

The Auditor-General
Report No.11 2008–09
Performance Audit

Disability Employment Services

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

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

Australian National Audit Office

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of Australia 2008

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Canberra ACT
4 December 2008

Dear Mr President
Dear Mr Speaker

The Australian National Audit Office has undertaken a performance audit in the Department of Families, Housing, Community Services and Indigenous Affairs and the Department of Education, Employment and Workplace Relations in accordance with the authority contained in the *Auditor-General Act 1997*. I present the report of this audit to the Parliament. The report is titled *Disability Employment Services*.

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

A handwritten signature in black ink, appearing to read 'Ian McPhee', is positioned above the printed name.

Ian McPhee
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

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Contents

Abbreviations.....	8
Glossary	10
Summary and Recommendations	13
Summary	15
Introduction	15
Audit scope and objective	19
Conclusion	20
Key findings by chapter.....	22
FaHCSIA's response.....	27
Summary of DEEWR's response.....	28
Recommendations	29
Audit Findings and Conclusions	31
1. Introduction	33
Background	33
Disability Employment Services.....	34
Significant events over the course of the third CSTDA.....	41
Audit approach	46
2. Placing Individuals in Disability Employment Services	49
Overview of disability employment services pathways	49
Integration of JCAs with disability employment services	50
Movement between the open and supported employment services	53
3. Funding Disability Employment Services under the CSTDA	55
Funding supported employment services — FaHCSIA	55
Funding open employment services — DEEWR	62
Evaluation of the introduction of CBF	75
4. Assuring Quality in Disability Employment Services.....	79
Introduction	79
Quality assurance	80
Continuous improvement	89
Complaint resolution and referral.....	90
5. Monitoring and Reporting of Disability Employment Services	98
FaHCSIA monitoring of supported employment services	98
DEEWR monitoring of DEN providers	104
Performance reporting	114
Appendices	125
Appendix 1: DEEWR's Response to the Audit	127

Appendix 2:	Disability employment services fees	129
Appendix 3:	Outcomes of block grant funding and case based funding	134
Appendix 4:	Common elements in DEEWR's program monitoring	136
Appendix 5:	DEN Star Ratings	140
Index.....		141
Series Titles.....		142
Current Better Practice Guides		143

Tables

Table 2.1	Eligibility for the two streams of open employment services.....	52
Table 3.1	Case based funding core fees (Business Services).....	56
Table 3.2	Funding level distribution in supported employment services at 31 March 2008.....	57
Table 3.3	Average number of days taken to complete a Disability Maintenance Instrument assessment after intake	59
Table 3.4	Capped stream payments — employment assistance phase	63
Table 3.5	Capped stream payments — employment maintenance phase	64
Table 3.6	DEN capped clients by program phase	65
Table 3.7	Uncapped stream payments.....	67
Table 3.8	DEN uncapped clients by program phase	69
Table 4.1	Disability Services Standards	79
Table 4.2	Examples of consistency with the Ombudsman's best practice complaints handling recommendations	94
Table 5.1	Common elements in DEEWR's program monitoring indicators and measures	108
Table 5.2	Performance data required for disability employment services.....	114
Table 5.3	Commonwealth State/Territory Disability Agreement performance reporting data available in public reports	118
Table A2.1	Case based funding additional fees (Business Services)	129
Table A2.2	Case based funding additional fees (DEN capped/uncapped stream).....	130
Table A3.1	Supported employment services	134
Table A3.2	Open employment services	135

Figures

Figure 1	Disability employment services pathways	16
Figure 1.1	Commonwealth State/Territory Disability Agreement funding, 2002–03 to 2006–07	36
Figure 1.2	Commonwealth State/Territory Disability Agreement expenditure, by service type, 2006–07	37

Figure 1.3	Clients of services funded by the Commonwealth State/Territory Disability Agreement, 2006–07	38
Figure 1.4	Disability employment clients by primary disability, 2006–07	39
Figure 1.5	Age of clients, by employment service type, 2006–07	40
Figure 1.6	Report structure.....	48
Figure 2.1	Disability employment services pathways	49
Figure 3.1	DEN capped clients by Disability Pre-employment Instrument and Disability Maintenance Instrument funding level	65
Figure 3.2	DEN uncapped clients by Disability Pre-employment Instrument funding level	70
Figure 3.3	DEN uncapped stream decision points	71
Figure 4.1	Quality assurance system for disability employment services	81
Figure 4.2	Relationships within the quality assurance system	84
Figure 4.3	Pathways for service delivery complaints.....	93
Figure 4.4	Complaints about the certification process and certification decisions.....	96
Figure 5.1	FaHCSIA monitoring of supported employment services	99
Figure 5.2	DEEWR monitoring of open employment services providers	106
Figure 5.3	Overview of the performance reporting process	116
Figure A2.1	Length of time a participant might spend in the uncapped stream ..	132

Abbreviations

AIHW	Australian Institute of Health and Welfare
ANAO	Australian National Audit Office
ATSI	Aboriginal and Torres Strait Islander
BGF	Block Grant Funding (model)
CALD	Culturally and linguistically diverse
CBF	Case Based Funding (model)
CRRS	Complaints Resolution and Referral Service
CSTDA	Commonwealth State/Territory Disability Agreement
DEEWR	Department of Education, Employment and Workplace Relations. The abbreviation 'DEEWR' is used throughout this report and includes references to its predecessor, the Department of Employment and Workplace Relations.
DEN	Disability Employment Network
DHS	Department of Human Services
DMI	Disability Maintenance Instrument
DPI	Disability Pre-employment Instrument
DPRWG	Disability Policy and Research Working Group (formerly National Disability Administrators)
DSP	Disability Support Pension

FaHCSIA	Department of Families, Housing, Community Services and Indigenous Affairs. The abbreviation 'FaHCSIA' is used throughout this report and includes references to its predecessors, the Department of Families, Community Services and Indigenous Affairs and the Department of Family and Community Services.
FOFMS	FaHCSIA Online Funding Management System
JAS-ANZ	Joint Accreditation System of Australia and New Zealand
JCA	Job Capacity Assessment
MoU	Memorandum of Understanding
NCMF	National Contract Management Framework
NDA	National Disability Administrators (subsequently Disability Policy and Research Working Group)
NDS	National Disability Services
NMDS	National Minimum Data Set
PBS	Portfolio Budget Statements
RABQSA	Registrar Accreditation Board Quality Society of Australasia

Glossary

Annual Public Report	The Commonwealth State/Territory Disability Agreement Annual Public Report published by the Disability Policy and Research Working Group.
Business Services	Disability employment services that provide wage-generating activities for their clients. The people with disabilities in a supported employment service are people for whom competitive employment is unlikely and who need substantial ongoing support to obtain or retain paid employment. Also referred to as 'supported employment services'.
Capped stream	The stream of the Disability Employment Network (DEN) that provides assistance to people with disabilities who are able to work a minimum of eight hours per week at award-based wages in the open employment market and are likely to require ongoing support in order to retain employment once they have found a job. The number of funded participants in the capped stream is set by Government.
Case Based Funding (CBF)	A fee-for-service arrangement where fees are paid to service providers to assist job seekers with disabilities to find and keep employment, with the fees based on the job seekers' support needs and their employment outcomes.
Certification bodies	Accredited by JAS-ANZ to grant certification to disability employment services and monitor their ongoing compliance with the Disability Services Standards.
Commonwealth State/Territory Disability Agreement (CSTDA)	The Commonwealth State/Territory Disability Agreement provides the national framework for the delivery, funding and development of specialist disability services. Through the Australian Government, the CSTDA makes funds available to the state and territory governments as a specific purpose payment.

Disability Employment Network (DEN)	Disability employment services that provide assistance to job seekers with disabilities who require ongoing support to find and maintain employment in the open employment market. Also known as 'open employment services'.
Disability employment sector	Organisations that receive funding under the Commonwealth State/Territory Disability Agreement for the provision of disability employment service, Business Services and Disability Employment Network (DEN) providers collectively.
Disability Policy and Research Working Group (DPRWG)	A working party to the Community and Disability Services Ministerial Advisory Council which discusses Commonwealth State/Territory Disability Agreement (CSTDA) management issues and oversees the development and implementation of the CSTDA Implementation Work Plan.
Disability Services Standards	The standards under the <i>Disability Services Act 1986</i> (Cwlth), plus the relevant key performance indicators, as determined by the Minister.
EA3000	Employment Assistant 3000. The Department of Education, Employment and Workplace Relations' IT system.
Job Network	A national network of Australian Government-funded private and community organisations that find jobs for unemployed people, particularly the long term unemployed.
Open employment services	Disability employment services that provide assistance to job seekers with disability who require ongoing support to find and maintain employment in the open employment market. Also known as the Disability Employment Network.

People with disabilities	People with disabilities attributable to an intellectual, psychiatric, sensory, physical or neurological impairment or acquired brain injury (or some combination of these) which is likely to be permanent and results in substantially reduced capacity in at least one of the following: self care/management; mobility; communication; requiring significant ongoing and/or long-term episodic support and which manifests itself before the age of 65.
Star Ratings	A performance rating given to DEN members.
Supported employment services	Disability employment services that provide wage-generating activity for their clients. The people with disabilities in a supported employment service are people for whom competitive employment is unlikely and who need substantial ongoing support to obtain or retain paid employment. Also known as Business Services.
Uncapped stream	The stream of DEN that provides assistance to people with disabilities who are required to look for work in order to meet the part-time participation requirements associated with Newstart Allowance, Youth Allowance and Parenting Payment. This stream provides up to two years of disability employment assistance to job seekers who are assessed as able to work between 15 and 29 hours a week independently at full award wages. There is no limit to the number of funded places in this stream.

Summary and Recommendations

Summary

Introduction

1. Work enables individuals to participate in the social and economic life of their communities. Australian Government programs recognise that many people with disabilities can work and want to work, however sometimes there can be barriers to their employment options. Disability employment services are aimed at ensuring that people with disabilities can access quality services that provide high level and appropriate support, affording the same workplace participation rights and opportunities as other Australians.

2. There are two types of disability employment services:

- supported employment services, also known as Business Services. Business Services **employ** and **support** people (for whom competitive employment is unlikely) in specialist workplaces, such as packaging, horticulture and laundry. Over 90 per cent of Business Services' clients receive a Disability Support Pension, with the majority of clients reported to have an intellectual or learning disability; and
- open employment services, also known as the Disability Employment Network (DEN). DEN service providers **assist** people with disabilities **find, start and maintain employment** in the open labour market. DEN clients are, on average, younger than those of Business Services, with primary disabilities mainly spread across three main categories: intellectual/learning, psychiatric and physical/diverse. DEN has two streams:
 - Capped stream – assistance, through a fixed number of places, to people with disabilities who are able to work a minimum of eight hours per week at award-based wages in the open employment market and are likely to require on-going support to retain employment once they have found a job.
 - Uncapped stream – assistance to people with disabilities who are required to look for work in order to meet the part-time participation requirements associated with Government income support payments. This stream generally provides up to two years of disability employment assistance for participants assessed as able to work between 15 and 29 hours per week independently at full award wages.

3. The principal means for people with disabilities to access Business Services, is through self-referral by people either in receipt of, or meet the impairment requirements to receive, the Disability Support Pension, who are not subject to part-time participation requirements. In contrast, a job-seeker needs to be assessed for their work capacity in order to access DEN. These assessments, known as Job Capability Assessments (JCAs), determine eligibility for open employment services and the DEN stream to which the person is referred. People with disabilities can also be referred to Business Services as a result of a JCA.

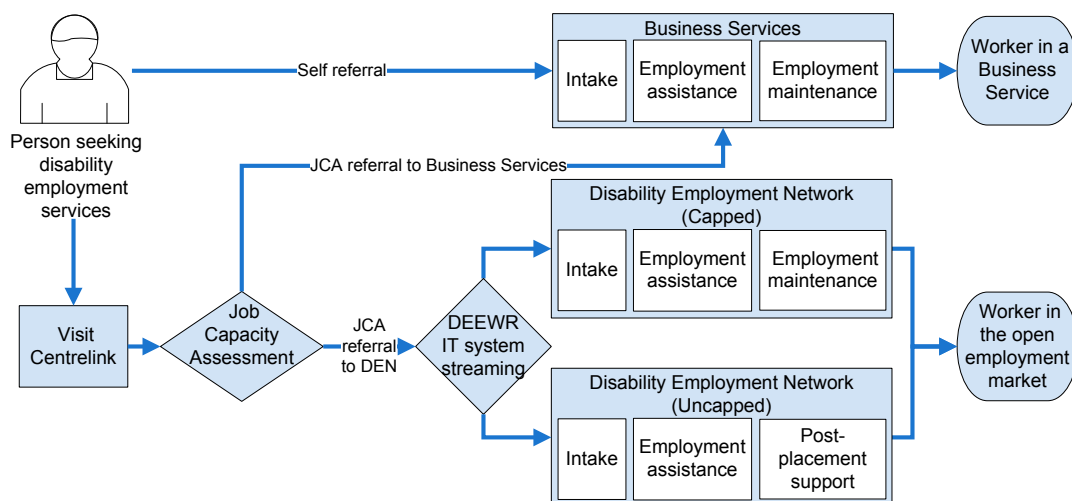
4. Business Services and DEN are tailored to the different needs of jobseekers with disabilities, but share a common goal - to achieve an employment outcome for each client. To achieve the employment outcome a phased approach is adopted that is common across all services types. The approach is defined by an:

- intake phase;
- employment assistance phase; and
- employment maintenance (or post placement) phase.

5. Broadly, Figure 1 shows the steps a person takes to access disability employment services, the program phases they participate in and the outcome they can expect to achieve.

Figure 1

Disability employment services pathways



Source: ANAO analysis of DEEWR and FaHCSIA documents.

6. In 2006–07, the Australian Government provided \$470 million in funding to 1072 disability employment service outlets. Of these, 654 were open employment services, and 418 supported employment services. These outlets provided services for almost 83 000 people, 73 per cent of whom accessed open employment services.

7. Services are funded on a fee-for-service case-based funding model, with fees relating to:

- type of service provided;
- phase of employment placement;
- level of support required; and
- in the case of DEN service provision, the achievement of employment milestones.

8. Examples of the range of fees involved for clients with high and low support needs follow:

- a Business Services client assessed as having the highest level of support needs (level 4) with the shortest possible assessment phase (three months), will attract a combined intake and assessment fee of \$2180 and an on-going employment maintenance fee of \$13 020 per annum; and
- a DEN uncapped stream participant assessed as having the lowest level of support needs and supported by the service for the minimum period to successfully achieve an employment outcome, will attract the following fees:
 - intake and assessment fees of \$913;
 - employment assistance over three months and three month post-placement of \$247.50 per month, totalling \$1485; and
 - full employment outcome fees at 4-weeks, 13-weeks, 26-weeks and additional outcome fee, totalling \$5170.

Administrative responsibilities

9. Disability employment services are funded by the Australian Government under the Commonwealth State/Territory Disability Agreement (CSTDA). The CSTDA provides a national framework for the delivery, funding and development of specialist disability services. The CSTDA specifies that the Commonwealth has sole responsibility for the planning, policy setting, funding and management of disability employment services.

10. The Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) is the Australian Government department with overall policy responsibility for people with disabilities. This includes the CSTDA's administrative requirements and ensuring that all providers delivering funded employment services meet quality standards.

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

Recent and current developments

12. The CSTDA is in its third iteration and, at its commencement, covered the period July 2002 to June 2007. However, following the reforms to the Commonwealth-State funding arrangements announced by the Council of Australian Governments (COAG) in March 2008, the period of the agreement was extended to 31 December 2008. As part of the COAG reforms, a new National Disability Agreement, replacing the CSTDA is expected to be in place from 1 January 2009.

13. Disability employment services have undergone considerable change over the course of the third CSTDA (and its extension to 2008), including the introduction of:

- third-party accredited quality assurance certification;
- a fee-for-service case based funding (CBF) model;
- new income support eligibility and part-time participation requirements, introducing a second open employment service stream (the uncapped stream);
- JCAs to direct job seekers to the most suitable support service; and
- DEEWR as the department with responsibility for open employment services.

14. Further initiatives underway will impact on DEN service provision. The Australian Government intends to implement a new approach to employment services including disability employment. To inform the new approach a review of universal employment services, *The Future of Employment Services in Australia*, was undertaken. A further *Review of Disability Employment Services*, aimed at improving DEN and Vocational Rehabilitation Services, is drawing on the outcomes of the universal employment services review and the development of the *National Mental*

Health and Disability Employment Strategy. Contracts with DEN service providers will be extended until 28 February 2010, so that service provision in the subsequent contract period can reflect the outcome of the *Review of Disability Employment Services*.

Audit scope and objective

15. The objective of this audit was to assess how effectively FaHCSIA and DEEWR have undertaken their roles and responsibilities for specialist disability employment services under the current (third) CSTDA.

16. The two major criteria for this audit are whether:

- FaHCSIA and DEEWR effectively planned, managed and implemented policy for the provision of specialist disability employment services under the current CSTDA; and
- FaHCSIA and DEEWR met relevant reporting requirements for the specialist disability employment services they were respectively responsible for under the current CSTDA.

17. In order to determine the extent to which these major criteria had been met, the audit focussed on the following aspects:

- policies and procedures for placing individuals in disability employment services, assessing the integration and interrelation of JCAs and the different disability employment service types to ensure access to services appropriate to individual capabilities;
- CBF models, assessing the impact of these models on outcomes and on service provider processes;
- the *Quality Strategy for Disability Employment Services and Rehabilitation Services*, assessing the contribution of the quality assurance certification process, continuous improvement and the complaints resolution procedures to achieve quality delivery of disability employment services; and
- monitoring of disability employment services, through assessing
 - compliance and performance monitoring of individual service providers, and
 - overall performance reporting of disability employment services, as set out in the CSTDA.

Conclusion

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

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

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

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

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

- policies and procedures implemented by FaHCSIA and DEEWR have supported the integration of JCAs with disability employment services, recognising that Business Services placements are largely through self referral. Further, in recognition that an individual's situation can change, FaHCSIA has sought to address some of the barriers to movement from supported to open employment services through measures such as guaranteeing a place in a Business Service up to two years after clients commence trialling DEN services;
- the introduction of CBF has contributed to greater numbers of clients in both the Business Services and DEN streams achieving employment outcomes than under BGF. In particular, 92 per cent of Business Services clients achieved an employment outcome in 2006–07, 20 per cent higher than in the period prior to the introduction of CBF. Similarly, employment

outcomes for capped DEN clients increased by 18 per cent with the introduction of CBF;

- the successful implementation of the *Quality Strategy for Disability Employment Services and Rehabilitation Services*. All service providers achieved third-party accredited quality assurance certification by the legislated deadline of 31 December 2004; and
- the establishment and improvement in the contract monitoring and reporting frameworks for Business Services and DEN providers.

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

- there is a risk that some Business Service providers are not fully complying with contract requirements by extending the period in which clients, with lower support needs, remain in the employment assistance phase rather than progress to the employment maintenance phase, to maximise the fees they can claim from FaHCSIA. This risk is currently not adequately managed, with evidence indicating that it is occurring;
- DEEWR has an IT system that assists DEN providers to make accurate payment claims. However, the IT system does not give DEN providers assurance of the accuracy of total payments from DEEWR. This places an unnecessary administrative workload on providers as the complexity of DEN funding models does not facilitate a straightforward determination of this amount by service providers; and
- DEEWR uses its general employment services framework to monitor and report on its DEN providers and this is overlaid with the quality assurance audits administered by FaHCSIA. While comprehensive, DEEWR's model has resulted in providers raising concerns about administrative workload, particularly around duplication of information provision requirements.

22. While there have been improvements in data collection for performance reporting required under the CSTDA, the reporting of the performance data remains fragmented, is significantly delayed in its public release and does not fully address the requirements set out in the CSTDA. As such, the ANAO considers that the reporting requirements under the CSTDA have not been fully met.

23. The ANAO has made four recommendations to assist FaHCSIA and DEEWR address the identified issues that arise from the complexity of the funding model; balancing accountability and administrative workloads on service providers; and the capture and reporting of performance data.

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

Key findings by chapter

Chapter 2 – Placing Individuals in Disability Employment Services

25. People with disabilities can access Business Services through self-referral or a JCA, and can access DEN only through a JCA. FaHCSIA and DEEWR have effectively incorporated JCA procedures into the disability employment services eligibility and streaming processes.

26. The circumstances and aspirations of people with disabilities may change, requiring them to move between service types. FaHCSIA has sought to address some of the barriers to movement from supported to open employment services. Measures include guaranteeing a place in a Business Service up to two years after clients commence trialling DEN services.

27. While DEN clients are able to move to Business Services, they are required to be referred through a JCA in order to access these services. Greater flexibility of movement between the service types has been raised by the Government in seeking input to the current *Review of Disability Employment Services*.

Chapter 3 – Funding of Disability Employment Services

28. The CBF model incorporates fee-for-service arrangements based on the relative support needs of individual job seekers, with payments linked to the achievement of employment milestones. The current CBF arrangements applied to all new job seekers from 1 January 2005, while existing clients transitioned to CBF through a staged process.

29. The CBF model has achieved improved employment outcomes for Business Services and DEN clients. In particular:

- the percentage of all Business Services clients achieving 13-week employment outcomes increased from 63 per cent in 2003–04 under the BGF model to 92 per cent in 2006–07 under the CBF model; and
- DEEWR's evaluation of its CBF model for DEN capped stream clients showed that 43 per cent had achieved a 13-week employment outcome within 18 months under CBF, compared with 25 per cent of clients who achieved this outcome within the longer period of two years under BGF.

30. The Business Services CBF model is relatively straightforward compared with the DEN model. It has a standard fee for the intake phase, a monthly employment assistance fee for the period up until the client achieves an employment outcome (working 8 hours per week), and a monthly employment maintenance fee at four levels, reflecting client support needs. Additional fees such as work-based personal assistance and rural/remote location are also available.

31. The time a service provider takes to complete a Disability Maintenance Instrument (DMI) with respect to the achievement of a 13-week employment outcome for a client, impacts on the overall payment level received by the provider. FaHCSIA is managing most of the risks associated with providers influencing the time taken to complete the DMIs, in order to maximise their funding. However, in line with one of these risks occurring, the ANAO found that in the majority of States and Territories, Business Services spend less time to complete a DMI assessment for high support need clients than for low support need clients. With wages and hours information now required to be recorded in the FaHCSIA Online Funding Management System (FOFMS) by service providers, FaHCSIA has better means to manage this risk. (See Recommendation No.1)

32. The DEN CBF model is more complex. In particular:

- for the capped stream, in addition to the standard intake fee, the employment assistance phase and employment maintenance phase have four levels of monthly payment. When combined with the additional fees available that are similar to Business Services (but greater in number), the capped stream has seven core payment types, five of which are paid at four different levels, and 11 additional payment types; and
- the uncapped stream has similar fees to the capped stream for the intake and employment assistance phases. The uncapped stream also has four different levels of post-placement fees that can be claimed after the achievement of an employment outcome. As well as additional fees similar to those for the uncapped stream, providers are entitled to range of full or

intermediate milestone and outcome fees. Overall, there are 10 core payment types, eight of which are paid at four different levels, and five additional payment types.

