff, compared to 32 per cent of employers using the CES in 1997. Job placements by Job Network have grown considerably over the Network's existence as the new arrangements have become more readily known and understood. Job Network providers

¹⁰ These costs include relevant administrative expenditure as well as program expenditure.

were rated significantly better than the CES at sending job applicants who were interested in the job (70 per cent compared to 46 per cent in 1997).

8.26 Overall, 80 per cent of employers who use the Job Network considered that the service and assistance they received from the Job Network was of high quality.

Job Search Training

8.27 Job Search Training (1998–99) and Job Clubs (1996–97) are comparable, both providing assistance in job search techniques. Both have similar employment outcomes (respectively, 36.4 per cent and 38.6 per cent of participants finding employment). However, at \$2490 per employment outcome, Job Clubs were not as cost effective as Job Search Training which cost about \$1130 per employment outcome.

Intensive Assistance

8.28 A common overall objective of current and previous arrangements is to place disadvantaged job seekers in sustained employment albeit through different mechanisms. To achieve this Job Network members use Intensive Assistance arrangements while in the past this outcome was sought by case managers, primarily, by the use of one or more of a number of labour market programs. Table 8.1 provides information on outcomes and the client groups obtained from the Department.

Table 8.1

<i>Indicator</i>	<i>Intensive Assistance</i>	<i>JobTrain</i>	<i>Skillshare</i>
Unsubsidised Employment Outcomes (%)	33.2	33.7	36.9
Unit cost per outcome (\$)	6850 ¹¹	8900	5670
Clients aged 45+ (%)	30.5	16.5	19.8
Clients LTU ¹² (%)	70.5	62.8	57.3

8.29 In view of the more disadvantaged client group that Intensive Assistance is dealing with the ANAO considers that it is producing generally better employment outcomes than previous programs. Costs per Intensive Assistance outcome are broadly comparable with those applying to previous programs.

¹¹ The Department advises that Intensive Assistance costs are overstated compared to the costs of the other programs because certain costs not included in the other programs can not be separated out of Intensive Assistance.

¹² Long Term Unemployed.

Conclusion

8.30 The ANAO concluded that the Department has a satisfactory performance information framework. Particular observations supporting this view were as follows:

- in most cases, the performance information links the objectives and strategies in the business plan;
- there were an appropriate range of indicators to provide a balanced perspective of the Job Network; and
- suitable targets had been set and managers and stakeholders are made aware of results through a comprehensive range of well presented, timely reports.

8.31 One recommendation has been made which, if implemented, should lead to performance information providing a better perspective of Job Network operations. The ANAO considers that the Department has a sound evaluation framework for the Job Network and that the early release of interim discussion papers on important evaluation issues is a better practice.

8.32 The ANAO notes that there are a number of difficulties in comparing employment services assistance under the Job Network with that provided under previous arrangements. Nevertheless, comparisons that the ANAO was able to make during the audit indicated that, in broad terms, the Job Network affords better value for money than previous employment assistance arrangements. Job Search Training provides similar employment outcomes to an earlier comparable program, but at a much reduced cost per outcome. Intensive Assistance is providing similar employment outcomes at a comparable cost per outcome to previous arrangements, but is targeting clients from more disadvantaged groups. The Department plans to undertake a full evaluation of the effectiveness of the Job Network in improving the employment prospects of job seekers on a sustainable basis, the results of which are expected to be available in December 2001.



Canberra ACT
16 May 2000

P. J. Barrett
Auditor-General

Appendices

Appendix 1

Payment arrangements

The payment arrangements for the service categories that the audit concentrated on are:

- Job Matching—providers are paid for each eligible job seeker placed in an appropriate job according to the rate they tendered to deliver this service (subsequent variations to the contract have resulted in additional payments for such placements);
- Job Search Training—payment to providers at the rate tendered by the individual provider is generated by the job seeker signing a Job Search Skills Plan; and
- Intensive Assistance—there is a specified payment structure (no price competition) with providers receiving payment based on their achievement of specific outcomes. These payments vary based on the extent that the job seeker no longer relies on government benefits (primary or secondary outcomes) and the length of time that the job seeker stays not requiring the particular level of government benefit (interim or final outcome payments). Payments also vary based on the score that the job seeker is assessed at under the Job Seeker Classification Instrument (JSCI) ie. Flex 3.1, Flex 3.2 or Flex 3.3. Intensive Assistance rates of payments are set out in Table Appendix 1.1.