33. There is an associated complexity in the DEN funding deed, potentially impacting on the clarity and certainty with which providers manage the needs of clients. DEEWR provides a range of guidance to providers in order to clarify contract requirements. In addition, its IT system calculates the payments that providers are entitled to, limiting the need for a detailed understanding of the contents of the funding deed. However, the IT system does not give providers assurance that the payments made by DEEWR for program participants are accurate. (See Recommendation No.2)

34. Despite the complexity of the DEN CBF models, DEEWR's IT system (EA3000) largely supports providers to make accurate payment claims, with nearly all the payments processed automatically through the system.

Chapter 4 – Assuring Quality in Disability Employment Services

35. The *Quality Strategy for Disability Employment Services and Rehabilitation Services* has three key components:

- quality assurance — a system of independent third party accredited certification against the legislated Disability Services Standards (the Standards) as a pre-condition for Australian Government funding;
- continuous improvement aimed at increasing service providers' ability to fulfil, and exceed, the requirements of the Standards; and
- complaints resolution and referrals.

Quality assurance

36. All service providers must be certified that they meet the Standards as determined through quality audits conducted by certification bodies. JAS-ANZ¹ regulates the accreditation of these certification bodies. JAS-ANZ's role contributes to the objectivity and independence of the quality assurance system.

37. FaHCSIA effectively facilitated the transition to the new quality assurance system, assisting all service providers to meet the legislated deadline for compliance of 31 December 2004.

¹ Joint Accreditation System of Australia and New Zealand.

38. There are a range of relationships that need to be managed for the quality assurance processes to operate effectively; these are between JAS-ANZ, the certification bodies, FaHCSIA and DEEWR. FaHCSIA has effectively managed the risks associated with the relationships, drawing on formal and informal arrangements, such as Memoranda of Understanding (MOUs) with DEEWR and JAS-ANZ, and active communication with certification bodies.

39. Some service providers also deliver services funded under the CSTDA by State and Territory governments. These services are subject to both the relevant State/Territory government's quality assurance processes in addition to those of the Australian Government. FaHCSIA is pursuing the alignment of quality assurance processes through the Disability Program and Research Working Group. Currently, the Queensland and Australian Governments have similar processes and standards.

Continuous improvement

40. The continuous improvement component of the Quality Strategy aims to increase service providers' ability to fulfil and exceed the requirements of the Standards. FaHCSIA directly, and indirectly through JAS-ANZ, has supported continuous improvement in disability employment services. In particular, continuous improvement is incorporated into the requirements of certification audit reports, and guidance to the service providers on quality. Further, FaHCSIA has facilitated continuous improvement by supporting a range of activities aimed at promoting and recognising quality service delivery.

Complaint resolution and referral

41. The resolution and referral processes for service delivery and certification process complaints are consistent with the Commonwealth Ombudsman's good practice recommendations.

42. However, the ANAO found some areas where complaints about certification could be improved and made suggestions to address these issues:

- there is some inconsistency between the information FaHCSIA provides on its web-site about the processes for making certification complaints and other guidance;
- there is no specified timeframe in which JAS-ANZ is required to report on such complaints to FaHCSIA; and
- there is no formal reporting to JAS-ANZ or the departments on complaints received on certification body auditors.

Chapter 5 – Monitoring and Reporting of Disability Employment Services

Monitoring of Business Services providers

43. FaHCSIA's *Disability Employment Assistance Performance Framework* outlines its program monitoring processes which comprise of quality assurance audits, data analysis and contract compliance audits. FaHCSIA draws on administrative and transactional data to monitor and report on Business Services providers. Further, it undertakes audits to assess the compliance of service providers with the terms and conditions of their funding agreement with FaHCSIA.

44. Each service provider is audited over a two-year period. The compliance audits take a risk-based approach to determine the focus of the audits; FaHCSIA draws on administrative and transactional data to initially assess each provider's risk profile and uses this information to schedule the audits. Through these three processes, FaHCSIA has in place a sound performance monitoring approach to manage the significant risks associated with contract service provision.

Monitoring of DEN service providers

45. DEEWR's *National Contract Management Framework* provides a consistent approach to contract management across DEEWR's employment programs. For monitoring DEN, DEEWR's standardised approach is supplemented by the quality assurance audits undertaken by JAS-ANZ accredited compliance bodies, managed through FaHCSIA.

46. DEEWR has developed and implemented a comprehensive risk management approach for the compliance risks associated with DEN. The plan outlines treatments for each of the risks identified, with program monitoring activities forming the basis of many treatments. DEEWR's active management of risk is reflected in monthly assessments of contract management risks associated with each DEN provider.

47. DEEWR's approach to contract compliance, particularly when overlaid with quality assurance activities managed through FaHCSIA, risks duplicating monitoring activities and increasing the administrative workload on service providers. Each of the DEEWR reference documents employed in monitoring DEN providers serves a different purpose and each is expected to stand alone. However, while DEEWR has sought to address areas of duplication in its performance monitoring system, there is no formal monitoring of the effectiveness of these measures. Due to the use of multiple reference documents and auditing activities, an administrative workload risk remains. (See Recommendation No.3)

Commonwealth State/Territory Disability Agreement performance reporting

48. Developments in the CSTDA National Minimum Data Set have allowed the collection and presentation of higher quality data on disability employment services, with less administrative workload on providers. This has included drawing on administrative data held on DEEWR and FaHCSIA's IT systems for reporting rather than relying on returns from service providers; and 'cleansing' to address double counting of clients who move interstate during the collection period.

49. Information is collected to meet the disability employment services reporting requirements of the CSTDA. Across all publicly available reports, a large amount of information is available, however, the current reporting system in some cases duplicates, and in other cases fragments, performance reporting across at least six different publications.

50. The published information does not cover all CSTDA reporting requirements. The *CSTDA Annual Public Report* does not constitute, as it could be expected, a comprehensive performance reporting mechanism for reporting on disability employment services as required under the Agreement. The information in that report must be complemented by published and unpublished material in order to fully demonstrate achievements in the delivery of disability employment services. (See Recommendation No.4)

51. Reporting on the disability employment service provision as required by the CSTDA is not timely. The *CSTDA Annual Public Report* for 2005–06 had been drafted at August 2007 but had not been released as at August 2008, as its publication has been awaiting endorsement from three State/Territory Ministers.

FaHCSIA's response

52. FaHCSIA responded as follows:

The Department of Families, Housing, Community Services and Indigenous Affairs does not have any further comments to make regarding the proposed report and agrees with Recommendations No.1 and 4. The department will continue to work with the Australian National Audit Office to implement the findings of the audit.

Summary of DEEWR's response

53. DEEWR provided the following response summary. The full text of the response is at Appendix 1.

DEEWR welcomes the performance audit of Disability Employment Services examining DEEWR and FaHCSIA's fulfilment of their roles and responsibilities for specialist disability employment services under the Commonwealth State/Territory Disability Agreement 2002–07. This audit is particularly timely as its recommendations will be considered in conjunction with the current Review of Disability Employment Services.

DEEWR agrees with Recommendation No.2. One of the guiding principles of the Review of Disability Employment Services is to reduce complexity where possible and the funding model is an area the Government has identified as overly complex (see p.13 of the *Discussion Paper: Review of Disability Employment Services – Disability Employment Network and Vocational Rehabilitation Services*). DEEWR will develop a package of information to assist DEN providers to more easily reconcile their payments and claims.

DEEWR agrees with Recommendation No.3. Through the Review of Disability Employment Services, the Government is focusing on creating streamlined service delivery and administration processes that provide transparency and accountability and minimise any unnecessary administrative burden on DEN providers (see p.12 of the *Discussion Paper: Review of Disability Employment Services – Disability Employment Network and Vocational Rehabilitation Services*). DEEWR will evaluate the impact of the relevant initiatives once the new disability employment services model has been implemented and bedded down.

Recommendations

Recommendation No.1

Para 3.25

To minimise the risk that Business Services' providers delay the completion of a Disability Maintenance Instrument (DMI) to maximise their funding from the Australian Government, the ANAO recommends that FaHCSIA:

- (a) identify and follow up service providers that delay the completion of DMIs following the achievement of 13-week employment outcomes; and
- (b) in its review of the *Disability Business Service Audit and Compliance Strategy*, address the risk that service providers inaccurately record hours and wages in the FaHCSIA Online Funding Management System.

FaHCSIA's response: *Agreed*

Recommendation No.2

Para 3.64

The ANAO recommends that DEEWR provide sufficient information to Disability Employment Network providers to allow reconciliation of payments against claims for individual clients.

DEEWR's response: *Agreed*

Recommendation No.3

Para 5.40

In the context of DEEWR's plans to streamline compliance activities, the ANAO recommends that DEEWR evaluate the impact of initiatives aimed at reducing the administrative workload of Disability Employment Network providers.

DEEWR's response: *Agreed*

**Recommendation
No.4**

Para 5.66

The ANAO recommends that FaHCSIA works with the Disability Policy and Research Working Group to ensure that:

- (a) all performance indicators specified in the Commonwealth State/Territory Disability Agreement (CSTDA) Schedule A3 are reported in publicly available documents; and
- (b) all reporting against performance indicators, as specified in the current CSTDA and any future disability services agreement with states and territories, are published in one primary document, such as the *CSTDA Annual Public Report*.

FaHCSIA's response: *Agreed*

Audit Findings and Conclusions

1. Introduction

This chapter provides background on the Commonwealth State/Territory Disability Agreement (CSTDA), as well as on the major policy changes and initiatives that have impacted on disability employment services over the period of the third CSTDA 2002–2007 (including its extension to the end of 2008).

Background

1.1 The CSTDA² provides the national framework for the delivery, funding and development of specialist disability services. Disability services are funded at the Commonwealth, State and Territory level, and it is through the CSTDA that the Australian Government makes funds available to the State and Territory Governments as a Specific Purpose Payment.

1.2 The CSTDA is in its third iteration and, at its commencement, covered the period from July 2002 to June 2007.³ Subsequently, the period was extended to 31 December 2008 following reforms to the Commonwealth-State funding arrangements announced by the Council of Australian Governments (COAG) in March 2008. COAG foreshadowed reforms to the architecture for Commonwealth-State funding arrangements through new National Partnership agreements.⁴ As part of the COAG reforms, a new National Disability Agreement, replacing the CSTDA, is expected to be in place from 1 January 2009 following negotiations between Commonwealth, State and Territory Governments.⁵

1.3 Through the CSTDA, the Commonwealth, State and Territory Governments ‘affirm their commitment to the principles and objectives of the *Disability Services Act 1986* (Cwlth) and their respective State and Territory legislation’. The CSTDA’s objective is to ‘strive to enhance the quality of life experienced by people with disability through assisting them to live as valued and participating members of the community’.⁶

² FaHCSIA, *Agreement between the Commonwealth of Australia and the States and Territories of Australia in relation to Disability Services (CSTDA)*, FaHCSIA, Canberra, 2002 (revised 2007).

³ The two previous agreements covered the periods 1991–1996 and 1997–2001.

⁴ Council of Australian Governments, *Communiqué – COAG Meeting 26 March 2008*, [Internet]. COAG, 2008, available from <http://www.coag.gov.au/coag_meeting_outcomes/2008-03-26/index.cfm> [accessed 10 July 2008].

⁵ As at 11 November 2008, the National Disability Agreement had been submitted for consideration by COAG at its meeting in late November 2008. The Community and Disability Services Ministers’ Council had endorsed this work on 7 November 2008, noting that funding arrangements had not been finalised.

⁶ FaHCSIA, *op. cit.*, Clause 4(1), p. 11.

Disability Employment Services

1.4 While some of the roles and responsibilities for specialist disability services are shared between the Commonwealth and States/Territories, the CSTDA specifies that the Commonwealth has sole responsibility for the planning, policy setting, funding and management of disability employment services.

1.5 The Department of Families, Community Services and Indigenous Affairs (FaHCSIA) is the Australian Government department with overall policy responsibility for people with disabilities. This includes the CSTDA's administrative requirements and ensuring that all service providers delivering funded employment services are meeting quality standards.

1.6 There are two forms of disability employment services provided by the Australian Government under the CSTDA:

- supported employment services—also known as Business Services. The Business Service sector in Australia has its roots in the early 1950s when families of people with disabilities established sheltered workshops to provide vocational activity for people with disability. The Disability Services Act enshrined principles and objectives for disability service delivery into legislation. From this time, the older style sheltered workshops moved into a Business Services model.⁷ These services are provided through a network of organisations that employ and support people with disabilities, often in specialist working environments such as packaging, horticulture, animal husbandry, laundry, catering and woodwork; and
- open employment services—also known as the Disability Employment Network (DEN). DEN is a network of service providers delivering specialist assistance to job seekers with disabilities. The services provided include support while training for a particular job, help in finding and starting employment in the open labour market, and on-going support while in employment. DEN has two streams:
 - Capped stream – assistance to people with disabilities who are able to work a minimum of eight hours per week at award-based wages in the open employment market and are likely to require

⁷ id., *What are Business Services?* [Internet]. FaHCSIA, 2008, available from <http://www.facsia.gov.au/internet/facsinternet.nsf/disabilities/services-bis_services1.htm> [accessed 20 June 2008].

on-going support to retain employment once they have found a job.

- Uncapped stream – assistance to people with disabilities who are required to look for work in order to meet the part-time participation requirements associated with Newstart Allowance, Youth Allowance and Parenting Payment. This stream generally provides up to two years of disability employment assistance for participants assessed as able to work between 15 and 29 hours per week independently at full award wages.

1.7 Until October 2004, FaHCSIA had responsibility for the administration of all disability employment services. However, as a result of changes to the Administrative Arrangements Order of 26 October 2004, the Department of Education, Employment and Workplace Relations (DEEWR) was given responsibility for open employment services. FaHCSIA maintained its role in respect to supported employment services.

Eligibility

1.8 To be eligible for disability services, a person must require significant ongoing or long term episodic support and must have one or more disabilities defined as:

- attributable to an intellectual, psychiatric, sensory, physical or neurological impairment or acquired brain injury, or some combination of these;
- likely to be permanent;
- resulting in substantially reduced capacity for self care and management and/or mobility and/or communication; and
- manifest before the age of 65 years.⁸

Australian Government investment in disability employment services

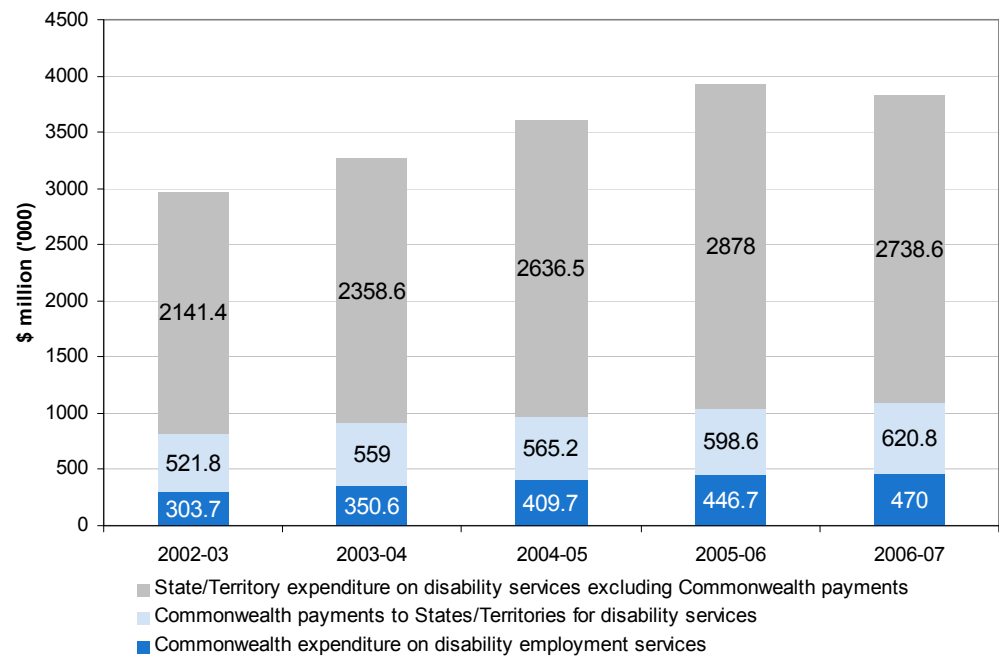
1.9 The Australian, State and Territory Governments have together committed a total of \$17.6 billion over the five years of the third CSTDA.⁹ The Australian Government's contribution of \$4.8 billion represents 27 per cent of

⁸ Disability Services Act, s. 8, p. 13.

⁹ In relation to the extensions of the CSTDA beyond July 2007, the parties have agreed to continue funding disability services while new funding arrangements are developed. See paragraph 1.2.

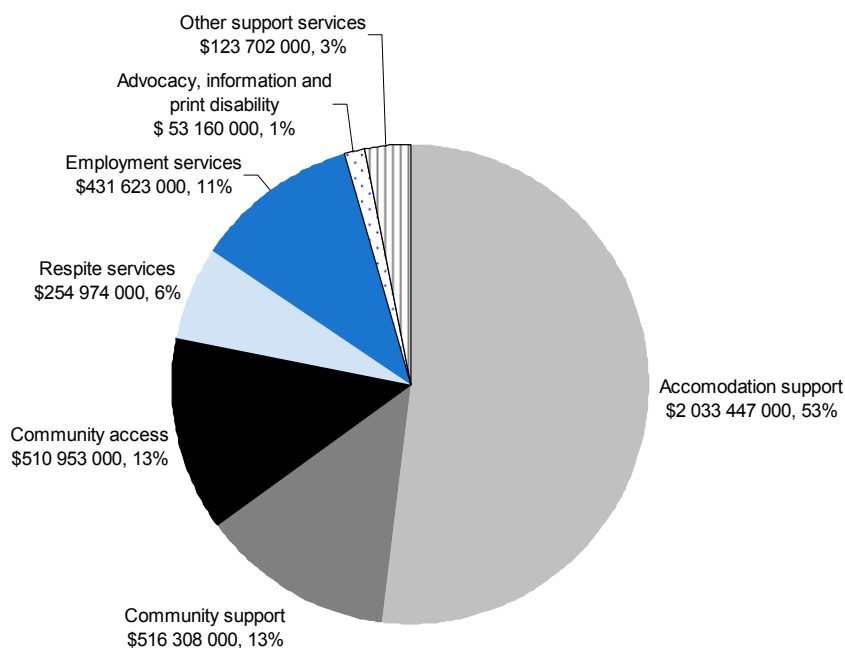
this amount. Almost \$2 billion of the Australian Government’s funding directly supports the delivery of disability employment services. Figure 1.1 shows the total funding administered for each year of the Agreement, by the Commonwealth, States and Territories, including Commonwealth expenditure on disability employment services.

Figure 1.1
Commonwealth State/Territory Disability Agreement funding, 2002–03 to 2006–07



Source: CSTDA, Schedule 1 (as at 3 May 2007).

1.10 Employment services represented 11 per cent of the CSTDA expenditure in 2006–07. Figure 1.2 shows how total CSTDA expenditure for 2006–07 was allocated between service types.

Figure 1.2**Commonwealth State/Territory Disability Agreement expenditure, by service type, 2006–07**

Source: Productivity Commission, *Report on Government Services 2008*, Productivity Commission, Canberra, 2008, Table 14A.4.

Disability employment services providers and their clients

1.11 In 2005–06, there were 334 open employment services outlets (DENs) and 395 supported employment services outlets (Business Services) across Australia.¹⁰ In 2006–07, the number of Business Service outlets increased by five per cent to 415, while the number of DEN outlets almost doubled to 657.¹¹ The increase is attributable to the introduction of a second stream of open disability employment services—the uncapped stream—in response to the Government’s *Welfare to Work* initiatives.¹²

1.12 In 2006–07, 82 767 people used disability employment services across Australia. The majority of people accessing disability employment services

¹⁰ Australian Institute of Health and Welfare, *Disability support services report 2005–06*, AIHW, Canberra, 2006, p. 59.

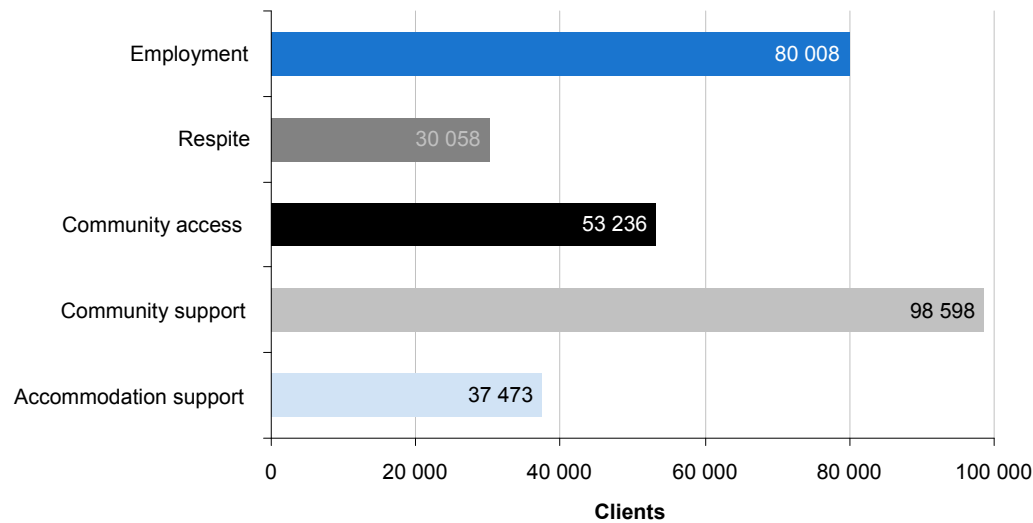
¹¹ FaHCSIA, *Australian Government Disability Services Census 2007*, FaHCSIA, Canberra, unpublished, p. 16.

¹² See paragraphs 1.28–1.29 on the expansion of the DEN network to include the uncapped stream.

were assisted by open employment services (73 per cent), while just over a quarter (27 per cent) accessed supported employment services. Figure 1.3 compares the number of employment clients in 2006–07 to number of clients of other CSTDA-funded services, by service type.

Figure 1.3

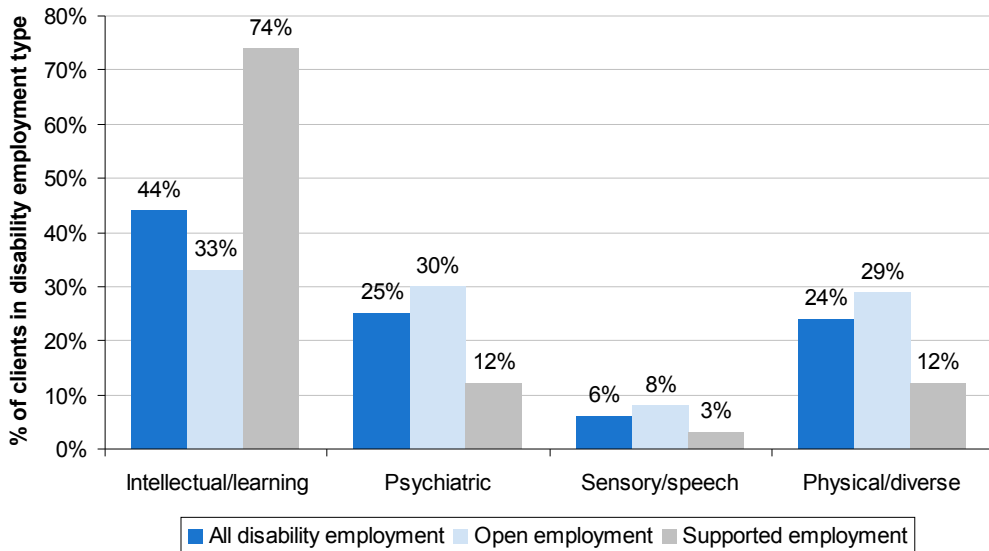
Clients of services funded by the Commonwealth State/Territory Disability Agreement, 2006–07



Source: AIHW, *Disability Support Services 2006–07*, 2008.

The number of clients of employment services in this figure, 80 008, are estimates that have taken account of individuals accessing more than one service. The number of disability employment service users reported in paragraph 1.12, 82 767, is the aggregated total across all providers.

1.13 The profile of disability employment clients, in terms of their reported primary disability, differs between service types. In 2006–07, people reporting that their primary disability was an intellectual or learning disability were the most represented group across open and supported employment services, comprising 44 per cent of all disability employment service users. They also accounted for the majority of supported employment services’ clients at 74 per cent. People reporting their primary disability to be psychiatric were most represented in open employment services, where they accounted for 30 per cent of clients. Figure 1.4 shows the distribution of clients’ primary disability across types of providers.

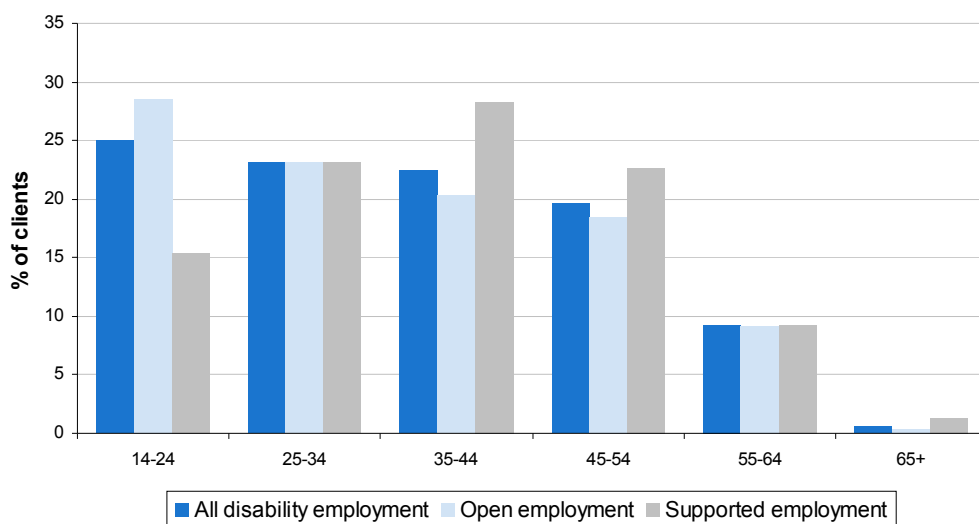
Figure 1.4**Disability employment clients by primary disability, 2006–07**

Source: FaHCSIA, *Australian Government Disability Services Census 2007*, unpublished.

1.14 There are significant differences in age profiles between open and supported employment services. In 2006–07, participants in open employment services were significantly younger than clients of supported employment services. Approximately 52 per cent of participants in open employment services were under the age of 34 years, compared with 39 per cent of clients of supported employment services. Figure 1.5 shows the age of clients by employment service type in 2006–07.

Figure 1.5

Age of clients, by employment service type, 2006–07



Source: FaHCSIA, *Australian Government Disability Services Census 2007*, unpublished.

Disability employment services outcomes

1.15 The aim of disability employment service providers is to assist their clients to achieve employment outcomes. In 2006–07, 92 per cent¹³ of Business Service clients achieved an employment outcome¹⁴ against a target of 81 per cent.¹⁵

1.16 In 2006–07, 36 per cent¹⁶ of DEN capped clients achieved a sustainable employment outcome of 8 hours work per week for 26 weeks. This compares with the 2006–07 target¹⁷ of 34 per cent. Given the relatively recent introduction of the DEN uncapped stream an employment outcome target or result has not yet been published.

¹³ FaHCSIA, *Annual Report 2006-2007*, Canberra, 2007, p. 124.

¹⁴ An employment outcome of 13 weeks is achieved when clients remain in employment at least eight hours per week for 13 weeks. See paragraph 3.4 for further information.

¹⁵ *id.*, *Portfolio Budget Statements 2006–07*, Budget Related Paper No.1.8, Canberra, 2006, p. 111.

¹⁶ DEEWR, *Annual Report 2006-2007*, Canberra, 2007, p. 45. The target relates to the DEN capped stream only. At the time of reporting, 24 months of the DEN uncapped stream (the standard full program length) had not elapsed since the introduction of the stream in July 2006.

¹⁷ *id.*, *Portfolio Budget Statements 2006–07*, Budget Related Paper No.1.6, Canberra, 2006, p. 50.

Significant events over the course of the third CSTDA

1.17 The period immediately preceding the start of the third CSTDA saw planning commence for a significant reform of the disability employment services sector. Central to the reform of the sector was the introduction of:

- a new fee-for-service funding model, called case based funding (CBF), to replace the block grant funding (BGF) model. CBF aimed to reward good service provider performance and increase transparency (see paragraphs 1.19 to 1.22); and
- a Quality Strategy, to ensure the delivery of a high standard of service (see paragraphs 1.23 to 1.24).

1.18 Further significant events impacting on the administration of the disability employment services have included:

- the implementation of government social welfare initiatives, such as the *Welfare to Work* reforms. The reforms resulted in changes to the eligibility criteria for the Disability Support Pension (DSP) and the introduction of part time participation requirements for some income support recipients, broadening the clientele accessing disability employment services. Further, Job Capacity Assessments (JCAs) were introduced to assess work capacity and direct individuals to the most appropriate service (see paragraphs 1.25 to 1.27);
- the transfer of responsibility for open employment services to DEEWR, (see paragraph 1.7); and
- developments in performance information and data collection (see paragraphs 1.30 to 1.32), and the extension of DEEWR's performance reporting to its DEN services (Star Ratings) (see paragraph 1.33).

Introduction of case based funding

1.19 Prior to the introduction of CBF, funding levels for disability employment services were based on prior year funding and adjusted annually for inflation under a BGF model. The funding levels were considered to bear little or no direct relationship to the actual assistance required by, or provided to, individual service recipients.¹⁸ The BGF model provided little incentive or

¹⁸ DEEWR, *Disability Employment Network Case Based Funding Model Evaluation Report*, DEEWR, Canberra, 2007, p. 3.

reward for good performance and lacked transparent procedures to ensure that service providers were accountable for their funding.

1.20 The aim of the funding reforms that resulted in CBF were to:

- boost employment outcomes;
- enhance access and choice in employment for people with disabilities;
- render funding arrangements more equitable and more closely related to the support needs of service users; and
- provide the Australian taxpayer with higher levels of accountability.¹⁹

1.21 The CBF model incorporated a fee-for-service arrangement, based on the relative support needs of individual job seekers, and payments linked to the achievement of employment milestones. Within the CBF model, the inclusion of milestone payments provides an incentive for service providers to assist job seekers with disabilities to find and maintain employment.

1.22 Following two trials using different CBF models and their subsequent evaluation²⁰, the current CBF arrangements were adopted and applied to all new job seekers from 1 January 2005, while existing clients transitioned to CBF through a staged process. The supported and open CBF models operating as at June 2008, are discussed in Chapter 3 – *Funding of Disability Employment Services*.

The Quality Strategy

1.23 The Australian Government introduced the *Quality Strategy for Disability Employment Services and Rehabilitation Services* (the Quality Strategy) in 2002 as a major element of the disability employment sector reforms.²¹ The Quality Strategy was intended to address a number of concerns with the system at that time, including a lack of assurance of service quality and lack of incentives for service improvement.²² The goal of the Quality Strategy is:

To ensure Australian Government funded services meet certain standards so that they offer employment support and assistance to people with disability in a

¹⁹ FaHCSIA, *Case Based Funding Review October 2006*, FaHCSIA, Canberra, 2006, p. 8.

²⁰ Department of Family and Community Services, *Case Based Funding Trial Final Evaluation Report*, Canberra, 2002.

²¹ Other reforms included the payment of pro-rata award wages in Business Services.

²² For further information see: FaHCSIA, *Quality Assurance Handbook for Disability Employment Services* (version 2) [Internet]. FaHCSIA, 2003, available from <http://www.facsia.gov.au/disability/qa_handbook2/section_2.htm> [accessed 29 May 2008], reference to Disability Quality and Standards Working Party, *Assuring Quality*, 1997.

quality environment, enabling them to enjoy the same basic rights and opportunities generally available to all working Australians.²³

1.24 Further detail on the Quality Strategy can be found at Chapter 4 - *Assuring Quality in Disability Employment Services*.

Welfare to Work initiatives

Job Capacity Assessments (JCAs)

1.25 The JCA program commenced on 1 July 2006 as part of the *Welfare to Work* initiatives. JCAs are designed to identify a person's ability to work and any barriers they face to getting a job.

1.26 All job seekers, except school leavers and workers whose employment is in jeopardy as a result of their disability, must undergo a JCA to determine their eligibility for open employment services delivered through DEN. People applying for supported employment services (Business Services) may or may not undertake a JCA, depending on their circumstances (see paragraph 2.6).

1.27 JCA providers²⁴ completed over 363 000 assessments in 2006–07.²⁵ Approximately 17 per cent of referrals were to DEN, and one per cent were to Business Services and other complementary providers.²⁶ The introduction of Job Capacity Assessments is further discussed in Chapter 2 – *Placing Individuals in Disability Employment Services*.

Expansion of the open employment services – DEN uncapped stream

1.28 The introduction of the *Welfare to Work* initiatives also saw the open employment services (DEN) program expanded. The pre-existing program became known as the capped stream. A new stream was introduced to provide assistance for people with disabilities who are required to look for work in order to meet the part-time participation requirements associated with Government income support payments.

²³ FaHCSIA, *Quality Strategy Toolkit for Disability Employment and Rehabilitation Services*, [Internet]. FaHCSIA, 2008, available from <http://www.fahcsia.gov.au/internet/facsinternet.nsf/disabilities/services-qa_assurance.htm> [accessed 8 July 2008], s.1, p. 1.

²⁴ Eighty per cent of JCAs are conducted by Centrelink, CRS Australia and HSA Group, which are Human Services portfolio agencies. The Department of Human Services which has responsibility for JCAs, also contracts approximately 15 service providers to conduct the remaining 20 per cent of JCAs.

²⁵ DHS, *Job Capacity Assessments*, [Internet]. DHS, undated, available from <<http://www.humanservices.gov.au/jca/about-jcas.html>> [accessed 20 June 2008].

²⁶ Prof. John McMillan, Commonwealth Ombudsman, *Implementation of job capacity assessments for the purposes of Welfare to Work initiatives – Examination of administration of current work capacity assessment mechanisms*, Commonwealth Ombudsman's Office, Canberra, June 2008, p4. The percentages are based on the referrals in the period 1 July 2006 to 13 July 2007.

1.29 Further detail on the eligibility criteria associated with the different streams is provided in Chapter 2—*Placing Individuals in Disability Employment Services*.

Developments in performance information and data collection

1.30 The Australian Institute of Health and Welfare (AIHW) is the designated data agency under the CSTDA, working with the Disability Policy and Research Working Group (DPRWG)²⁷, to develop and maintain the CSTDA National Minimum Data Set (NMDS). The NMDS, a national database, is central to the CSTDA's performance reporting framework.

1.31 Each year, AIHW and DPRWG publish a number of reports on services funded under the CSTDA.²⁸ Each of these reports draws upon and analyses data from the NMDS. Prior to 2003–04, CSTDA service related data were collected from service providers at a particular point in time—a snapshot collection. Development of the NMDS has seen a significant improvement in the quality and scope of data collected, with full financial year data being collected and analysed from 2003–04 onwards.

1.32 The CSTDA sets out *Guidelines for the provision of CSTDA data*. It also specifies the performance data required of each jurisdiction. Chapter 5 – *Monitoring and Reporting of Disability Employment Services* analyses the information presented in the various reports against the requirements of the CSTDA.

Disability Employment Network Star Ratings System

1.33 From July 2006, following a period of consultation with DEN service providers and other stakeholders, DEEWR introduced a Star Ratings System for DEN based on the Job Network Star Ratings System.²⁹ The ratings, from one star to five—with five stars being the best—were awarded on the basis of the

²⁷ The DPRWG is a working party, of Commonwealth, state and territory representatives, to the Community and Disability Services Ministers' Advisory Council (CDSMAC) which discusses CSTDA management issues and oversees the development and implementation of the CSTDA Implementation Workplan. The DPRWG was formerly known as the National Disability Administrators (NDA).

²⁸ The most important of these reports are:

- *Commonwealth State/Territory Disability Agreement Annual Public Report* — Commissioned by the DPRWG (formerly the National Disability Administrators);
- *Disability support services*, National data on services provided under the CSTDA — AIHW; and
- CSTDA NMDS tables prepared for the *CSTDA Annual Public Report* — AIHW.

²⁹ DEN providers were informed of their Star Rating in August 2007. DEEWR published the Star Ratings for all DEN providers on its Internet site in April 2008.

performance of each DEN member relative to that of other DEN members across Australia. The rating measures performance in securing and maintaining sustainable employment for people with disabilities using three indicators relating to the program's goals outlined in the *Funding Deed* between DEEWR and DEN members; namely, efficiency, effectiveness and quality.³⁰ Separate statistical models to determine the rating have been developed for the capped and uncapped streams.

Expansion of places in supported employment services – a recent development

1.34 On 1 January 2008, as part of the Disability Assistance Package announced by the then Government in June 2007, an additional 500 places were allocated to existing high performing Business Services. The 500 places were spread across 80 Business Services according to a selection and allocation methodology based on measures of performance and capacity usage.

1.35 On 1 July 2008, a further 250 places were specifically targeted to new Business Services in areas of high demand. The methodology employed by FaHCSIA involved initial calls for an expression of interest, followed by short-listing of applicants and a competitive selection process.

Current review of employment services

1.36 The Australian Government intends to implement a new employment services system by 1 July 2009, and has undertaken a review of universal employment services to inform this reform. The Government is also developing a *National Mental Health and Disability Employment Strategy*. As at the beginning of September 2008, three themes had emerged from submissions received by the review and the strategy; namely, the need to:

- reduce complexity and red tape—for example, by addressing program design elements such as assessment and referral, and by reducing unnecessary administration;
- improve flexibility—including giving greater scope for providers to tailor services to the needs of individual job seekers and create better linkages between programs; and

³⁰ DEEWR, *Star Ratings for the Disability Employment Network-Final Model 2006–09*, DEEWR, Canberra, 2006, p. 6.

- better support for vocational education and training—for example, by providing greater incentives for placing job seekers into vocational education and training.³¹

1.37 The Government released a discussion paper, *Review of Disability Employment Services*³² on 3 September 2008. This paper is intended to form the basis of consultations with job seekers, service providers, peak bodies and other interested parties. The aim of this review is to improve DEN and Vocational Rehabilitation Services. Business Services are not included as part of the review. The review is to be informed by the review of universal employment services and the *National Mental Health and Disability Employment Strategy*. As a result of this review, contracts with DEN providers will be extended until 28 February 2010, so that service provision in the subsequent contract period can reflect the outcome of the review.

1.38 Other developments associated with the review of universal employment services relevant to the *Review of Disability Employment Services*, include the establishment of an:

- Employment Services IT Advisory Group for the IT system which is being developed to support the new employment services framework; and
- expert group to provide advice on an improved performance management system across its network of employment service providers.

Audit approach

Previous audits

1.39 In 2005–06, the ANAO tabled an audit of the *Administration of the Commonwealth State/Territory Disability Agreement*.³³ The objective of the audit was to assess whether FaHCSIA effectively undertook its coordination, monitoring and other roles according to the CSTDA. The scope of the audit included an examination of all disability services provided under the CSTDA

³¹ id., *Review of Disability Employment Services: a discussion paper* [Internet]. DEEWR, Australia, September 2008, available from http://agent.capmon.com/intranet/cgi-bin/intserve_document.cgi/pressrel/08/agt/p080903276.htm.pdf [accessed 10 September 2008].

³² ibid.

³³ Australian National Audit Office, *Administration of the Commonwealth State/Territory Disability Agreement*, Audit Report No.14, ANAO, Canberra, 2005–06.

2002–2007, except for disability employment services. The ANAO considered that disability employment services would be better addressed as part of a possible future separate audit.

1.40 The 2006–07 audit, *Distribution of Funding for Community Grant Programmes – FaHCSIA*³⁴ also excluded from its scope the administration of disability services funding to communities and community organisations.

1.41 This audit completes the work undertaken by the ANAO on the third CSTDA by covering disability employment services provided under the CSTDA.

Audit objective and scope

1.42 The objective of this audit was to assess how effectively FaHCSIA and DEEWR have undertaken their roles and responsibilities for specialist disability employment services under the current (third) CSTDA.

1.43 The two major criteria for this audit are whether:

- FaHCSIA and DEEWR effectively planned, managed and implemented policy for the provision of specialist disability employment services under the current CSTDA; and
- FaHCSIA and DEEWR met relevant reporting requirements for the specialist disability employment services they were respectively responsible for under the current CSTDA.

1.44 This audit considers some aspects of the quality assurance framework employed by FaHCSIA and DEEWR to ensure the integrity of their respective payment systems. However, due to the large number of individual funding agreements administered for disability employment services, the scope of the audit does not include an in-depth assessment of the departments' contract management activities.

1.45 Further, the scope of the audit considers the role of JCAs in referring job seekers to disability employment services – specifically Business Services and DEN. However, the administration of the JCA program is not considered in this audit.

1.46 Contract management activities and the administration of JCAs will be considered as part of planning future audit work programs.

³⁴ id., *Distribution of Funding for Community Grant Programmes -- FaHCSIA*, Report No.39, ANAO, Canberra, 2006–07.

Audit methodology

1.47 The methodology included:

- an analysis of key agency documentation, files, and publications, including departmental Internet and Intranet sites, relating to disability employment services;
- interviews involving staff members from FaHCSIA and DEEWR as well as relevant non-government stakeholders—such as community and industry peak bodies;
- consultations with the AIHW in relation to data collection, reporting and measurement; and
- visits to Business Service and DEN outlets.

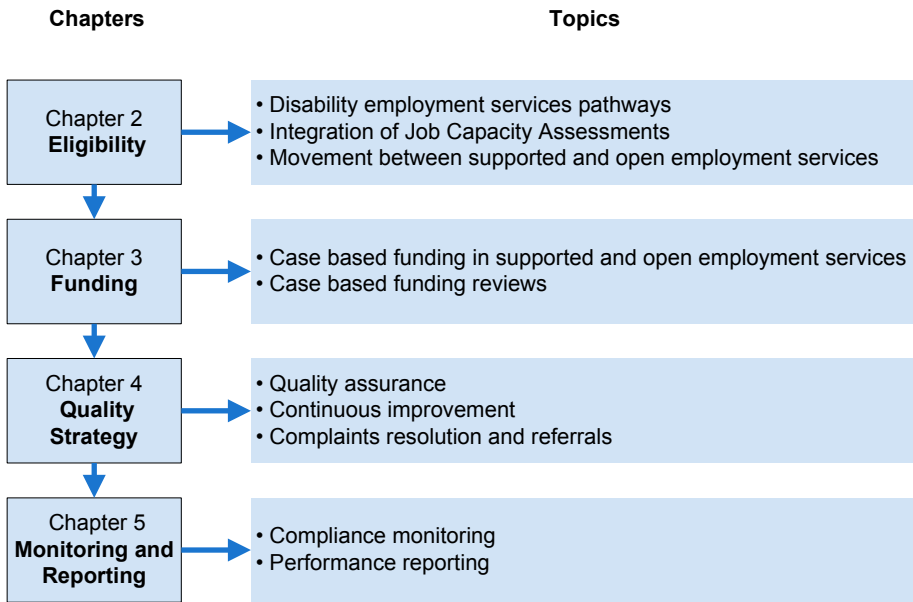
1.48 The fieldwork was conducted over the period February to June 2008. The audit was conducted in accordance with ANAO auditing standards at a cost of \$408 257.

Structure of the report

1.49 Figure 1.6 outlines the report structure.

Figure 1.6

Report structure



2. Placing Individuals in Disability Employment Services

This chapter examines whether the policies and procedures implemented by FaHCSIA and DEEWR support the integration and interrelationship of services, so that people with disabilities have access to employment services appropriate to their capabilities.

Overview of disability employment services pathways

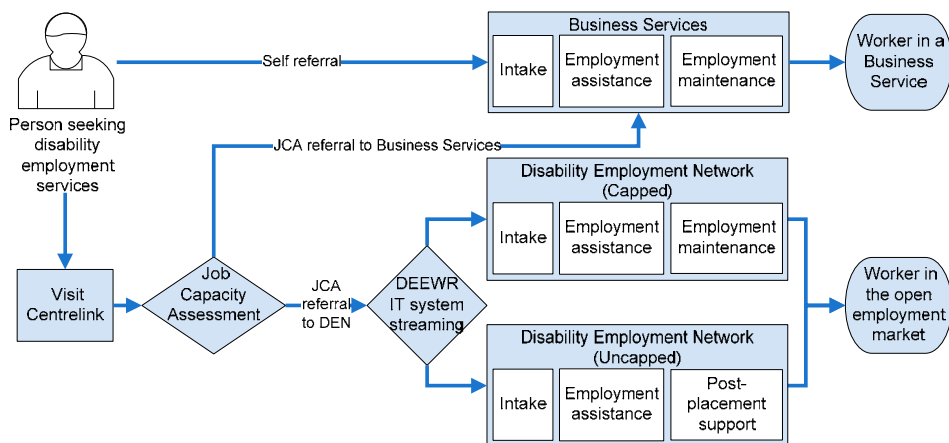
2.1 People with disabilities can access:

- supported employment services (Business Services) through self-referral or a Job Capacity Assessment (JCA); and
- open employment services (DEN) only via a JCA.