Table Appendix 1.1
Intensive Assistance Fees

<i>Primary Outcomes</i>			
<i>Flex 3 Funding Level Category</i>	<i>Up Front Service Fee (\$)</i>	<i>Primary Interim Outcome (\$)</i>	<i>Primary Final Outcome (\$)</i>
Flex 3.1	1500	1500	1200
Flex 3.2	2250	2250	2200
Flex 3.3	3000	3200	3000

<i>Secondary Outcomes</i>			
<i>Flex 3 Funding Level Category</i>	<i>Up Front Service Fee (\$)</i>	<i>Secondary Interim Outcome (\$)</i>	<i>Secondary Final Outcome (\$)</i>
Flex 3.1	1500	500	500
Flex 3.2	2250	500	500
Flex 3.3	3000	500	500

Appendix 2

Changes to the contract and related matters

The five general contract variations made in the period covered during audit fieldwork are as follows¹³:

- *Job Matching Eligibility Contract Variation (26 August 1998)*—eligibility for Commonwealth funded Job Matching services was expanded to include people not in receipt of income support and working less than 15 hours a week and who: are waiting for their unemployment allowance to be determined; are serving a waiting period for unemployment allowance; or have received a redundancy payment or have a working partner. To cover the increased pool of job seekers, Job Matching contracted numbers for each Job Network member were increased by 25 per cent;
- *General Contract Variation (GCV) No. 1 (November 1998)*—contains changes to the specific conditions for Entry Level Training Support Services (ELTSS), Job Search Training and NEIS services to clarify some of the contract clauses. It also includes any individual changes requested to items in the General Conditions Schedule (for example, to bank account details) or the Specific Conditions Schedules (for example, site changes) up to the date of the variation;
- *GCV No. 2 (20 January 1999)*—key adjustments were the introduction of: a Job Matching retainer, an up front payment representing 30 per cent of the fees for Job Matching placements that Job Network members are contracted to achieve in the next contract milestone period; a service fee, payable quarterly in arrears, to help meet some of the additional costs of providing Job Matching¹⁴; access to Job Matching promotional funds of up to \$1000 per eligible Job Matching site for local marketing activities; enhanced administrative arrangements for Intensive Assistance, specifically the inclusion of two additional non-payable outcomes and a further primary outcome; expansion of eligibility for Job Search Training to women returning to the workforce; and streamlined Centrelink referral procedures; and

¹³ In GCV2 and 3 some changes to contract specific conditions (relating to the provision of individual services, that is Flex 1,2,3, ELTSS, NEIS and Project Contracting) and contract schedules were also made as part of these general variations.

¹⁴ The service fee is divided into three components: (i) \$100 per eligible claim for the provision of general services to job seekers; (ii) \$45 per eligible claim for jobs that are located in regional areas; and (iii) \$25 per eligible claim for hosting job search facilities (that is, a touch screen unit).

- *GCV No. 3 (April 1999)*—the current employment services contracts (for all services except ELTSS) were extended by three months to 27 February 2000 and contracted numbers for milestones three and four and additional milestone five (added due to the extension of the contract) were revised; and
- *GCV No. 4 (August 1999)*— contains changes to contracted numbers and profiles for Job Matching providers (milestones 4 and 5).

As well, on 14 September 1998, Market Development Funding (MDF) arrangements were announced for Job Network members providing Job Matching. The MDF grant was administered through a separate contract and provided \$10 000 to each open Job Matching site, for a maximum of five such sites in each labour market region, per Job Network member. The Grant was paid in monthly instalments over a six-month period from 1 October 1998 to 1 March 1999.

In addition to the variations to the contract that are outlined above, there have been five formal notices made to Job Network members under the contract by DEWRSB. These generally set out certain outcomes for which payments would not be made. However, Notice Number 5 (16 September 1999) was different and required a statutory declaration within 30 days of the end of each month certifying that all claims for payment for that month are true and correct. This has been instituted to reinforce the Department's electronic claims facility.