2.2 Disability employment services' clients participate in intake, employment assistance and employment maintenance (or employment placement for DEN uncapped) phases. The anticipated outcome for clients in the DEN program is to be a worker in the open employment market, whereas Business Service clients are expected to continue to work in the supported environment. Figure 2.1 summarises the entry points, phases and anticipated outcomes in disability employment services.

Figure 2.1

Disability employment services pathways



Source: ANAO analysis of DEEWR and FaHCSIA documents.

Note: School leavers and workers whose employment is in jeopardy because of their disability are able to access DEN directly without a JCA referral. DEEWR's IT system (EA3000) streaming is based upon

support requirements and future capacity to work with intervention. Business Services must check the eligibility of self referrals with Centrelink.

2.3 The ANAO assessed whether the policies and procedures implemented by FaHCSIA and DEEWR support the integration and interrelationship of services, so that people with disabilities have access to employment services appropriate to their capabilities. The audit focussed on the integration of JCAs with disability employment services and the interrelationship between support and open employment services.

Integration of JCAs with disability employment services

Eligibility for Business Services (supported employment)

2.4 In 2006–07, FaHCSIA was funding a network of approximately 415 Business Service outlets across Australia, providing supported employment assistance to 21 993 people with moderate to severe disability, who need substantial ongoing support to maintain their employment.³⁵ Any person in receipt of a Disability Support Pension (DSP), who is not subject to part-time participation requirements, may self-refer to a Business Service.

2.5 To be eligible for DSP, a person must be unable to work for 15 hours or more in open employment for relevant minimum wages for the two years following initial receipt of the payment, due to a physical, intellectual or psychiatric disability.³⁶

2.6 Other job seekers may be referred to a Business Service via a JCA when it is considered the most suitable employment option.

2.7 The Australian Government funds a fixed number of places within Business Services with each Business Service outlet being assigned an outlet capacity. A Business Service may take on additional supported employees; however, it will not be funded for clients above its outlet capacity.

³⁵ FaHCSIA, *Disability Services Census 2007*, FaHCSIA, Canberra, unpublished, p. 29.

³⁶ id., *Guide to Social Security Law* (version 1.137) [Internet]. FaHCSIA, 2008, available from <http://www.facsia.gov.au/guides_acts/ssg/ssguide-1/ssguide-1.2/ssguide-1.2.5/pc_13669.html> [accessed 20 June 2008], s. 1.2.5.12.

Note: This description applies to people whose start date on DSP is after 30 June 2006 and those whose start date on DSP is between 11 May 2005 and 30 June 2006 and have been reviewed after 30 June 2006 under the 15 hour rule.

Eligibility for open employment services (DEN)

2.8 A job seeker can only be referred to open employment services if they have undergone a JCA. Approximately 17 per cent of JCAs result in referral to DEN (see paragraph 1.27).

2.9 A job seeker is eligible for DEN if they:

- have a permanent (or likely to be permanent) disability; and
- have a reduced capacity for communication, learning or mobility; and
- require support for more than six months after placement in employment.

2.10 Once a JCA is conducted and eligibility for DEN is determined, DEEWR's IT system streams job seekers into either the capped or uncapped stream, based on the information provided in the job seeker's JCA report. Two key elements of the JCA report and determinants of the appropriate stream for a job seeker are: *support requirements* and *future capacity to work with intervention*.

2.11 Job seekers with long term support requirements—more than 24 months after being placed in employment—are eligible for DEN capped, irrespective of their future capacity to work. Job seekers with short term support requirements—more than six months but less than 24 months after being placed in employment—are eligible for DEN uncapped if they have a future capacity to work of more than 15 hours per week.³⁷ The eligibility criteria for entry into DEN capped and uncapped streams are summarised in Table 2.1.

³⁷ Job seekers with a temporary capacity of 0–7 hours per week or an exemption from the income support Activity Test are subject to a deferred referral process. That is, the JCA provider will recommend referral to DEN, but not action the referral. Centrelink will then activate the referral once the job seeker's period of temporary work capacity or exemption has expired.

There are also special provisions for workers whose employment is in jeopardy due to their disability, pre-release prisoners and school leavers.

Table 2.1

Eligibility for the two streams of open employment services

DEN Capped Stream	DEN Uncapped Stream
Not already in employment of at least 8 hours per week.	Not already in employment of at least 15 hours per week. ³⁸
<p>1. a) Assessed future work capacity of 8 hours or more per week;</p> <p style="text-align: center;">OR</p> <p>b) Assessed current and future work capacity of 30 hours or more per week;</p> <p style="text-align: center;">AND</p> <p>Require more than 6 months support after being placed into employment and/or are unable to work at full wages.</p> <p>2. Assessed future work capacity of 0-7 hours per week and been assessed/justified by a JCA as being able to work 8 or more hours with ongoing program support (i.e. more than 24 months of support after being placed into employment.)</p> <p>3. Assessed future capacity to work of 15 hours or more per week;</p> <p style="text-align: center;">AND</p> <p>Require long term support (i.e. more than 24 months support) after being placed into employment and/or are unable to work at full wages.</p>	<p>1. a) Assessed future work capacity of 15-29 hours per week;</p> <p style="text-align: center;">OR</p> <p>b) Current capacity of 30 hours or less per week and a future work capacity of 30 or more hours per week;</p> <p style="text-align: center;">AND</p> <p>2. Are receiving, or likely to receive, Newstart Allowance, Youth Allowance or Parenting Payment;</p> <p style="text-align: center;">AND</p> <p>3. Have, or likely to have, part time participation requirements;</p> <p style="text-align: center;">AND</p> <p>4. Can work independently at full wages in the open labour market with up to 24 months of employment assistance;</p> <p style="text-align: center;">AND</p> <p>5. Require more than 6 months (but less than 24 months) of support after being placed in employment.</p>
Participants do not need to be receiving income support payments to be eligible to receive DEN capped services.	

Source: DEEWR, *Disability Employment Network (DEN) Eligibility Overview*, unpublished (provided by DEEWR 20 March 2008), 12 February 2008.

Conclusion – integration of JCAs and disability employment services

2.12 The ANAO considers that FaHCSIA and DEEWR have effectively integrated the JCAs with disability employment services by incorporating the JCA procedures into eligibility and streaming processes associated with their disability employment services. The specific administration of JCAs was beyond the scope of this audit.

³⁸ An exception applies to workers accessing DEN through the 'Employment in Jeopardy' provisions.

Movement between the open and supported employment services

2.13 The Government's *Review of Disability Employment Services* discussion paper acknowledges that circumstances for job seekers with disabilities may change and therefore require them to move between service types. In particular, the paper states:

Achieving quality outcomes for job seekers can require close linkages with other programs (that is, not DEN or Vocational Rehabilitation Services) such as Business Services or school to work transition programs. Job seekers should be able to move as seamlessly as possible to a more appropriate service if their circumstances change.³⁹

2.14 Prior to the transfer of responsibility for open employment services from FaHCSIA to DEEWR in December 2004,⁴⁰ disability employment services consisted of three service types:

- open employment services;
- supported employment services; and
- open/supported employment services.

2.15 From 1 December 2004, providers could continue to offer both open and supported employment services, but two separate contracts were required—Business Service provision was contracted through FaHCSIA and DEN service provision through DEEWR.⁴¹ When open/supported services were funded by one department, under the same contract, clients could seamlessly transfer between service types. Once responsibility for open employment services was transferred to DEEWR, clients had to exit supported employment services to access open employment services. Accordingly, the loss of a place in a Business Service was a deterrent for supported employment services clients to trial open employment services. Other barriers to movement between the service type were:

³⁹ DEEWR, *Review of Disability Employment Services: a discussion paper* [Internet]. DEEWR, Australia, 2008, available from http://agent.capmon.com/intranet/cgi-bin/intserve_document.cgi/pressrel/08/agt/p080903276.htm.pdf [accessed 12 September 2008], p. 14–15.

⁴⁰ Through the *Administrative Arrangements Order* of 26 October 2004.

⁴¹ FaHCSIA, *Australian Government Disability Services Census 2006* [Internet]. FaHCSIA, 2006, available from http://www.facsia.gov.au/disability/disability_services_census_2006/sec3.htm [accessed 23 July 2008].

- review of the client's DSP (potentially resulting in a reduction in payments);
- loss of income and job security provided by the Business Service;
- a period of inactivity for the client while the DEN provider finds employment; and
- from 1 July 2006, the requirement to undergo a JCA.

2.16 To address some of the concerns with movements between service types, on 21 July 2008 the Australian Government announced that from September 2008 DSP recipients who wish to find employment in the open market will not automatically have their benefit reviewed.

2.17 Further, in June 2008, FaHCSIA doubled to two years the period during which supported employment service clients can trial open employment services and retain a guaranteed place to return to in a Business Service.⁴²

Conclusion – interrelationship between supported and open employment services

2.18 The ANAO considers that FaHCSIA has implemented the necessary procedures and policies to allow people with disabilities to transfer from a Business Services environment to a DEN environment when this transfer best suits their capabilities.

2.19 FaHCSIA implemented a mechanism for supported employees to trial open employment services, and if unsuccessful, return to the original Business Service outlet within two years. In addition, the Government announcement that DSP recipients would not automatically have their entitlements reviewed, if they seek employment, potentially removing significant disincentive for people with disabilities to enter the workforce.

2.20 While DEN clients are able to move to Business Services, they are required to be referred through a JCA in order to access these services. Greater flexibility of movement between the service types has been raised by the Government in seeking input to the current *Review of Disability Employment Services*.

⁴² id., *Disability e-News*, Issue 110 [Internet]. FaHCSIA, 30 June 2008, available from <<http://www.fahcsia.gov.au/newsletters/disability/2008/issue110.htm>> [accessed 23 July 2008].

3. Funding Disability Employment Services under the CSTDA

Under the CSTDA, the Commonwealth has sole responsibility for funding specialist disability employment services—with FaHCSIA managing funding for supported employment services and DEEWR managing funding for open employment services. This chapter describes the CBF models for Business Services and DEN and assesses the impact of these models on service provider processes.

3.1 CBF for disability employment services commenced on 1 January 2005. The CBF models differ for supported and open disability employment services but the models share some common characteristics. These include:

- an intake phase;
- an employment assistance phase;
- the achievement of one or more employment milestones or employment outcome; and
- an employment maintenance (or post placement) phase.

3.2 Each of the CBF models incorporates a range of payments additional to the core fees, such as a Rural and Remote Services Supplement and incentive payments for clients engaged in New Apprenticeships.

Funding supported employment services — FaHCSIA

3.3 When an eligible person approaches a Business Service, the service provider is required to perform an intake assessment and complete an employment assistance plan for that person. The service provider is reimbursed for the costs associated with completing the intake assessment and preparing the supported employee for employment. At June 2008, the intake fee was \$545 per employee.

3.4 The service provider is then paid an employment assistance fee of \$545 per month, for a maximum of 12 months. During this period the service provider conducts a thorough assessment of the person's ongoing support needs. This assessment culminates in the completion of a Disability

Maintenance Instrument (DMI) when a supported employee achieves an employment outcome.⁴³

3.5 Each DMI completed is lodged on the FaHCSIA Online Financial Management System (FOFMS) and assessed according to a set of rules which results in a score. These scores translate to one of four funding levels relating to the level of ongoing support the employee requires—the lowest scores translate to the lowest funding level (level one) and the highest scores to the highest funding level (level four). After the completion of a DMI the monthly employment assistance fees cease and the monthly employment maintenance fees commence. The employment maintenance fees continue to be paid while the supported employee remains employed at the Business Service.⁴⁴ Table 3.1 identifies the core fee structure for the Business Services CBF model.

Table 3.1

Case based funding core fees (Business Services)

Core fee	Amount ⁴⁵	
Intake fee	\$545	
Employment assistance fee (or Pre-DMI fee)	\$545/month, for up to 12 months (up to a maximum of \$6540)	
Employment maintenance fee:	Amount per month	Amount per annum
Level one	\$320	\$3840
Level two	\$545	\$6540
Level three	\$815	\$9780
Level four	\$1085	\$13 020

Source: FaHCSIA, *Schedule DEA—Terms and Conditions for the FaHCSIA Long Form Funding Agreement*, Canberra, May 2007, Item F1, Table 1, p. 5.

3.6 In addition to the core fees, the CBF model incorporates a number of additional fees payable to Business Services in accordance with certain criteria detailed in the FaHCSIA *Funding Agreement* documents. These additional fees

⁴³ An employment outcome is defined as a person having been employed for at least 8 hours per week for 13 weeks within 12 months of authorisation (by FaHCSIA) of the person's Intake Assessment. The 13 weeks do not have to be continuous. If the supported employee is unable to achieve an employment outcome within 12 months of the Intake Completion Date, the Business Service must 'exit' the supported employee from the program.

⁴⁴ A DMI reassessment may vary the level of payment. Triggers for DMI reassessment are listed in the DMI Guidelines Version 3.

⁴⁵ All prices are GST exclusive and current as at June 2008.

relate to requirements for work-based personal assistance, incentives for the supported employee working in a New Apprenticeship, a location supplement when the supported employee is in a rural or remote location and an existing high cost worker's payment.⁴⁶

3.7 The ANAO examined the impact of CBF on disability employment service providers.

Analysis of DMI funding levels

3.8 At 31 March 2008, the distribution of funding levels for supported employees in the employment maintenance phase is shown in Table 3.2.

Table 3.2

Funding level distribution in supported employment services at 31 March 2008

Employment maintenance funding level (annual amount per client)	Percentage of clients ⁴⁷
Funding level one (\$3840)	9.5%
Funding level two (\$6540)	20.1%
Funding level three (\$9780)	23.7%
Funding level four (\$13 020)	46.6%

Source: FaHCSIA, Business Service Sector Status Report at 31 March 2008, (regular internal management report provided to ANAO on 15 May 2008).

3.9 The figures in Table 3.2 are aggregated at the national level. The distribution of funding levels varies across States and Territories. While the national percentage of clients at funding level one is 9.5 per cent, the corresponding percentage varies from a low of 1.4 per cent in one State/Territory to a high of 15.4 per cent in another. The percentage of clients at funding level four varies from 36 per cent to 70.5 per cent across States/Territories, with a national value of 46.6 per cent. Table 3.2 shows that 70 per cent of all supported employment clients are assessed and funded at levels three or four.

⁴⁶ Details of these additional fees are at Appendix 2, Table A2.1.

⁴⁷ Percentages do not add to 100 per cent due to rounding error.

3.10 In 2006, FaHCSIA conducted research into the time taken for Business Services to complete DMIs.⁴⁸ Based on that research, the average time taken to complete a DMI assessment, from the date of intake, is 155 days, or just over 22 weeks (that is, nine weeks longer than the earliest possible time in which an employment outcome can be achieved and a DMI can be completed). Variation across the States/Territories ranged from an average low of 111 days (approximately 15 weeks) to a high of 207 days (approximately 30 weeks). According to FaHCSIA's analysis, approximately six per cent of DMIs take 49 weeks or longer to be completed.

3.11 For higher needs employees—those who are assessed as level three or level four after the completion of the DMI—the Business Service is initially funded at the employment assistance fee rate of \$545 per month for up to 12 months.⁴⁹ After the employee achieves an employment outcome and a DMI assessment is completed, the funding level increases—in the case of a level four employee to double the previous rate. For lower need employees, the level of funding either decreases (for level one) or remains the same (for level two).

3.12 To maximise income under this funding scheme, service providers could complete DMIs as early as possible for clients who are likely to be assessed at levels three or four, and as late as possible for clients likely to be assessed at level one. Table 3.3 shows FaHCSIA's data on the average time taken to complete a DMI, by funding level and State/Territory (de-identified by ANAO).

⁴⁸ The data for this research covered the period 15 September 2003 to 28 February 2006, and related to 2278 supported employees who were 'active consumers' at 1 March 2006. FaHCSIA advised the ANAO that the average number of days for Business Services to complete and authorise a DMI for 2007–08 was 135 days.

⁴⁹ Business Services must complete the DMI immediately after clients achieve the employment outcome, up to twelve months from intake. Source: FaHCSIA, *Additional Procedures and Information of the FaCSIA Long Form Funding Agreement Terms and Conditions Disability Employment Assistance Program*, May 2007, s.15.1.

Table 3.3**Average number of days taken to complete a Disability Maintenance Instrument assessment after intake**

Funding level	State / Territory								Aust
	A	B	C	D	E	F	G	H	
1	111	316	140	201	168	330	214	N/A	158
2	76	N/A	147	162	144	267	184	134	156
3	115	303	152	180	145	143	174	88	153
4	113	114	177	156	139	157	200	195	154
Total	111	192	155	166	144	207	190	164	155

Source: FaHCSIA, unpublished internal research, 2006.

3.13 An examination of the data in Table 3.3 reveals that State C takes, on average, 140 days to complete DMIs that result in level one funding, gradually increasing to 177 days for DMIs that result in level four funding. This is consistent with the assumption that a service provider would normally require more time to collect the appropriate evidence to comprehensively assess a person with complex or extensive support needs. Comparatively, State B takes an average of 316 days to complete DMIs that result in level one funding and approximately one third of that time—114 days—to complete DMIs that result in level four funding.

3.14 Further analysis reveals that five of the eight States and Territories exhibit a pattern of taking longer to complete DMIs for employees that result in assessments at funding level one—and therefore a reduction in monthly fees for the Business Service—than for those that result in funding levels three or four—and a consequent increase in monthly fees for the Business Service.

3.15 In its *Disability Business Service Audit and Compliance Strategy*,⁵⁰ FaHCSIA recognises ‘completing activities before they are due or delaying activities to manipulate funding’⁵¹ as an area of compliance risk. The Strategy:

- uses the ‘average duration of employment assistance by DMI level’⁵² to prioritise Business Services in the compliance audit schedule;
- checks that DMIs are not completed within 13 weeks of intake; and

⁵⁰ FaHCSIA's *Disability Business Service Audit and Compliance Strategy* is discussed at paragraphs 5.4 to 5.8.

⁵¹ *ibid.*, version 4.2, 2007, p. 7.

⁵² *ibid.*, p. 11.

- checks that the DMI is completed once the client achieves the employment outcome.⁵³

3.16 FaHCSIA has addressed the risk that Business Services will complete the DMI before it is due by:

- preventing the authorisation of an assessment on FOFMS prior to 13 weeks from the intake date;⁵⁴ and
- comparing the time at which a 13-week employment outcome is achieved with the time at which the DMI is completed in compliance audits.

3.17 However, FaHCSIA does not adequately address the risk that Business Services will delay DMI completion. The funding agreement requires Business Services to complete the DMI immediately after clients achieve the employment outcome.⁵⁵ The compliance audits check that the DMI has been completed for clients that have been in the program for nine months or more. If cases are identified, FaHCSIA recommends the Business Service complete DMIs for those cases. The compliance audits do not check cases where the DMI is completed between 13 weeks and eight months since intake, but not necessarily immediately after the achievement of the employment outcome.

3.18 For clients that are ultimately assessed at DMI level one, by delaying the DMI completion, Business Services can receive the higher employment assistance fees (than the lower post-DMI employment maintenance fees) for up to six months without being detected by the compliance audits.⁵⁶ There is a \$225 per month difference between the employment assistance fees (\$545) and the level one employment maintenance fees (\$320). If the Business Service delays DMI completion for six months in this scenario, there is a potential overpayment of \$1350 for each such client.

3.19 The funding agreement states that service providers ‘may be deemed to be in breach of the agreement’⁵⁷ if they do not complete the DMI immediately

⁵³ *ibid.*, p. 25.

⁵⁴ *id.*, *Disability e-News*, Issue 81 [Internet]. Australia, 29 August 2005, available from <<http://www.facs.gov.au/newsletters/disability/2007/issue81.htm>> [accessed 28 August 2008].

⁵⁵ *id.*, *Additional Procedures and Information under the FaHCSIA Long Form Funding Agreement (Disability Employment Assistance Program – May 2007) Disability Employment Assistance Program (Business Services) from 1 July 2007*, Canberra, May 2007, p. 11.

⁵⁶ This scenario assumes that the employment outcome is achieved at the earliest opportunity of 13 weeks from intake.

⁵⁷ *ibid.*

after the employment outcome is achieved. However, the *Audit and Compliance Strategy* does not indicate that FaHCSIA seeks to recover overpayments or pursue other sanctions for service providers that delay DMI completions.

3.20 FaHCSIA has advised the ANAO that the effectiveness of the *Audit and Compliance Strategy*, including its value in limiting the period over which service providers claim employment assistance fees for people with lower support needs compared with those with higher needs, will be analysed once all service providers have had a compliance audit (expected by the end of December 2008).

3.21 In order for FaHCSIA to fully address this risk, it requires information about the time at which a client achieves a 13-week employment outcome. From 1 July 2008, FaHCSIA required all service providers to enter weekly wages and hours in FOFMS for each client prior to starting a DMI assessment. This information is sufficient for FaHCSIA to determine the time at which a 13-week employment outcome is achieved, without referring to payroll information held by service providers. There will remain a risk regarding the accuracy of hours and wages information entered in FOFMS.

Conclusion – CBF for supported employment services

3.22 The CBF model for Business Services is relatively straightforward, with three core payment types, one of which is paid at four different levels, and four additional payment types. The model has generally been well received by the Business Service sector.⁵⁸

3.23 The time a service provider takes to complete a DMI with respect to the achievement a 13-week employment outcome for a client, impacts on the overall payment level received by the provider. FaHCSIA is managing most of the risks associated with providers influencing the time taken to complete the DMIs, in order to maximise their funding.

3.24 However, in line with one of these risks occurring, in the majority of States and Territories, Business Services spend less time, on average, completing a DMI assessment for high support need clients than for low support need clients. With wages and hours information now required to be recorded in FOFMS by service providers, FaHCSIA has better means to manage this risk.

⁵⁸ ANAO notes that FaHCSIA has conducted a review of the introduction of CBF (see paragraphs 3.70 to 3.71).

Recommendation No.1

3.25 To minimise the risk that Business Services' providers delay the completion of a Disability Maintenance Instrument (DMI) to maximise their funding from the Australian Government, the ANAO recommends that FaHCSIA:

- (a) identify and follow up service providers that delay the completion of DMIs following the achievement of 13-week employment outcomes; and
- (b) in its review of the *Disability Business Service Audit and Compliance Strategy*, address the risk that service providers inaccurately record hours and wages in the FaHCSIA Online Funding Management System.

FaHCSIA's response

3.26 Agreed

Funding open employment services — DEEWR

3.27 The CBF model for providers of open employment services—DEN members—is also based on a phased approach, although there are different provisions across the capped and uncapped streams. Both streams incorporate three phases (intake, employment assistance, and employment maintenance in the capped stream or employment placement in the uncapped stream), and a number of employment milestone and outcome fees.

3.28 The ANAO examined how the CBF model operated in the DEN capped and uncapped streams, and in particular the impact of the CBF on DEN providers.

Funding in the capped stream

Phase 1 - Intake

3.29 The intake phase consists of an initial interview with the DEN participant, at which point an Activity Agreement or Voluntary Activity Agreement is completed and the DEN provider commences collecting evidence for the completion of a Disability Pre-employment Instrument (DPI). The intake fee is \$302.50.⁵⁹

3.30 The DEN provider must then complete a DPI for the participant no sooner than 20 business days and no later than 50 business days after the

⁵⁹ All fees paid to the DEN providers as quoted are GST inclusive and effective as at 1 July 2007.

participant's acceptance date. This period of time is designed to allow the DEN provider an opportunity to collect sufficient evidence and information in order to complete the DPI.

3.31 Once the DEN provider has completed a DPI, an activity agreement and a résumé summary for the job seeker, an assessment fee of \$610.50 may be claimed.

Phase 2 – Employment assistance

3.32 The result of a DPI assessment determines the level of payment for the monthly employment assistance fees. The CBF model features four payment classification levels and allows for a total of 10 monthly employment assistance payments. The model also incorporates two employment milestone fees and an employment outcome fee, linked to the payment classification level determined by the DPI. A further fee is payable if the job seeker is employed for at least an additional 13 weeks at 20 hours or more following the achievement of the employment outcome. Table 3.4 illustrates the core fee structure and conditions for the employment assistance phase of the capped stream.

Table 3.4

Capped stream payments — employment assistance phase

Payment	Conditions	Level one	Level two	Level three	Level four
Employment assistance fees	Maximum of 10 monthly payments	\$247.50	\$418.00	\$649.00	\$1006.50
4 week employment milestone fee	Job seeker employed for at least four weeks and 32 hours (8 hrs/week)	\$550.00	\$858.00	\$1226.50	\$1837.00
13-week employment milestone fee	Job seeker employed for at least 13 weeks and 104 hours (8 hrs/week)	\$550.00	\$858.00	\$1226.50	\$1837.00
26-week employment outcome fee	Job seeker employed for at least 26 weeks and 208 hours (8 hrs/week)	\$1100.00	\$1716.00	\$2453.00	\$3674.00
Additional employment outcome fee	Job seeker employed at least an additional 13 weeks at 20 hours or more per week	\$1650.00			

Source: DEEWR, *Employment Services Funding Deed 2006–09 – Part B Specific Conditions*, Canberra, 1 July 2007, Schedule B3-Fees and Funds.

Phase 3 – Employment maintenance

3.33 Once the worker⁶⁰ has achieved a 26-week employment outcome and the DEN provider has received all 10 employment assistance fees, the worker may enter the employment maintenance phase. In order to do so, the DEN provider must complete a Disability Maintenance Instrument (DMI) that indicates continued assistance is required. The DMI score is used to determine a level of monthly employment maintenance payments that will continue as long as the worker receives services from the DEN provider. A worker may change classification levels from the employment assistance phase to the employment maintenance phase based on the outcomes from the DPI and DMI respectively. Table 3.5 shows the monthly employment maintenance fees, payable under the current funding deed.

Table 3.5

Capped stream payments — employment maintenance phase

Payment	Level one	Level two	Level three	Level four
Employment maintenance fees (\$ per month)	\$357.50	\$533.50	\$786.50	\$1072.50

Source: DEEWR, *Employment Services Funding Deed 2006–09 – Part B Specific Conditions*, Canberra, 1 July 2007, Schedule B3-Fees and Funds, p. 97.

3.34 Similar to the Business Services program, the DEN program includes a number of additional payments for service providers. Within the capped stream these include an intermittent support fee, new apprenticeship fees and a loading for job seekers at risk of not achieving an employment outcome. The additional fees relevant to the capped program are summarised at Appendix 2, Table A2.2.

Numbers and distribution of DEN clients in the capped stream

3.35 As at February 2008, there were 36 360 DEN capped stream clients. Table 3.6 shows the distribution of DEN capped clients by program phase.

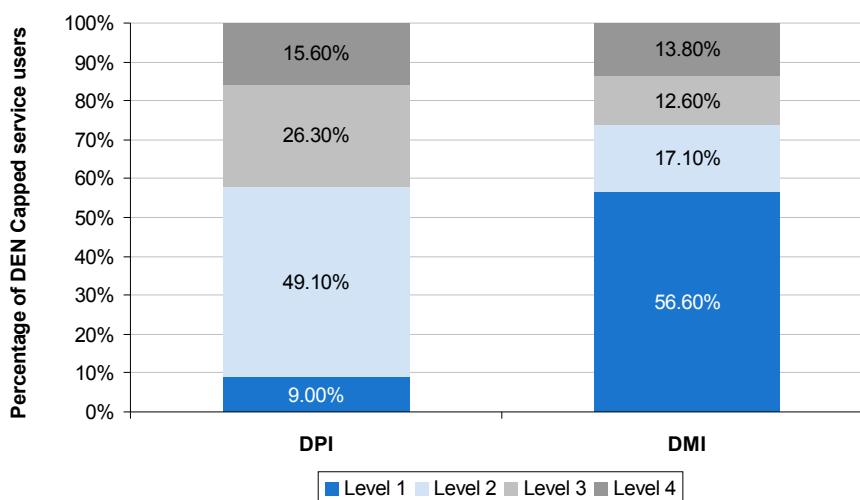
⁶⁰ The terminology changes upon achieving an employment outcome. Participants are no longer referred to as job seekers, rather they are called workers.

Table 3.6**DEN capped clients by program phase**

Phase	Number
Intake	2 986
Employment assistance	18 410
Maintenance	14 964
Total	36 360

Source: DEEWR, *Employment Services Weekly Report 2007/08, Week ending 1 February 2008*. p. 20.

3.36 Figure 3.1 shows the distribution of DEN capped clients by DPI and DMI levels. The model used to determine DPI and DMI levels does not have a transparent link between the questions that the service provider answers and resulting computer-generated funding level for the client. DEEWR advised the ANAO that this was a deliberate feature of the model designed to minimise the risk of funding level manipulation by service providers.

Figure 3.1**DEN capped clients by Disability Pre-employment Instrument and Disability Maintenance Instrument funding level**

Source: DEEWR, unpublished, 30 June 2008.

Funding in the uncapped stream

3.37 There are many similarities between the capped and uncapped streams in open disability employment services. However, there are also some

significant differences—particularly surrounding the employment milestone and outcome fees.

3.38 The intake fee of \$302.50 and the DPI assessment fee of \$610.50 are the same in both streams. The level one to level four monthly employment assistance fees are the same value as equivalent classifications in the capped stream. However, the employment assistance phase in the uncapped stream concludes when the participant reaches an uncapped 13-week employment milestone, rather than the 26-week employment outcome required in the capped stream.

3.39 Other features of the fee structure for the uncapped stream that differ significantly from the capped stream include:

- payment of monthly employment assistance fees to the DEN service provider for up to 24 months following the uncapped job seeker's acceptance date (provided the job seeker has not achieved an uncapped 13-week employment milestone);⁶¹
- the inclusion of intermediate milestones and outcome fees. The uncapped stream offers a combination of intermediate and full employment milestones and outcomes. The DEN provider is not entitled to claim both an intermediate and a full payment, of the same type, for the same job seeker;
- job seekers transition from the employment assistance phase to the employment placement phase after a 13-week employment milestone is achieved; and
- the classification levels remain constant for participants in the uncapped stream as they transition from the employment assistance phase to the employment placement phase.

3.40 The fees associated with the uncapped stream employment assistance and placement fees are shown in Table 3.7.

⁶¹ The DEEWR Funding Deed covers the situation where events occur in the 24th month. For example, Clause 21.9 of the deed states that the service provider must not claim more than:

(a) 23 Monthly payments for an eligible job seeker (uncapped) if that eligible job seeker (uncapped) is not placed in Employment within 24 Months of the Acceptance Date; or

(b) 29 Monthly payments if the eligible job seeker (uncapped) is placed in Employment during their 24th Month in the DEN Programme and does not achieve an uncapped 13 Week Employment Milestone.

Table 3.7**Uncapped stream payments**

Payment	Conditions	Level one	Level two	Level three	Level four
Phase 2 – Employment assistance					
Employment assistance fees	Monthly over a period of up to 24 months	\$247.50	\$418.00	\$649.00	\$1006.50
Uncapped Intermediate 4 Week Employment Milestone fee or	Participant employed for at least four weeks and 40 hours	\$220.00	\$341.00	\$484.00	\$759.00
Uncapped Full 4 Week Employment Milestone fee	Participant employed for at least 60 hours in the previous four weeks	\$880.00	\$1375.00	\$1958.00	\$3025.00
Uncapped Intermediate 13-week Employment Milestone fee, or	Participant employed for at least 13 weeks and 130 hours, and employed for a consecutive 4-week period at least 10 hr/week immediately prior to payment claim	\$220.00	\$341.00	\$484.00	\$759.00
Uncapped Full 13-week Employment Milestone fee	Participant employed for at least 195 hours in the previous 13 weeks and employed for a consecutive 4-week period at least 15 hr/week immediately prior to payment claim	\$880.00	\$1375.00	\$1958.00	\$3 025.00
Phase 2 – Employment placement					
Post Placement fees	Maximum of 20 monthly payments	\$247.50	\$291.50	\$456.50	\$704.00
Uncapped Intermediate 26-week Employment Outcome fee, or	Participant employed for at least 26 weeks and 260 hours, and employed for a consecutive 4-week period at least 10 hr/week immediately prior to payment claim	\$440.00	\$682.00	\$968.00	\$1518.00
Uncapped Full 26-week Employment Outcome fee	Participant employed for at least 390 hours in the previous 26 weeks and employed for a consecutive 4-week period at least 15 hr/week immediately prior to payment claim	\$1760.00	\$2827.00	\$3 916.00	\$6050.00

Additional Employment Outcome fee	Job seeker employed at least an additional 13 weeks, and at 30 hours or more per week, or at 15 hours or more per week and receives a wage that results in a total reduction of income support	\$1650.00
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Source: DEEWR, *Employment Services Funding Deed 2006–09 – Part B Specific Conditions*, Canberra, 1 July 2007, Schedule B3-Fees and Funds, p.98.

3.41 Additional fees and payments in the uncapped stream are similar to those for the capped stream, except the uncapped stream does not have provision for additional payment where the employment of the job seeker is at risk of not achieving an employment outcome.⁶²

Time spent by open employment clients in the DEN uncapped stream and exit mechanisms

3.42 In general, the DEN uncapped stream is designed to provide two years of disability employment assistance to an eligible job seeker. However, the actual length of time an individual may spend in the program can be up to 30 months. Various rules apply to individuals exiting the program. The DEEWR *Employment Services Funding Deed* provides guidance to DEN providers about exiting uncapped participants. For example, a DEN participant (uncapped) must exit the program when the participant has:

- achieved an uncapped full 26-week employment outcome and no longer requires support; or
- not been placed in employment within 24 months of commencing the program; or
- received 24 months assistance in the program with at least six months of support post employment placement.⁶³

3.43 Four scenarios illustrating a range of participant experiences are at Appendix 2, Figure A2.1.

3.44 As intake to the uncapped stream began on 1 July 2006, clients only started to achieve 24 months in the program from July 2008. DEEWR advised

⁶² For further information see Appendix 2, Table A2.2.

⁶³ DEEWR, *Employment Services Funding Deed 2006–09 – Part B Specific Conditions*, Canberra, 1 July 2007, Clause 20.11, p. 49. Note: Other exit reasons, such as a loss of eligibility, transfer to another provider are listed in Clause 20.11 of Part B of the *Employment Services Funding Deed*.

the ANAO that there are currently no controls in place in the IT system used to manage open employment (EA3000) to ensure the exit of DEN uncapped clients who have reached 24 months in the program (or 30 months if not placed in employment until the end of their 24th month in the program). DEEWR informed the ANAO that it plans to monitor this issue through a weekly report of clients who may be able to be exited from the program, and to place bulletins on the DEN contract managers' intranet portal to clarify the program policy and procedures for exiting clients.

3.45 While there are currently no controls in place to exit DEN uncapped clients when they have received the maximum period of assistance, DEEWR advised that there are systems controls to ensure that DEN providers cannot claim more employment assistance payments for uncapped participants than they are entitled to. In particular, the EA3000 system sets up an 'expected termination date' which is 24 months from the participant's date of intake into the program. If the participant finds employment during the last six months of the employment assistance phase, the 'expected termination date' is extended by up to six months. There are systems checks in place to prevent employment assistance claims being made past the 'expected termination date'.

Numbers and distribution of DEN clients in the uncapped stream

3.46 As at February 2008, there were 10 809 DEN uncapped stream clients. Table 3.8 shows the distribution of DEN uncapped clients by program phase.

Table 3.8

DEN uncapped clients by program phase

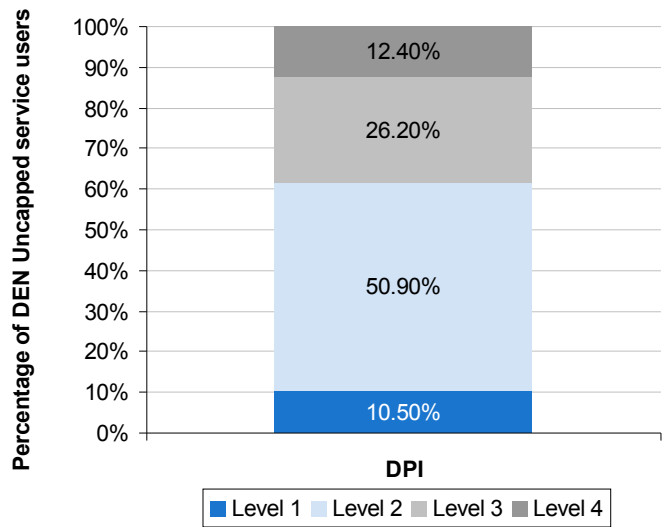
Phase	Number
Intake	1939
Employment assistance	7383
Post-placement support	1487
Total	10 809

Source: DEEWR, *Employment Services Weekly Report 2007/08, Week ending 1 February 2008*. p.20.

3.47 Figure 3.2 shows the distribution of DEN uncapped clients by DPI level. As mentioned in paragraph 3.36, the DPI assessment process and the funding level outcome is purposively not transparent.

Figure 3.2

DEN uncapped clients by Disability Pre-employment Instrument funding level



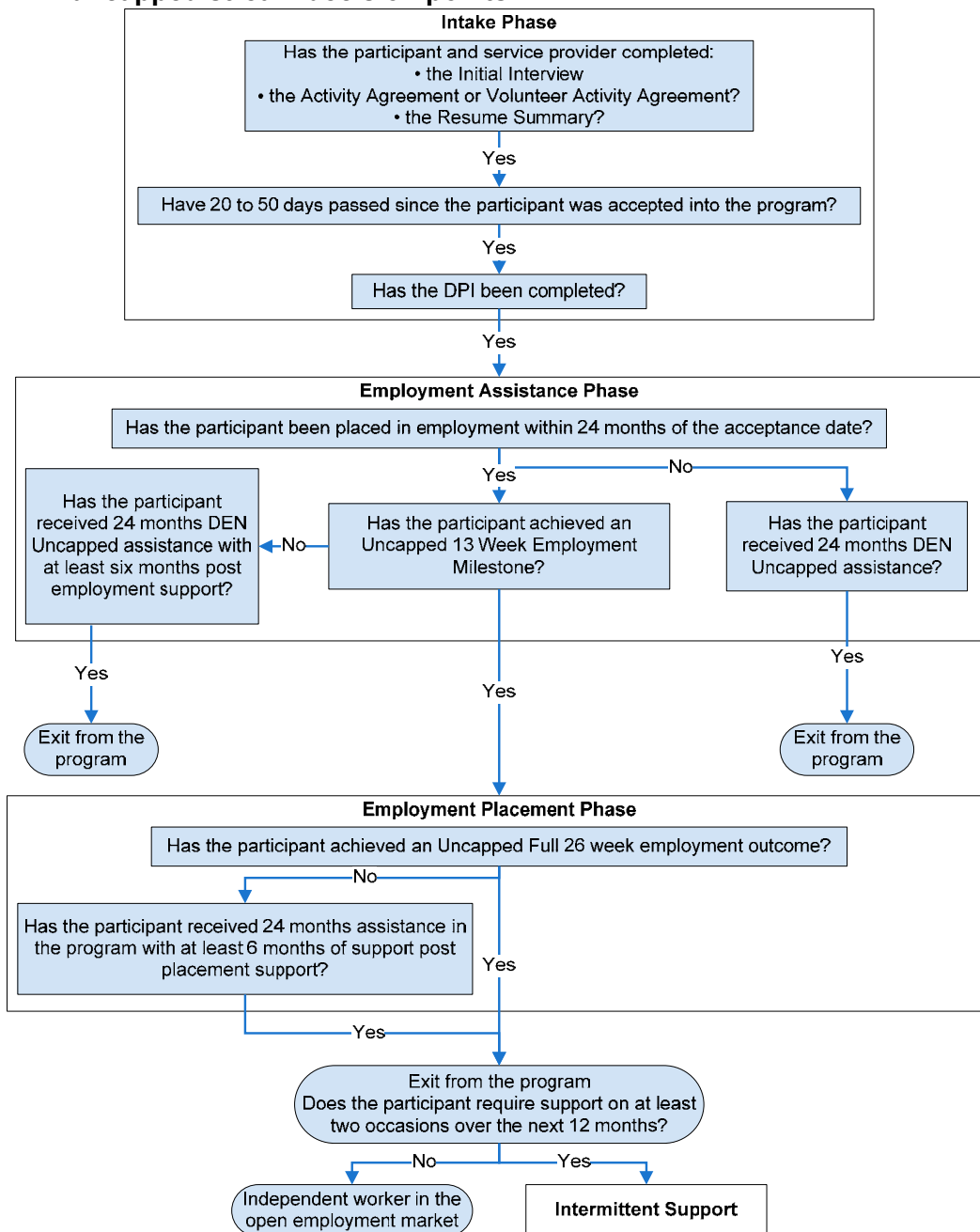
Source: DEEWR, unpublished, 30 June 2008.

3.48 The employment milestone and outcome payments serve as incentives for DEN providers to assist job seekers to move through the various phases of the program and exit as independent workers. A greater proportion of the total funding that might be generated through assisting a job seeker is available to the DEN provider in the early stages of the process.

Numbers of payments and payment types in the DEN CBF model

3.49 The design of the CBF model to provide payments related to levels of support required by job seekers at different phases in moving to employment in the open market, as well as incentives for service providers, has resulted in complex funding models. The DEN capped stream has seven core payment types, five of which are paid at four different levels, and 11 additional payment types, while the DEN uncapped stream has 10 core payment types, eight of which are paid at four different levels, and five additional payment types. Further, the uncapped stream has a range of decision points as illustrated by Figure 3.3.⁶⁴

⁶⁴ The Funding Deed outlines other exit reasons: participant no longer receiving the Newstart Allowance, the Youth Allowance or the Parenting Payment; participant is an 'Independent Worker' requires intermittent support only; participant referred to another provider who has accepted the referral; participant moves house and can no longer access the service provider; irreconcilable differences between the service provider and the participant; and DEEWR instructs service provider to exit participant.

Figure 3.3**DEN uncapped stream decision points**

Source: ANAO analysis of DEEWR, Part B Specific Conditions of *Employment Services Funding Deed 2006–09*, July 2007.

Impact of complexity of the DEN funding models

3.50 The complexity of the DEN funding model suggests the need for clarity in setting out the requirements of the model for service providers and for support tools to assist service providers to meet CBF requirements. The audit assessed:

- the clarity of the *Employment Services Funding Deed 2006–09* (the funding deed) which sets out the terms and conditions for DEN service providers;
- the means by which service providers make payment claims; and
- the impact of CBF requirements on service provider administrative workloads.⁶⁵

Employment Services Funding Deed 2006–09

3.51 The funding deed is not explicit in explaining the relationship between the phases of support given to a participant and the fee structure, potentially impacting on the clarity of the CBF model for service providers. For example, in the uncapped stream, once a participant is placed in a job they can receive post-placement support for at least six months.⁶⁶ However, the provider initially continues to receive employment assistance fees rather than post placement fees for giving this post-placement support.⁶⁷ It is only once the participant reaches an intermediate or full 13-week employment milestone, that the provider can claim post-placement fees.⁶⁸

3.52 DEEWR acknowledged the complexity of the funding deed. However, it advised the ANAO that the impact of the complexity of the funding deed was minimised through:

- the support that the EA3000 IT system provides for service providers in making claims. In particular, the IT system calculated the payments

⁶⁵ The ANAO sought service provider views by visiting a DEN outlet and two peak industry representative bodies—one representing DEN members, (ACE National Network Inc, formerly the Association of Competitive Employment), the other representing the interests of a broad range of specialist disability service providers (National Disability Services (NDS), formerly ACROD—the Australian Council for the Rehabilitation of the Disabled—representing over 600 organisations providing services to people with a disability). In addition to interviewing staff at these organisations, ANAO also examined a number of publications and submissions to government produced by other DEN providers and representative groups.

⁶⁶ *Employment Services Funding Deed 2006–07*, sub-clause 20.11(d).

⁶⁷ *ibid.*, sub-clause 21.7(a).

⁶⁸ *ibid.*, sub-clause 21.11(b). See Table 4.7 for the definitions of the 13 week milestones.

providers were entitled to, limiting the need for the service providers to have a detailed understanding of the contents of the funding deed;

- detailed program procedures for DEN capped and uncapped streams. These procedures are aimed at explaining the processes and procedures that DEN providers must complete to receive fees under the funding deed; and
- a range of support tools available to providers on the DEN secure website in addition to the program procedures. These include bulletins, guidelines and 'frequently asked questions'.

Claiming payments

3.53 DEN service providers generally lodge claims for payment electronically, through EA3000. For the IT system to fully support the funding deed, all payment processing should be facilitated through the IT system.