Index

A

Accelerated Referral Process 68

B

bandwidth reviews 18, 73

C

Centrelink 12, 14, 15, 17, 21, 23, 29, 36, 37, 39, 40, 64-66, 68-74, 79, 92

Commonwealth Employment Service (CES) 11, 27, 53, 86, 93

complaints 12, 18, 27, 41, 45, 48, 51, 77, 81, 84

Contract Management Branch 42, 45, 49, 56, 58, 59, 61

contracted capacity 13, 32, 56, 68, 69

Corporate Legal and Audit Services Group 27, 55

D

Department of Employment, Education, Training and Youth Affairs (DEETYA) 12, 27

E

Employment National 14, 32, 33, 38

Employment Services Australia 11, 27

Employment Services Market Group (ESMG) 12, 27, 58-60, 62, 67, 81, 83

Evaluation and Monitoring Branch 27

evaluation framework 19, 88

G

General Contract Variations 44, 52, 53

general contract variations 12, 18, 31, 33, 34, 52, 57, 92

guidance material 14, 17, 34, 41, 51

I

Income Security Integrated System (ISIS) 74

Integrated Employment System (IES) 12, 15, 19, 27, 29, 59, 61, 62, 65, 68, 70-80

Intensive Assistance 11-13, 15, 19, 20, 23, 28-34, 64, 66-68, 73, 79, 84, 86-88, 91, 92

Investigations and Compliance Unit 42, 48, 58, 61

J

job matching 11-13, 28-33, 37, 53, 55, 70, 84, 91, 93, 94

Job Network evaluation 85

Job Network Information System (JNIS) 18, 48, 54, 57

Job Network Management Handbook 41, 43, 55

Job Search Training 11-13, 15, 19, 20, 23, 28-34, 37, 39, 56, 64, 67, 69, 73, 84, 86-88, 91, 92

Job Seeker Classification Instrument (JSCI) 18, 64-69, 72, 73, 91

Jobs Australia 38

JSCI bandwidths 18, 65, 66, 73

K

Key Performance Indicators (KPIs) 58, 59

L

Labour Market Programs 11, 27, 86, 87

Labour Market Programs and Services Group 27

M

mail out referral process 15, 19, 68, 70, 71, 73
 Market Support Branch 42, 45, 48, 58, 61
 Members Information Guide (MIG) 42, 50
 monitoring 12-15, 17-19, 21, 22, 24, 27, 32, 34-36, 41-48, 50, 51, 61, 62, 65, 67, 73, 7-84
 monitoring process 14, 17, 44-46, 51, 62, 77, 79
 monitoring visits 13, 14, 17, 21, 22, 32, 36, 41, 43-47, 50, 51, 62, 82, 83

N

national compliance program 18, 48, 49, 51
 National Employment Services Association (NESA) 38, 39, 40, 73
 National IT Computer Support Centre (NITCSC) 76, 77
 New Apprenticeship Centres (NACs) 11, 28, 30, 33
 New Enterprise Incentive Scheme (NEIS) 11, 28, 30, 33

P

payment arrangements 30, 91
 performance information 15, 19, 24, 31, 34, 81-84, 88
 policy development 12, 27, 96
 Post Implementation Review (PIR) 65
Privacy Act 1988 78
 Privacy Commissioner 17, 36, 40
 Project Contracting 11, 28, 30, 92

Q

quality assurance 14, 17, 22, 36, 47, 51

R

referral of job seekers 12, 29, 64, 70
 referral process 15, 19, 23, 64, 68-71, 73
 resource planning framework 18, 60, 62

S

scoping study 33
 security controls 15, 19, 24, 78, 80
 service level agreement 34, 58

T

training 11-15, 17, 19, 20, 22, 23, 27-34, 41, 45, 49, 50, 51, 56, 64, 65, 67, 69-71, 73, 75, 84, 86-88, 91, 92
 transition arrangements 31

V

value-for-money 19, 34, 81, 85
 Virtual Waiting Room 68

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