3.54 In order to determine the extent to which EA3000 supported payment claims the audit assessed the percentage of DEN claims that need to be processed manually—identifying this to be:

- 0.26 per cent of capped stream payments; and
- 0.11 per cent of uncapped stream payments in 2007–08.

3.55 As the percentage of claims that need to be processed manually is very small, the ANAO considers that EA3000 largely supports automatic claims.

Administrative workload

3.56 DEEWR's evaluation of CBF for the capped stream acknowledges that CBF places greater administrative workloads on service providers⁶⁹ but improves employment outcomes for individuals. DEEWR considers that the most significant additional administrative workload under CBF in comparison with the previous BGF model is the need to provide a higher level of assurance about the legitimacy of each payment claim.

3.57 In a submission to the evaluation, NDS (industry peak body) claimed that the introduction of CBF had resulted in a four-fold increase in administration hours.⁷⁰ While acknowledging an increase in administrative

⁶⁹ DEEWR, *Disability Employment Network Case Based Funding Evaluation Report*, DEEWR, Canberra, 2007, p. 92.

⁷⁰ National Disability Services, *National Disability Services Submission to the Case Based Funding Evaluation*, Canberra, 2007, p. 4.

processes, DEEWR does not consider that the increase has been this significant. DEEWR advised that more recent feedback that it had received indicated that the industry has varying views on increases in administrative workload, from no increases to marked increases.

3.58 To address the issue of balancing administrative workload and improved efficiency, two of the recommendations from the evaluation related to simplifying the funding model and reviewing the DPI and DMI funding tools.⁷¹

3.59 Nonetheless, the discussion paper issued by the Australian Government relating to its *Review of Disability Employment Services* acknowledges concerns with the complexity of the CBF models for DEN and the associated administrative workload. The paper specifically seeks feedback on the following issue:

(whether) the benefits of the complex fee structure outweigh the costs of administration...⁷²

3.60 During consultations with stakeholders a further issue was raised that was associated with payment claims on DEEWR's IT system. EA3000 does not provide an assurance that providers are receiving accurate total payments due for its clients. This has resulted in the need in some cases, for a service provider to install a third-party database into which it can enter client details to determine the attainment of milestones, to gain that assurance.

IT system developments

3.61 DEEWR intends to develop a new IT system in 2008–09 to address new employment services policy requirements.⁷³ NDS is represented on the Employment Services IT Advisory Group established to oversee the new IT

⁷¹ DEEWR, op cit., p. xiv. The two recommendations were as follows:

- Make the Employment Assistance Phase more Outcome-driven, create a smoother transition from the Employment Assistance Phase to the employment maintenance Phase and review the additional fees. These changes should aim to reduce administrative burden and improve funding expenditure efficiency.
- The DPI (and DMI if it continues) should be reviewed for their accuracy and appropriateness for different groups of clients, to ensure that they still adequately reflect the support needs of all DEN clients and are able to be administered in the most efficient and effective way.

⁷² DEEWR, *Review of Disability Employment Services: a discussion paper* [Internet]. DEEWR, Australia, 2008, available from <http://agent.capmon.com/intranet/cgi-bin/intserve_document.cgi/pressrel/08/agt/p080903276.htm.pdf> [accessed 12 September 2008], p. 13.

⁷³ DEEWR, *IT Tender Information*, [Internet]. DEEWR, 2008, available from <<http://www.workplace.gov.au/workplace/Publications/PolicyReviews/NewEmploymentServices/ITTenderinformation.htm>> [accessed 29 August 2008].

system development. DEN providers are expected to continue to use EA3000 for the duration of their contract (currently extended until 28 February 2010) and then commence using the new DEEWR IT system.

Conclusion – impact of complexity of DEN funding models

3.62 The introduction of CBF has increased administrative workloads when compared with BGF. However, the exact level of increase and the extent to which such workloads could be minimised through changes that DEEWR can make outside Government decisions on funding models is difficult to quantify.

3.63 DEEWR's IT system assists service providers to make accurate claims. However, service providers are currently not provided with sufficient information from DEEWR that allows them to reconcile payments received against claims; this is in contrast with the practice of many other Commonwealth agencies.

Recommendation No.2

3.64 The ANAO recommends that DEEWR provide sufficient information to Disability Employment Network providers to allow reconciliation of payments against claims for individual clients.

DEEWR's response

3.65 Agreed. One of the guiding principles of the Review of Disability Employment Services is to reduce complexity where possible and the funding model is an area the Government has identified as overly complex (see p. 13 of the *Discussion Paper: Review of Disability Employment Services – Disability Employment Network and Vocational Rehabilitation Services*). DEEWR will develop a package of information to assist DEN providers to more easily reconcile their payments and claims.

Evaluation of the introduction of CBF

3.66 The original government decision to provide resources for a transition from BGF to CBF required the department⁷⁴ to evaluate the program against the aims of the CBF initiative. The ANAO assessed whether FaHCSIA and DEEWR had fulfilled this requirement, and appropriately addressed the recommendations arising from the evaluation.

⁷⁴ Department of Family and Community Services (FaCS) at the time.

3.67 FaHCSIA and DEEWR have each conducted a review of the introduction of CBF within their respective program areas. The ANAO considered the findings reported in each review, however, did not attempt to repeat any of the specific analyses employed during the reviews.

FaHCSIA's review

3.68 FaHCSIA conducted a review of the introduction of CBF as it applied to supported employment services.⁷⁵ The review examined the appropriateness of the funding classifications, and the effectiveness and efficiency of the CBF model. The review found that:

- the Case Based Funding model successfully meets its objectives of increasing employment opportunities and enhancing employment outcomes for people with disabilities who need ongoing support to attain and maintain employment;
- Case Based Funding reflects the real costs of services better than Block Grant Funding;
- employment outcomes were 14.6 per cent higher than under Block Grant Funding; and
- more hours of direct support were provided each week for service users.⁷⁶

3.69 The report made 16 recommendations addressing five specific areas: enhancing outcomes; funding classification process; supplementary payments; improving efficiency and viability; and revised performance indicators. The ANAO noted that FaHCSIA had established a *CBF Review Implementation* project to progress the implementation of these recommendations. The relevant 'FaHCSIA Project Blueprint' shows a start date of 9 April 2008 and a target completion date of 30 June 2009.

Effectiveness of case based funding compared to block grant funding in supported employment services

3.70 FaHCSIA's review showed that 89 per cent (95 per cent) of clients who commenced in supported employment services in 2005 (in 2004) under CBF achieved 13-week employment outcomes. This compares with employment

⁷⁵ FaHCSIA, *Case Based Funding Review*, FaHCSIA, Canberra, October 2006.

⁷⁶ *ibid.*, p. 1-2.

outcomes of 72 per cent of all clients commencing between 20 June 2000 and 30 June 2006 under BGF, as at June 2006.⁷⁷

3.71 The increase in effectiveness from the CBF model compared with the BGF model is also supported by FaHCSIA's annual reports. In particular, the 2006–07 Annual Report indicated that 92 per cent of all clients had achieved a 13-week employment outcome.⁷⁸ This compares with only 63 per cent of all clients achieving this milestone in 2003–04. More information about the outcomes achieved under CBF and BGF is at Appendix 3.

DEEWR's review

3.72 DEEWR conducted an evaluation of the introduction of CBF as it applied to the capped stream of open employment services. The review examined appropriateness, effectiveness and efficiency. The DEEWR review reported, among other things:

- the CBF Model has considerably enhanced employment outcomes compared to its predecessor, the Block Grant Funding Model, and has also provided enhancement over the CBF Trial Phases;
- employment outcomes vary considerably by client and service provider characteristics. Psychiatric disability is the most common disability, covering over a third of all clients. It also has the lowest Outcome Rate compared to all other primary disabilities, and the evaluation identified the need to further review the model as it applies to this significant client group; and
- of those clients who were on income support at commencement and achieved a 26-week outcome, 35 per cent moved off income support.⁷⁹

3.73 The report made three recommendations aimed at simplifying the funding model, reviewing the DPI/DMI tools and reviewing the funding model for clients with psychiatric disability. Given the scope of the Australian Government's current review of employment services and the statement in the report that consideration will be given to the future of disability employment

⁷⁷ *ibid.*, p. 21.

⁷⁸ *id.*, *Annual Report 2006–2007*, FaHCSIA, Canberra, 2007, p. 124.

⁷⁹ DEEWR, *Disability Employment Network Case Based Funding Model Evaluation Report*, DEEWR, Canberra, 2007, p. xiii.

services,⁸⁰ progress on the recommendations from the evaluation will need to be considered in context of these other activities.

Effectiveness of case based funding compared to block grant funding in open employment services

3.74 DEEWR's evaluation showed that 43 per cent of DEN capped clients achieved a 13-week employment outcome within 18 months of commencing in the DEN program. This is much higher than the 25 per cent of clients who achieved this outcome within the longer period of two years of commencing under BGF.⁸¹

3.75 While outcome reporting in DEEWR's annual reports does not allow direct comparisons of employment outcomes achieved before and after CBF models were introduced, reporting suggests improved effectiveness over time.⁸² The figures available in the annual reports of the outcomes achieved under CBF and BGF are at Appendix 3.

Conclusion – evaluating the introduction of case based funding

3.76 The ANAO considers that FaHCSIA and DEEWR have fulfilled the requirement to evaluate the introduction of CBF. The CBF evaluations conducted by FaHCSIA and DEEWR show improved employment outcomes under CBF compared to BGF. FaHCSIA has made some progress on the implementation of recommendations arising from its review of CBF in Business Services. The ANAO recognises the recommendations from the DEEWR evaluation need to be considered in the context of the Government's wider review of the future of disability employment services.

⁸⁰ id., *The Future of Employment Services in Australia: a discussion paper*, DEEWR, Canberra, 2008, p. 5. This review excludes disability employment service provision through the DEN program.

⁸¹ id., *Disability Employment Network Case Based Funding Model Evaluation Report*, DEEWR, Canberra, 2007, p. xiii.

⁸² id., *Annual Report 2006-2007*, DEEWR, Canberra, 2007, p. 45.

4. Assuring Quality in Disability Employment Services

This chapter examines the Quality Strategy for Disability Employment Services and Rehabilitation Services. It assesses the contribution of the quality assurance certification process, continuous improvement and the complaints resolution procedures to achieve quality delivery of disability employment services.

Introduction

4.1 The *Quality Strategy for Disability Employment Services and Rehabilitation Services* aims to provide a level of confidence in the quality of the services offered to people with disabilities. All disability employment service providers must, as a minimum, meet the Disability Services Standards.⁸³ The 12 standards have 26 associated key performance indicators. Table 4.1 describes the Disability Services Standards.

Table 4.1

Disability Services Standards

Standard		Description
1	Service access	Each person with a disability who is seeking a service has access to a service on the basis of relative need and available resources.
2	Individual needs	Each person with a disability receives a service that is designed to meet, in the least restrictive way, his or her individual needs and personal goals.
3	Decision making and choice	Each person with a disability has the opportunity to participate as fully as possible in making decisions about the events and activities of his or her daily life in relation to the service he or she receives.
4	Privacy, dignity and confidentiality	Each service recipient's right to privacy, dignity and confidentiality in all aspects of his or her life is recognised and respected.
5	Participation and integration	Each person with a disability is supported and encouraged to participate and be involved in the community.
6	Valued status	Each person with a disability has the opportunity to develop and maintain skills and to participate in activities that enable him or her to achieve valued roles in the community.

⁸³ *Disability Services Standards (DEEWR) 2007* and *Disability Services Standards (FaHCSIA) 2007*. Enabled by the Disability Services Act.

7	Complaints and disputes	Each service recipient is encouraged to raise, and have resolved without fear of retribution, any complaints or disputes he or she may have regarding the service provider or the service.
8	Service management	Each service provider adopts quality management systems and practices that optimise outcomes for service recipients.
9	Employment conditions	Each person with a disability enjoys working conditions comparable to those of the general workforce.
10	Service recipient training and support	The employment opportunities of each person with a disability are optimised by effective and relevant training and support.
11	Staff recruitment, employment and training	Each person employed to deliver services to a person with a disability has relevant skills and competencies.
12	Protection of human rights and freedom from abuse	The service provider acts to prevent abuse and neglect and to uphold the legal and human rights of service recipients.

Source: Disability Services Standards (2007).

4.2 The Quality Strategy has three components:

- quality assurance — a system of independent, third party accredited certification against the legislated Disability Services Standards as a pre-condition of Australian Government funding;
- continuous improvement — activities that aim to increase disability employment services' ability to fulfil and exceed the requirements of the Standards; and
- complaints resolution and referrals — external services funded by the Australian Government to assist in the resolution of complaints about disability employment services funded under the Disability Services Act.

4.3 The ANAO assessed quality assurance, continuous improvement in the delivery of disability employment services, and the management of complaints with respect to achieving quality service delivery.

Quality assurance

The design of the quality assurance system

4.4 To receive Australian Government funding under the Disability Services Act, disability employment service providers are required to be independently

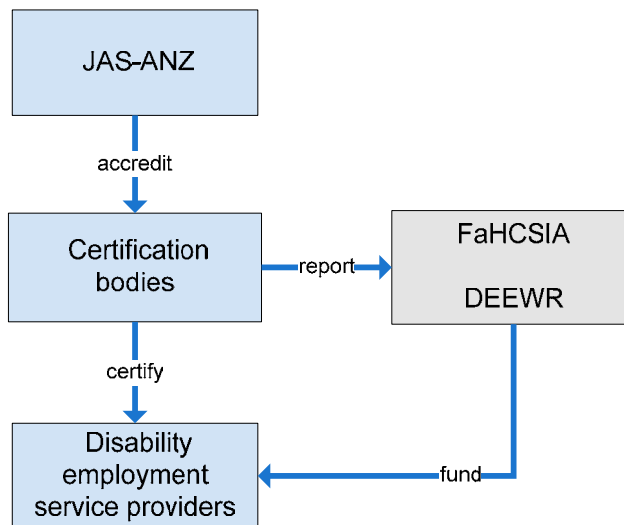
assessed and certified as complying with the Disability Services Standards.⁸⁴ The Standards were introduced on 1 July 2002, with a legislated deadline⁸⁵ for compliance of 31 December 2004.

4.5 The current system replaced a system of five-yearly quality audits undertaken by FaHCSIA staff and annual self-assessments by disability employment service providers against a set of 11 quality standards.

4.6 FaHCSIA administers the quality assurance system for FaHCSIA-funded Business Services and the DEEWR-funded DEN.⁸⁶ Figure 4.1 illustrates the main components of the quality assurance system.

Figure 4.1

Quality assurance system for disability employment services



Source: Modified by ANAO from FaHCSIA, *Quality Strategy Toolkit*, 2008, p.2.

Accreditation

4.7 The Joint Accreditation System of Australia and New Zealand (JAS-ANZ) is the government appointed body responsible for accrediting

⁸⁴ Disability Services Act, s. 14G and s. 14GA.

⁸⁵ *Disability Services Amendment (Improved Quality Assurance) Act 2002*, s. 17.

⁸⁶ This system also applies to providers of Targeted Support Services (FaHCSIA-funded) and Vocational Rehabilitation Services (DEEWR-funded).

certification bodies. Accreditation by JAS-ANZ is intended to demonstrate the competence and independence of these certification bodies.⁸⁷

4.8 In July 2002, the Secretary of the then Department of Families and Community Services signed a Memorandum of Understanding (MoU) with JAS-ANZ to ensure the competence and impartiality of the certification bodies involved in the quality assurance system. The MoU states that JAS-ANZ is responsible for the:

granting, maintaining, extending, suspending and withdrawing of accreditation for certification bodies assessing services against the Disability Services Standards.⁸⁸

4.9 JAS-ANZ is responsible for ensuring that certification bodies meet internationally accepted standards⁸⁹ and JAS-ANZ's normative criteria (Procedure 18).⁹⁰ JAS-ANZ assesses certification bodies' conformity through systems documentation assessment, on-site compliance assessments, and surveillance audits.⁹¹

Certification

4.10 Certification bodies are accredited by JAS-ANZ to independently audit service providers, funded by FaHCSIA and DEEWR, against the Disability Services Standards. Service providers engage certification bodies to conduct a certification audit (once every three years) and surveillance audits (annually in the intervening years).

4.11 Certification bodies appoint audit teams of at least two members. Audit teams typically comprise a lead auditor and a consumer technical expert. A

⁸⁷ JAS-ANZ, *Welcome to JAS-ANZ* [Internet]. JAS-ANZ, 2007, available from <<http://www.jas-anz.com.au/>> [accessed 30 May 2008].

⁸⁸ JAS-ANZ and FaHCSIA, *Memorandum of Understanding between the Commonwealth of Australia as represented by the Department of Families, Community Services and Indigenous Affairs and the Joint Accreditation System of Australia and New Zealand*, FaHCSIA, 9 October 2007, p. 4.

⁸⁹ International Organization for Standardization/International Electrotechnical Commission (ISO/IEC) 17021:2006 *Conformity assessment - Requirements for bodies providing audit and certification of management systems* contains principles and requirements for the competence, consistency and impartiality of the audit and certification of management systems of all types (e.g. quality management systems or environmental management systems) and for bodies providing these activities.

⁹⁰ JAS-ANZ, *Requirements for Bodies Providing Audit and Certification of Disability Employment Organizations* (Issue 3) [Internet], JAS-ANZ, 9 January 2008, available from <<http://www.jas-anz.com.au/images/stories/Documents/Procedures/procedure18.pdf>> [accessed 30 June 2008].

⁹¹ id., *Disability Employment Services Scheme* [Internet]. JAS-ANZ, 2007, available from <http://www.jas-anz.com.au/index.php?option=com_content&task=view&id=38&Itemid=1> [accessed 2 June 2008].

consumer technical expert is a person with disabilities, engaged for his or her specialist knowledge and abilities.⁹²

4.12 All audit team members must be certified under the Disability Services Audit Personnel Certification Scheme operated by the Registrar Accreditation Board Quality Society of Australasia (RABQSA).⁹³ This Scheme was introduced in 2006 to replace auditor training undertaken by the FaHCSIA.

4.13 Audit teams are expected to collect evidence of service provider performance through site visits, interviews with clients and their support staff, examination of client files and other methods.⁹⁴

4.14 In accordance with JAS-ANZ Procedure 18, certification bodies are required to enter audit reports on the FaHCSIA Online Funding Management System (FOFMS) within 10 days of the completion of the audit. FaHCSIA staff review the audit reports. If FaHCSIA staff are satisfied that an audit report addresses all audit requirements and that the audit was undertaken by an accredited certification body, they process certification and surveillance audit payments. The amount paid is based on the number of outlets audited by the certification body, which may be a sample of the total number of outlets within the organisation. The payments contribute towards the service provider's costs of engaging external auditors.

Quality assurance management arrangements

Managing relationships

4.15 The ANAO assessed whether FaHCSIA effectively managed the relationship between the various accreditation and certification bodies and the two departments.

4.16 Figure 4.2 represents the main elements of FaHCSIA's relationship management activities in respect of the quality assurance system.

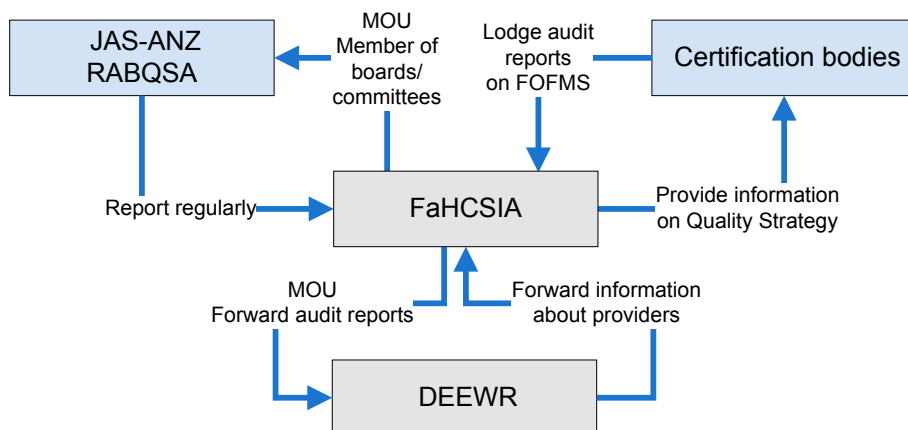
⁹² Consumer technical experts must have been a service recipient of a State, Territory or Australian Government funded disability service in Australia.

⁹³ To achieve personnel certification, auditors must successfully complete skill and knowledge examinations, and a personal attributes assessment.

⁹⁴ JAS-ANZ, *Requirements for Bodies Providing Audit and Certification of Disability Employment Organizations* (Issue 3) <<http://www.jasanz.com.au/images/stories/Documents/Procedures/procedure18.pdf>> [accessed 30 June 2008].

Figure 4.2

Relationships within the quality assurance system



Source: ANAO analysis of FaHCSIA-JAS-ANZ MoU, FaHCSIA-DEEWR MoU and JAS-ANZ Procedure 18.

Relationship between FaHCSIA and JAS-ANZ

4.17 The relationship between JAS-ANZ and FaHCSIA is governed by a MoU which clearly identifies respective roles and responsibilities. This relationship is maintained through FaHCSIA's representation on the following Board and two committees managed by JAS-ANZ:

- the Accreditation Review Board which is responsible for granting and withdrawing accreditation to certification bodies;
- the Monitoring Committee, which is responsible for monitoring the achievement of the MOU and making recommendations on its implementation, and contributing to reporting to FaHCSIA; and
- the Technical Committee which reviews Procedure 18 criteria every two years, or as the need arises.

4.18 JAS-ANZ is required to submit a quarterly performance report to FaHCSIA 'describing the progress made in achieving the purposes and objectives set out in the MoU'.⁹⁵ Each month FaHCSIA notifies JAS-ANZ in writing of overdue audit reports. JAS-ANZ writes to the relevant certification bodies and notifies FaHCSIA of their response. In addition, the MOU contains provision for JAS-ANZ to notify FaHCSIA of the granting and withdrawal of

⁹⁵ JAS-ANZ and FaHCSIA, *Memorandum of Understanding between the Commonwealth of Australia as represented by the Department of Families, Community Services and Indigenous Affairs and the Joint Accreditation System of Australia and New Zealand*, FaHCSIA, Canberra, 9 October 2007, s. 4.2 p. 6.

accreditation to a certification body and related matters. Timeframes apply to the reporting of these matters. However, the ANAO notes that there is no timeframe in which JAS-ANZ must notify FaHCSIA of complaints relating to the accreditation and certification processes.⁹⁶

Relationship between FaHCSIA and certification bodies

4.19 FaHCSIA maintains a relationship with certification bodies by: providing information on new policies, issues and training through a newsletter; holding forums on certification matters for audit personnel; alerting certification bodies to serious matters raised by the Complaints Resolution and Referral Service relating to neglect and abuse or financial mismanagement; and monitoring certification body audit schedules and alerting JAS-ANZ when delays are identified.

4.20 FaHCSIA is also a member of the RABQSA Sub-scheme Committee. The Committee provides guidance for the development of the audit personnel certification scheme requirements and is able to review and investigate complaints against RABQSA. Other members of the committee include accredited certification bodies, training providers and people with disabilities.

Relationship between FaHCSIA and DEEWR

4.21 The MOU between FaHCSIA and DEEWR outlines the respective roles and responsibilities of the two departments in relation to the quality assurance system. The roles and responsibilities relate to:

- the administration of the Quality Strategy;
- complaints handling;
- the collection, quality and timely reporting of CSTDA National Minimum Data Set information;
- communication protocols; and
- departmental monitoring and reporting arrangements.⁹⁷

4.22 FaHCSIA and DEEWR also exchange quality assurance information about DEEWR-funded service providers (DEN). In particular, FaHCSIA provides DEEWR with relevant audit and follow-up audit reports, and DEEWR

⁹⁶ *ibid.*, s. 3.11.

⁹⁷ *Memorandum of Understanding between the Australian Government Department of Families, Community Services and Indigenous Affairs and the Australian Government Department of Employment and Workplace Relations 1 July 2007 to 30 June 2009, 2007.*

provides FaHCSIA with information about DEN providers and more broadly on the quality strategy.

Managing the transition to the current quality assurance system

4.23 To facilitate the transition from the department-based to the independent, third party quality assurance system, FaHCSIA implemented the following measures:

- support materials—FaHCSIA developed handbooks on quality assurance⁹⁸ and continuous improvement⁹⁹ for disability employment service providers;
- external reviews—FaHCSIA engaged an external consultant to conduct a mid-term review and a final review¹⁰⁰ of the Quality Strategy. These reviews led to program changes, for example:
 - the review and update of the evidence guidelines that certification bodies use to assess whether service providers are meeting the Standards;
 - the introduction of personnel certification to address service provider concern with the lack of consistency between certification bodies; and
 - the establishment of the Business Services Excellence Awards.
- Business Services Assistance Package—FaHCSIA supported Business Services to remain financially viable while the quality assurance system was introduced;¹⁰¹ and
- transition audit arrangements—FaHCSIA operated the JAS-ANZ system and the former departmental system concurrently.

⁹⁸ FaHCSIA, *Quality Assurance Handbook for Disability Employment Services* (version 2) [Internet]. FaHCSIA, 2003, available from <http://www.fahcsia.gov.au/disability/qa_handbook2/index.htm> [accessed 5 June 2008].

⁹⁹ id., *Quality Strategy Toolkit for Disability Employment and Rehabilitation Services* [Internet]. FaHCSIA, 2008, available from <http://www.fahcsia.gov.au/internet/fahcsinternet.nsf/disabilities/services-ga_assurance.htm> [accessed 7 August 2008].

¹⁰⁰ id., *Evaluation of the Quality Strategy for Disability Employment Services and Rehabilitation Services* [Internet]. FaHCSIA, 2006, available from <http://www.fahcsia.gov.au/internet/fahcsinternet.nsf/disabilities/services-quality_strategy_evaluation.htm> [accessed 7 August 2008].

¹⁰¹ The 'wage phase-in' scheme allowed some Business Services to phase-in the payment of pro-rata wages for supported employees, over an agreed time-limited period. The targeted support scheme recognised that some Business Services provided non employment activities for clients with low productivity and as a result exempted them from paying wages to these clients.

4.24 These measures assisted all service providers to achieve certification by the legislated deadline of 31 December 2004.

Pursuing alignment of Australian, State and Territory Government quality assurance processes

4.25 Some disability employment service providers also deliver other disability services funded under the CSTDA that are administered by State and Territory governments. These service providers are subject to both the relevant State or Territory government's quality assurance processes—for the other services provided—and the Australian Government's quality assurance system for disability employment services.

4.26 FaHCSIA's *Evaluation of the Quality Strategy for Disability Employment Services and Rehabilitation Services* recommended, and the ANAO's audit report on the *Administration of the CSTDA* found, that there was limited alignment in the quality assurance systems for disability services across different jurisdictions.¹⁰²

4.27 FaHCSIA has pursued the alignment of quality assurance processes through the DPRWG.¹⁰³ At the July 2008 meeting of the Community and Disability Services Ministers' Conference, the DPRWG presented an implementation plan for a *National Disability Services' Quality Strategy*. The strategy aims to promote a nationally consistent approach to quality assurance and continuous improvement of service provided under the CSTDA. The national approach includes consistent quality management principles and approaches to the verification of compliance with standards, without prescribing a single quality assurance system.

Conclusion – quality assurance

4.28 The ANAO concluded that the design of the quality assurance system and FaHCSIA's management activities contribute to assuring the quality of disability employment services.

4.29 Supporting this improvement has been the movement from a departmental-based quality assessment system to an independent accredited

¹⁰² ANAO Audit Report No.14, *Administration of the Commonwealth State/Territory Disability Agreement*, ANAO, Canberra, 2005–06, p. 96.

Since July 2004, the Queensland Government and the Australian Government have used the same process, and similar standards, to assess the quality of disability services.

¹⁰³ The Disability Policy and Research Working Group (DPRWG) is a working party to the Community and Disability Services Ministerial Advisory Council.

quality assurance certification system, and the introduction of external audit team personnel certification. Further, JAS-ANZ's role as the accreditation agency for certification bodies contributes to the objectivity and independence of the quality assurance system. Underpinning this system, the Disability Services Standards as a Schedule to the Disability Services Act, and the linking of Australian Government funding to quality assurance certification, highlights the importance of the Standards to the disability employment sector.

4.30 The ANAO considers that through its activities, FaHCSIA is addressing three key areas of potential risks to the successful management of the quality assurance system, namely:

- the need to effectively manage the relationships between the various accreditation and certification bodies and the two departments;
- the effective handling of a transition from the departmental-based to the JAS-ANZ system; and
- ensuring a better alignment between the Commonwealth and State/Territory quality assurance systems for disability services.

4.31 FaHCSIA has effectively managed the risks associated with management relationships, drawing on formal and informal arrangements, namely:

- the MOU between FaHCSIA and JAS-ANZ;
- active communication with the certification bodies on quality matters; and
- the MOU between FaHCSIA and DEEWR. The communication protocols outlined in the MOU ensure that DEEWR is informed of the certification status of DEN service providers, enabling DEEWR to adhere to the legislative requirement that the service providers it funds have quality assurance certification.

4.32 The ANAO identified one area where there was potential for lags in information flows; namely, the MOU between JAS-ANZ and FaHCSIA does not specify a timeframe in which JAS-ANZ is required to report to FaHCSIA on complaints regarding the accreditation and certification processes (see paragraph 4.18). The ANAO suggests that a timeframe on the period in which JAS-ANZ reports such information is included when the MoU is next reviewed.

4.33 The ANAO considers that FaHCSIA effectively facilitated the transition to the current system of quality assurance audits through implementing a series

of appropriate measures, such as providing guidance to service providers, reviewing the implementation of quality assurance, providing financial viability support for providers, and operating the departmental and JAS-ANZ systems concurrently. FaHCSIA's approach took into account the varying level of support that service providers needed and the maturity of their management systems.

4.34 Greater alignment of the quality assurance systems for disability services administered by the Commonwealth, State and Territory Governments is possible as a similar system is currently used by the Commonwealth and Queensland Governments. The ANAO considers that FaHCSIA's work in pursuing the development of a nationally agreed approach provides an important means of promoting alignment between the Commonwealth and State/Territories on quality assurance systems for disability services.

Continuous improvement

4.35 The continuous improvement component of the Quality Strategy aims 'to increase service providers' abilities to fulfil and exceed the requirements of the Disability Services Standards'.¹⁰⁴

4.36 Continuous improvement is encouraged through the quality assurance system. To achieve certification, service providers must be able to demonstrate the quality of their continuous improvement processes and outcomes as part of their assessment against Standard 8: Service Management.¹⁰⁵ Under JAS-ANZ Procedure 18, certification bodies must include suggestions for continuous improvement in their written audit reports.

4.37 Surveillance, re-certification and follow-up audit reports must clear each non-conformity previously identified and compare the results with those of previous audits of the service provider. Certification is not granted to service providers with outstanding non-conformities.

4.38 A key means by which FaHCSIA has assisted service providers to understand the compliance and continuous improvement requirements of the Standards is through the *Quality Strategy Toolkit*¹⁰⁶ (the Toolkit). In particular, the Toolkit provides ideas, links to resources, training materials and worksheets

¹⁰⁴ FaHCSIA, *Quality Strategy Toolkit for Disability Employment and Rehabilitation Services*, FaHCSIA, Canberra, 2008, s.1, p. 3.

¹⁰⁵ *ibid.*, s. 3, p.1.

¹⁰⁶ *ibid.*

to enable service providers to conduct workshops for their staff related to each of the 12 Disability Services Standards. The toolkit also guides providers on how they can demonstrate and plan for continuous improvement in their organisation.

4.39 In addition to approaches to continuous improvement under the certification processes and Toolkit, FaHCSIA undertakes or funds a range of activities that support continuous improvement in the delivery of quality disability employment services, including:

- Disability Services Standards workshops delivered by external consumer training and support agencies to service providers in all States/Territories from 2003 to 2004;
- continuous improvement funding for groups of Business Services to trial projects that aim to make their service delivery easier, more effective, less costly or more efficient;
- *Disability e-News* newsletter published fortnightly by FaHCSIA and distributed to Business Services;
- *Business Service Excellence Awards* that recognise viable Business Services that offer high quality service to people with disabilities; and
- reviews of Business Service financial viability conducted as part of the Business Service Assistance Package.

Conclusion – continuous improvement

4.40 The ANAO considers that FaHCSIA directly, and indirectly through JAS-ANZ, has supported continuous improvement in disability employment services. In particular, continuous improvement is incorporated into the requirements of certification audit reports, and guidance to the service providers on quality. Further, FaHCSIA has facilitated continuous improvement by supporting a range of activities aimed at promoting and recognising quality service delivery.

Complaint resolution and referral

4.41 There are two key sources of complaints that are required to be referred and/or resolved as a result of the quality strategy:

- grievances and concerns of clients related to service delivery; and

- grievances and concerns of service providers related to the certification process and certification decisions.

4.42 The ANAO assessed the effectiveness of the resolution and referral processes for both types of complaints with reference to the Ombudsman's good practice recommendations.¹⁰⁷

Complaints about service delivery

4.43 In the first instance, clients are expected to raise concerns about service delivery with their service provider with the Disability Service Standards setting out the requirement for complaints resolution.¹⁰⁸ FaHCSIA suggested to Business Services that they consider the Commonwealth Ombudsman's *A Good Practice Guide for Effective Complaint Handling* when developing their internal complaints system.¹⁰⁹

4.44 Clients who are not satisfied with the response from their service provider, or who do not wish to use the service provider's complaints process, can contact the Complaints Resolution and Referral Service (CRRS). The CRRS is delivered, under a FaHCSIA-managed contract, by a non-government disability advocacy organisation (People with Disability Australia)¹¹⁰. A *Service Level Agreement* with FaHCSIA and DEEWR outlines the process for the resolution and referral of complaints.

4.45 Clients are also able to raise complaints directly with DEEWR and FaHCSIA if they are dissatisfied with the service providers' complaints process. DEEWR operates a customer service telephone line and FaHCSIA operates a complaints management scheme.

¹⁰⁷ Commonwealth Ombudsman's Office, *A Good Practice Guide for Effective Complaint Handling*, Australian Government, Canberra, 1997.

¹⁰⁸ Standard 7 – *Disability Services Standards (FaCSIA) 2007 and Disability Services Standards (DEWR) 2007*. This standard requires service providers to encourage clients to raise complaints without fear of retribution, and to facilitate the resolution of complaints about the service they provide.

¹⁰⁹ FaHCSIA, *Disability e-News*, Issue 48 [Internet]. Australia, 29 August 2005, available from <<http://www.facsia.gov.au/newsletters/disability/2005/issue48.htm>> [accessed 14 July 2008], and

Commonwealth Ombudsman's Office, op. cit., p. 13.

¹¹⁰ People with Disability Australia are also contracted by FaHCSIA to run the National Abuse and Neglect Hotline which has the same contact details as the CRRS. The Hotline is a single contact point for clients and others to report claims of abuse and neglect of people with disabilities using government funded services. The toll-free Hotline refers complaints to the government body that funds the service for investigation.

4.46 The *Service Level Agreement* between FaHCSIA, DEEWR and the CRRS forms the basis of the *CRRS Policies and Procedures Manual 2007–09*,¹¹¹ with the CRRS being required to notify FaHCSIA and DEEWR of individual or systemic matters when:

- service providers do not co-operate with the complaint resolution process;¹¹²
- the complaint constitutes a major breach of the Disability Services Standards;¹¹³ or
- service providers do not comply with the CRRS recommendations.¹¹⁴ If service providers do not implement CRRS recommendations, this information can be passed to their certification body and/or JAS-ANZ to consider as part of their next quality assurance audit.

4.47 FaHCSIA is responsible for resolving complaints about the CRRS and its processes.¹¹⁵ FaHCSIA will inform DEEWR if the complainant is a DEN client. Figure 4.3 shows the pathways for service delivery complaints.

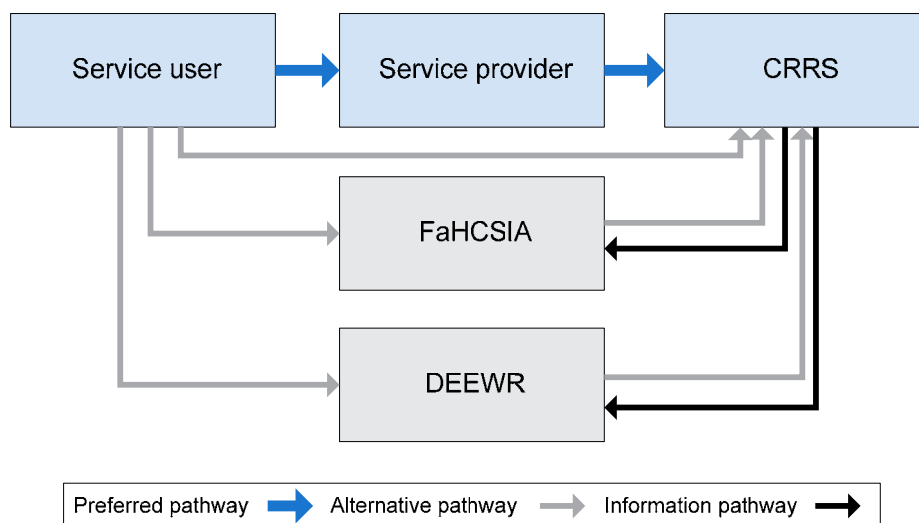
¹¹¹ CRRS, *Policies and Procedures Manual 2007–09* [Internet]. People With Disability Australia Incorporated, Australia, <http://www.crrs.org.au/publications/crrs_policies_manual_2008.doc> [accessed 13 June 2008].

¹¹² This is a key performance indicator of Standard 7: complaints and disputes.

¹¹³ *ibid.*, p.70. A major breach refers to 'serious physical and sexual abuse, financial abuse or misappropriation, wilful deprivation, or any other criminal matter'.

¹¹⁴ *ibid.*, p. 73.

¹¹⁵ *ibid.*, p. 74.

Figure 4.3**Pathways for service delivery complaints**

Source: ANAO analysis of *MoU between FaHCSIA and JAS-ANZ* and the *CRRS Policies and Procedures Manual 2007–09*.

4.48 The CRRS provides monthly reports to FaHCSIA which include a breakdown of complaints by Disability Services Standard for all the complaints it receives and by different service types, such as Business Services and DEN. Based on an examination of CRRS monthly reports for July 2007 to June 2008, the ANAO's analysis revealed that, on average, CRRS processes approximately 49 complaints per month relating to DEN providers and six complaints per month relating to Business Services. Further analysis showed that approximately 90 per cent of complaints were resolved within 20 business days. In addition, for the period examined, 96 per cent of complaints received were closed (that is, resolved or referred).

Consistency of CRRS policy and procedures against good practice

4.49 ANAO analysis of the *CRRS Policies and Procedures Manual 2007–09* indicates that the resolution and referral processes for complaints about disability employment service delivery¹¹⁶ are consistent with the Ombudsman's good practice recommendations. Table 4.2 provides three examples of such consistency.

¹¹⁶ While this analysis is for the resolution and referral processes for complaints about service delivery, the CRRS policies and procedures also apply to complaints received by the CRRS about certification processes and decisions.

Table 4.2

Examples of consistency with the Ombudsman's best practice complaints handling recommendations

Commonwealth Ombudsman's Office best practice recommendations	Examples from the disability employment services complaints processes
Be easily accessible in terms of format and process and be widely promoted.	The CRRS is accessible through seven methods: telephone, fax, telephone typewriter (TTY), mail, email, National Relay Service, and Translating and Interpreting Service. The CRRS conducts promotional tours to Business Services and DEN outlets annually.
Be effective in terms of addressing complaints at an individual and systemic level by using the information collected to improve overall service delivery.	The CRRS addresses complaints at an individual level through resolution, referral, the provision of information and support, and investigation. The CRRS assists in addressing complaints at the systemic level by providing monthly reports to FaHCSIA and DEEWR. The reports inform the Departments' quality assurance and audit and compliance monitoring activities.
Be fair, and seen to be fair, by both the employees with a disability and the support staff.	CRRS staff are expected to apply the principles of procedural fairness. ¹¹⁷ There are many ways CRRS staff fulfil this expectation, including: <ul style="list-style-type: none"> ensuring that the parties are informed of the allegations made against them; and ensuring that the parties have a right to reply to the allegations.

Source: ANAO analysis of the Commonwealth Ombudsman's Office, *A Good Practice Guide for Effective Complaints Handling*, CRRS Policies and Procedures Manual 2007–09 and JAS-ANZ Procedure 18.

4.50 Further, the reports from the CRRS provided to FaHCSIA and DEEWR indicate that CRRS resolves and refers matters in a timely manner, consistent with the Ombudsman's recommendation on timely complaints handling.¹¹⁸

Complaints about the certification process and certification decisions

4.51 The *Quality Assurance Handbook for Disability Employment Services* gives specific advice to service providers about the complaints and referrals component of the quality strategy. In relation to a service provider lodging a complaint, the Handbook states:

¹¹⁷ *ibid.*, p. 33.

¹¹⁸ Commonwealth Ombudsman's Office, *op. cit.*, p. 37. Paragraph 4.48 above identifies that the CRRS resolved or referred approximately 90 per cent of complaints within 20 working days.

In practice, this will mean that in the first instance complaints or appeals about accreditation/certification will be referred to the certification body's complaint handling process. If the issue cannot be resolved at that level the complainant may seek assistance from JAS-ANZ.¹¹⁹

4.52 To obtain JAS-ANZ accreditation, certification bodies are required to operate a complaints handling system. According to JAS-ANZ Procedure 11, if a complainant is dissatisfied with the outcome of the certification body's complaints handling process, he or she may refer the complaint to JAS-ANZ. JAS-ANZ is required to inform FaHCSIA of incoming complaints in relation to the accreditation and certification processes. FaHCSIA monitors the complaints received and checks that they are resolved. If FaHCSIA is not satisfied, it can request JAS-ANZ to re-open a complaints resolution process.

4.53 The CRRS refers complaints it receives about the certification process and certification decisions to FaHCSIA. FaHCSIA refers these complaints to JAS-ANZ.¹²⁰ In August 2008, FaHCSIA advised that it has received no complaints to date on certification decisions. Most of the complaints that FaHCSIA refer to JAS-ANZ relate to a failure by certification bodies to lodge audit reports on FOFMS within the required 10 days.¹²¹

4.54 Figure 4.4 depicts the certification complaints handling process, including the preferred pathway¹²² for handling these complaints.

¹¹⁹ FaHCSIA *Quality Assurance Handbook for Disability Employment Services* (version 2), 2003, <http://www.facsia.gov.au/disability/qa_handbook2/section_8.htm> [accessed 17 July 2008].

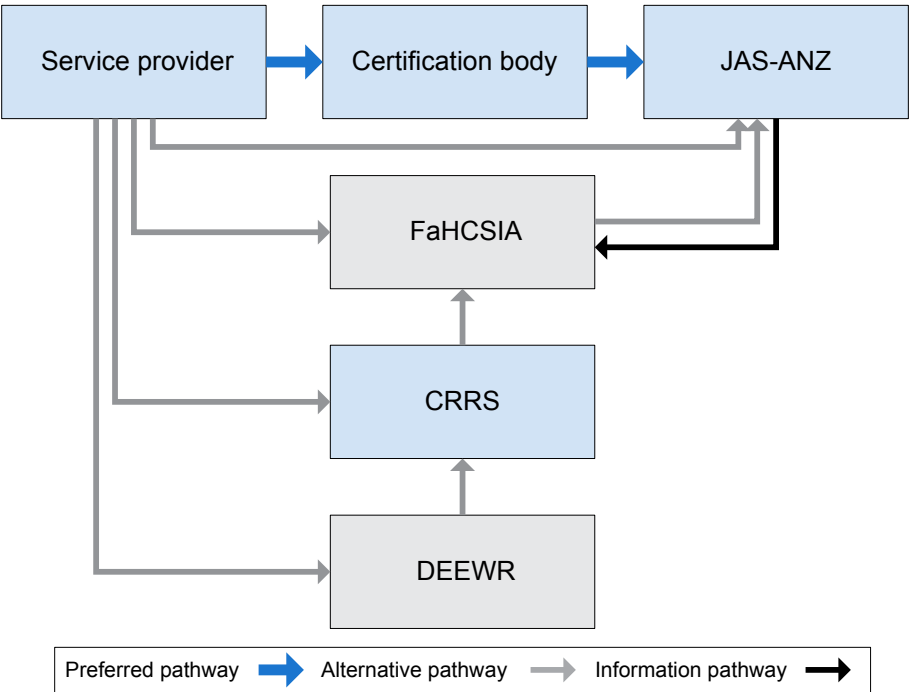
¹²⁰ id., *Quality Strategy Toolkit for Disability Employment and Rehabilitation Services*, 2008, s. 4, p. 1.

¹²¹ Paragraph 4.14 discusses this requirement.

¹²² JAS-ANZ and FaHCSIA, *Memorandum of Understanding between the Commonwealth of Australia as represented by FaHCSIA and JAS-ANZ*, FaHCSIA, 2007, p. 4, s. 2.5 (c) and (d).

Figure 4.4

Complaints about the certification process and certification decisions



Source: ANAO analysis of MoU between FaHCSIA and JAS-ANZ and JAS-ANZ Procedures 12 and 18.

4.55 The *Quality Strategy Toolkit*, which has superseded the Handbook, lists five contacts that ‘may be important where service providers wish to make a complaint about certification.’¹²³ However, the Toolkit does not clearly identify the first step in the process—that is, service providers should first seek to resolve their certification complaints with the certification body.

4.56 The FaHCSIA website simply identifies JAS-ANZ as the contact for ‘complaints about certification decisions or processes’¹²⁴ and does not list the range of contact options included in the Toolkit.

¹²³ The contacts listed are—Australian Government departments: FaHCSIA and DEEWR, certification bodies, JAS-ANZ, Administrative Appeals Tribunal and Commonwealth Ombudsman. Source: FaHCSIA, *Quality Strategy Toolkit for Disability Employment and Rehabilitation Services*, FaHCSIA, Canberra, 2008, s.4, p. 37.

¹²⁴ FaHCSIA, *Complaints and Referral Processes* [Internet]. FaHCSIA, Australia, 2008, available from <http://www.fahcsia.gov.au/internet/facsinternet.nsf/disabilities/services-qa_complaints_and_referral.htm> [accessed 17 July 2008].

Complaints about audit personnel

4.57 RABQSA accepts written complaints against certification body auditors and consumer technical experts, and against RABQSA. RABQSA does not inform JAS-ANZ, certification bodies, FaHCSIA or DEEWR about the complaints that it receives. In appropriate circumstances, the RABQSA Sub-scheme Committee (of which FaHCSIA is a member) will investigate complaints. RABQSA also accepts written appeals against adverse certification decisions or withdrawal of certification.

Conclusion – complaints resolution and referral

4.58 The ANAO considers that the complaints resolution and referral procedures and processes are consistent with the Commonwealth Ombudsman's good practice recommendations. In particular, the CRRS's procedures and processes are in line with those recommended by the Ombudsman including the timely resolution and referral of matters.

4.59 There are documented procedures for the resolution of both complaints about service providers and the certification process, as well as feedback and monitoring of systemic and individual issues by FaHCSIA or DEEWR. However the ANAO considers that there is a gap in the consistency of the information FaHCSIA provides to service providers on making certification complaints between its web-page and the *Quality Strategy Toolkit*. The ANAO suggests that FaHCSIA update its 'Complaints and Referral Processes' webpage and the *Quality Strategy Toolkit* to provide information consistent with JAS-ANZ Procedure 11.

4.60 The ANAO also suggests that FaHCSIA urge RABQSA to strengthen its reporting to JAS-ANZ, certification bodies, FaHCSIA and DEEWR on the number and type of complaints that it receives about the quality of audit personnel, as currently there is no such reporting undertaken.

5. Monitoring and Reporting of Disability Employment Services

This chapter assesses FaHCSIA's and DEEWR's compliance and performance monitoring of disability employment service providers. It also considers how performance reporting requirements contained in the CSTDA have been met, including an analysis of the publically available information relating to disability employment services.

FaHCSIA monitoring of supported employment services

Introduction

5.1 FaHCSIA's *Disability Employment Assistance Program Performance Framework*¹²⁵ outlines the performance expectations, obligations and requirements of Business Services. The Framework defines the processes that FaHCSIA uses to measure the performance of individual Business Services and the sector as a whole. These processes are:

- the *Audit and Compliance Strategy*—assessment of compliance with the terms and conditions of the *Funding Agreement*;
- analysis of administrative and transaction data—assessment of the performance of Business Services against the key performance indicators in the *Funding Agreement*¹²⁶ and the *FaHCSIA Portfolio Budget Statement*; and
- the quality assurance system—assessment of service quality against the Disability Services Standards.

5.2 Figure 5.1 illustrates the *Disability Employment Assistance Performance Framework*. It shows that FaHCSIA draws on two reference documents and three information sources in its monitoring of supported employment services. Its monitoring activities result in quality assurance audit reports, compliance audit reports, FaHCSIA

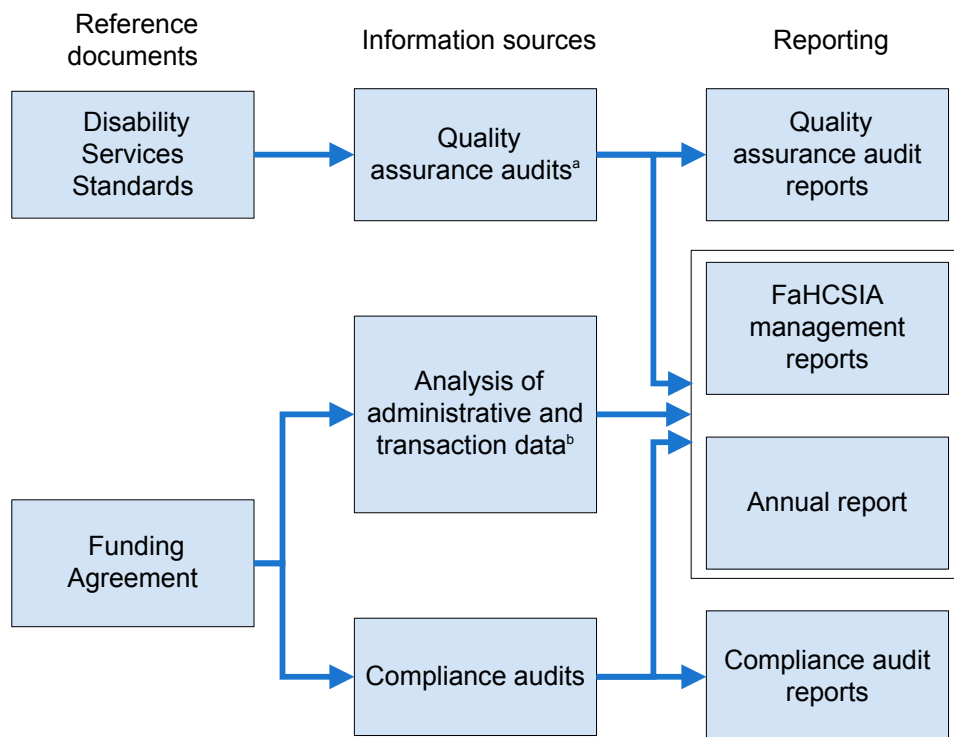
¹²⁵ FaHCSIA, *Disability Employment Assistance Program Performance Framework*, unpublished (provided by FaHCSIA), 2007.

¹²⁶ Sub-item B5 of the Schedule to the *Additional Procedures and Information of the FaCSIA Long Form Funding Agreement Terms and Conditions Disability Employment Assistance Program*, May 2007.

internal management reports and a component of the FaHCSIA annual report.

Figure 5.1

FaHCSIA monitoring of supported employment services



Source: ANAO analysis of FaHCSIA, *Disability Employment Assistance Program Performance Framework*, 2007. a. Obtaining and maintaining certification. b. From FaHCSIA's IT system, FOFMS.

Audit and Compliance Strategy

5.3 The *Disability Business Service Audit and Compliance Strategy* aims:

To provide assurances to the FaHCSIA executive and the Australian Government that Case Based Funding is being administered with a high level of accountability and ensure Business Services are delivering Disability Employment Assistance Services in line with the business rules specified in the Funding Agreement.¹²⁷

¹²⁷ FaHCSIA, *Disability Business Service Audit and Compliance Strategy*, FaHCSIA, version 4.2, 2007, p. 5.

5.4 FaHCSIA has based the *Audit and Compliance Strategy* on the principles of prevention, deterrence, and detection and recovery. Compliance audits are a component of the latter principle. In June to July 2006, FaHCSIA conducted a compliance audit pilot in 10 Business Services. The pilot verified the areas of compliance risk that FaHCSIA had identified as well as testing the draft compliance audit plan.

5.5 As at 30 April 2008, FaHCSIA had conducted compliance audits in approximately half of all Business Services and aims to achieve full coverage of all Business Services by December 2008. Following that, FaHCSIA intends to conduct compliance audits in all Business Services, over a two-year cycle.

Data analysis

5.6 The second component of FaHCSIA's monitoring of Business Services is the analysis of administrative and transaction data stored in FOFMS and from other sources.¹²⁸ Business Services input a range of client information and organisational information to FOFMS. Through data analysis, FaHCSIA monitors:

- the costs of providing services;
- the effective targeting of service provision to defined population groups;¹²⁹
- the achievement of employment outcomes; and
- the number of clients and service providers.¹³⁰

Quality assurance certification

5.7 The third component of FaHCSIA's monitoring of Business Services is quality assurance certification. FaHCSIA requires Business Services to be certified against the 12 Disability Services Standards.

Managing risks associated with supported employment services

5.8 A risk-based approach is able to provide an efficient and effective means of monitoring compliance activities. The ANAO Better

¹²⁸ Other sources include reports from the CRRS and State/Territory offices.

¹²⁹ 'Defined population groups' include young people aged 15–24 years, people with a profound or severe disability, Indigenous people, people born in non-English speaking countries and people that live in outer regional and remote areas.

¹³⁰ FaHCSIA, *Disability Employment Assistance Program Performance Framework*, May 2007, Attachment B.

Practice Guide – *Implementation of Programme and Policy Initiatives*¹³¹ states that:

More is required than consideration of the potential for something to go wrong. Risk identification and treatment should be an element of the control framework put in place for effective programme implementation.

5.9 FaHCSIA uses a risk-based approach to schedule and conduct compliance audits. The level of risk for scheduling an audit is determined by a set of key compliance indicators (such as client turnover) based on analysis of data in FOFMS. The *Audit and Compliance Strategy* specifies 16 standard activities for FaHCSIA staff to undertake in conducting compliance audits; these activities relate to particular risks associated with funding deed compliance, that collectively assess:

- the completeness and accuracy of client records; and
- the timeliness of data input to FOFMS and claims processing.

Alignment of program monitoring in supported employment services

5.10 The quality assurance audit, compliance audit and analysis of data each have separate and well defined roles in monitoring supported employment services.

5.11 However, both quality assurance audits and FaHCSIA compliance audits access the same or similar information sources in conducting their work at service providers' venues. This can lead to both a perception and actual duplication of effort for service providers.

FaHCSIA reporting on supported employment service providers

Reports to providers on performance

5.12 The *Audit and Compliance Strategy* specifies that FaHCSIA staff should:

¹³¹ ANAO, Better Practice Guide — *Implementation of Programme and Policy Initiatives: making implementation matter*, Canberra, 2006.

- undertake an initial feedback session with the Business Service at the conclusion of each compliance audit visit;
- notify the Business Service of any non-conformities during the initial feedback session and discuss their recommendations for improvement;
- provide a standardised audit report to the audited Business Service; and
- conduct a post-audit review when non-conformities are identified.¹³²

A sample of FaHCSIA's audit and compliance report files tested during the audit consistently reflected the above processes.

5.13 The ANAO notes that there is currently no Business Services sector-wide facility to allow services to compare their performance with others that have similar characteristics. FaHCSIA has recently engaged National Disability Services (NDS), a disability employment services peak body, to 'develop a strategy for making best practice and benchmarking opportunities available to all businesses in the sector'.¹³³

Internal management reports

5.14 FaHCSIA provides the outcomes of its data analysis monitoring in a range of internal management reports for contract managers, for example, the monthly disability employment assistance compliance audit reports.

Reporting publically

5.15 Through FOFMS, FaHCSIA collects and analyses a range of information relating to Business Service provision. Targets for 13 performance indicators covering cost, effectiveness (relating to early intervention, take-up and coverage, targeting and capacity) and quantity, are set in the FaHCSIA 2006–07 and 2007–08 *Portfolio Budget Statements*. FaHCSIA has drawn on the data that it collects and analyses about Business Services to report on these 13 indicators publicly in its 2006–07 annual report.

5.16 The further information collected on Business Services' performance relates directly relate to the CSTDA performance

¹³² The requirements of the audit activity are not fully met, or the outcome is only partly effective.

¹³³ National Disability Services, *Benchmarking Scoping Study for Australian Disability Business Services*, April 2008, p. 3.

indicators for supported employment.¹³⁴ (Reporting on the CSTDA requirements is discussed at paragraphs 5.57 to 5.67)

Conclusion – FaHCSIA monitoring and reporting of supported employment services

5.17 Through the three processes outlined in the *Disability Employment Assistance Program Performance Framework*, FaHCSIA has in place a robust performance monitoring approach to manage the significant risks associated with contracted service provision.

5.18 The standardised approach to compliance audits:

- allows FaHCSIA to effectively undertake program-wide assessment of compliance;
- informs FaHCSIA's policy development and program management, including risk management;
- assists contract managers to develop an appreciation of the risks associated with individual Business Services;
- educates Business Services of FaHCSIA's expectations; and
- reinforces the obligations of Business Services under the *Funding Deed*.

5.19 As quality assurance and compliance auditors access some of the same information when working with service providers, the duplication of effort for service providers has the potential to impose an unnecessary level of administrative workload. Accordingly, where possible, there may be merit in FaHCSIA coordinating the scheduling of quality assurance audits and compliance audits in order to improve the efficiency of program monitoring and reduce the administrative workloads experienced by Business Services.

5.20 To support the performance monitoring framework, FaHCSIA has implemented a range of reports to inform contract managers, providers and the public on Business Services provider performance.

¹³⁴ FaHCSIA, *Agreement between the Commonwealth of Australia and the States and Territories of Australia in relation to Disability Services* (CSTDA), FaHCSIA, 2002 (revised 2007), Canberra, p. 35. Table 5.3 identifies the relevant indicators.

DEEWR monitoring of DEN providers

Introduction

5.21 The *National Contract Management Framework* (NCMF) sets out DEEWR's principles of contract management and endorses a common approach to the day to day management of all employment services contracts. Three of the five principles (performance; quality; integrity and compliance) relate to employment program areas that DEEWR monitors.¹³⁵

5.22 The *Assurance and Compliance Framework*¹³⁶ describes how DEEWR monitors its employment programs. This framework outlines the routine assurance activities that cover all providers, and the targeted assurance and compliance projects that are specific to each employment program.¹³⁷

5.23 DEEWR's compliance strategy outlined in its *Assurance and Compliance Framework* involves:

- prevention and deterrence activities—supporting compliant behaviour;
- detection activities—identifying practices that impact on the integrity of employment programs; and
- correction activities— working with providers to improve their practices and, if required, rectifying incorrect payments.¹³⁸

5.24 DEEWR draws on a range of information sources to monitor DEN providers. These include: quality assurance audits; analysis of feedback from clients; site monitoring visits; targeted projects; and analysis of administrative and transaction data in DEEWR's IT system, EA3000.

5.25 A number of reports are produced from the information DEEWR collects through its monitoring of DEN providers:¹³⁹

¹³⁵ The other two principles (relationships and openness; and consistency) relate to DEEWR's internal management of program monitoring.

¹³⁶ DEEWR, *Assurance and Compliance Framework (Australian Government Employment Services) 2007–08*, undated.

¹³⁷ For example, a review of DPI and DMI Assessments was a targeted project for the DEN program in 2007–08.

¹³⁸ *ibid.*, p. 4–5.

- feedback letters and Health Check reports for DEN providers;
- revised provider risk profile for use by Account Managers;
- DEN Star Ratings; and
- DEEWR Annual Report and interim internal management reports.

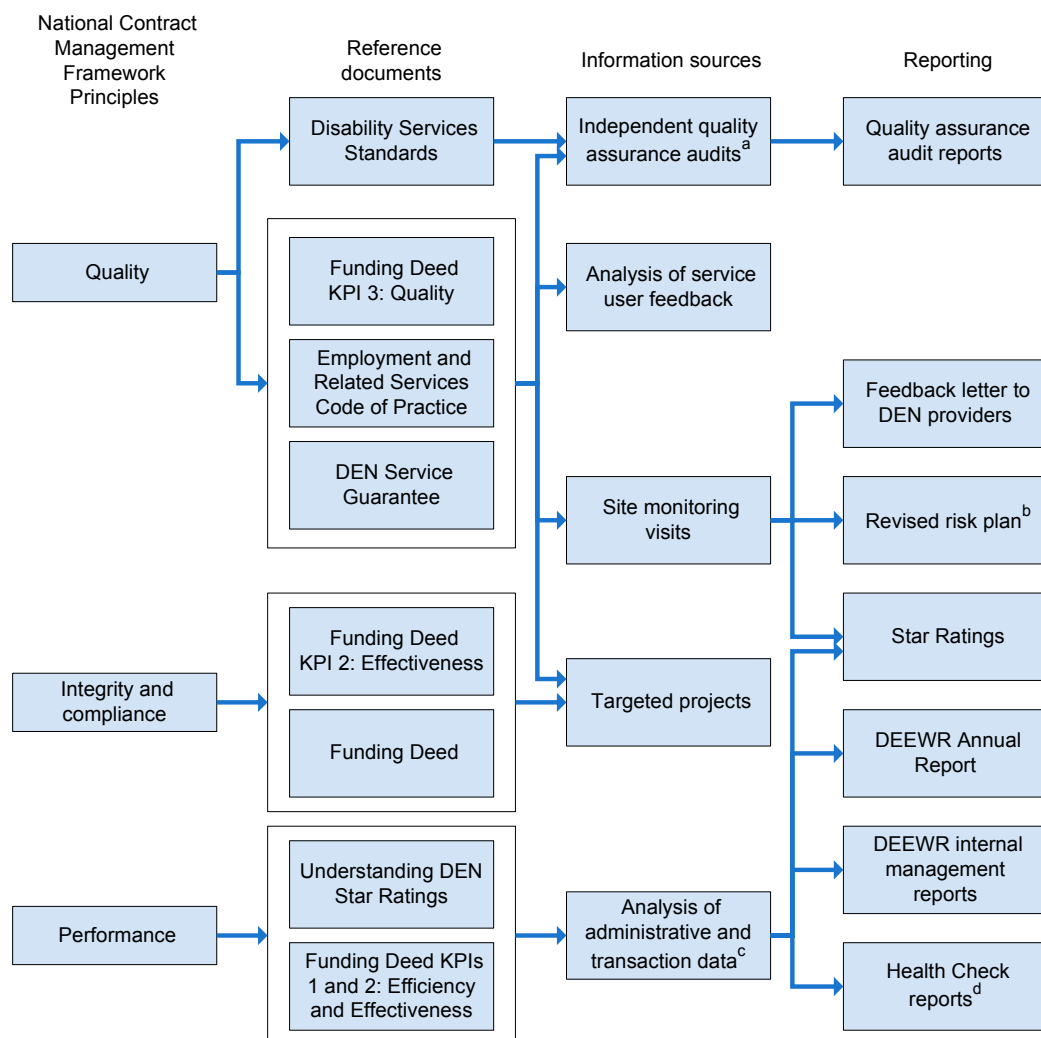
5.26 Figure 5.2 shows the relationship between the NCMF principles, the reference documents that outline the monitoring measures and performance indicators, the information sources DEEWR draws on to monitor DEN providers and the reporting that results from these monitoring activities.¹⁴⁰

¹³⁹ These reports are in addition to quality assurance audit reports developed by the certifying bodies.

¹⁴⁰ Figure 5.2, for example, shows that DEEWR monitors DEN providers' performance against the *Funding Deed* 'efficiency' and 'effectiveness' key performance indicators (the reference document). DEEWR monitors performance by analysing administrative and transaction data (information sources). The information that DEEWR derives from this source is reported in Health Check reports to the provider and collectively in the DEEWR Annual Report, DEEWR internal management reports and also informs the DEN Star Ratings (reporting).

Figure 5.2

DEEWR monitoring of open employment services providers



Note: Targeted projects and client feedback inform program development therefore there is no reporting arrow. (a) obtaining and maintaining certification. (b) for use by DEEWR account managers. (c) From DEEWR's IT system, EA3000. (d) for DEN providers.

Managing risks associated with DEN providers

5.27 DEEWR's *Disability Employment Network Risk Plan 2007–08* (the plan) identifies nine possible risks associated with DEN and specifies controls and treatments to address these risks. The risk assessment and management approach is comprehensive. In particular, the plan draws on an environmental analysis, stakeholder analysis and a list of legal and policy requirements to determine the areas of risk. It analyses and evaluates each of the risks including its source and impact, the

effectiveness of current controls, and the acceptable level of risk. This is then supported by risk treatments, including the cost and benefits, and the implementation targets.

5.28 Drawing on the range of information sources identified in paragraph 5.24, DEEWR produces a monthly internal report, *Disability Employment Network Risk Report*,¹⁴¹ which contains risk ratings for each DEN provider.¹⁴² The risk rating is calculated using an algorithm that places a higher emphasis on financial risk (than compliance and servicing risks) and is based on DEEWR contract managers' observations and experience with their local providers. The report identifies systemic issues across DEN providers, actions to be taken to address these issues and the progress of actions identified in earlier reports.

Alignment of program monitoring

5.29 Figure 5.2 illustrates that a number of reference documents are relevant to each NCMF principle. For example, DEEWR outlines its expectations in relation to 'quality' services in four different documents:¹⁴³ the *Disability Services Standards (2007)*, the *Funding Deed*,¹⁴⁴ the *Employment and Related Services Code of Practice*¹⁴⁵ and the *DEN Service Guarantee*.¹⁴⁶ Across these documents, there is overlap in the indicators and measures that DEEWR uses to monitor 'quality'. For instance, each of the documents has an indicator or measure related to addressing the individual needs of clients, and three of the four

¹⁴¹ Audit assessment is based on DEEWR's monthly report for February 2008.

¹⁴² Sites that do not have risks recorded by Contract Managers in DEEWR's online Risk Management System are not allocated a risk rating. In February 2008, 49 of 730 sites did not have risk ratings however 38 of these sites had a zero caseload.

¹⁴³ In addition, in 2007 DEEWR introduced a DEN star rating based on weighted, outcome-focused performance measures. The Star Ratings are discussed at paragraph 5.44.

¹⁴⁴ DEEWR Schedule B2 of 'Part B – Specific Conditions for Disability Open Employment Services', *Employment Services Funding Deed 2006-2009*, p. 90.

¹⁴⁵ id., *Employment and Related Services Code of Practice* [Internet]. DEEWR, Australia, 2008, available from <http://www.workplachttp://www.workplace.gov.au/NR/rdonlyres/6E2EBE62-6BF7-4881-8874-71EECC272608/0/06204_ERScodeofpractice_A4_fact.pdf> [accessed 27 June 2008].

¹⁴⁶ id., Schedule B1 of 'Part B – Specific Conditions for Disability Open Employment Services', *Employment Services Funding Deed 2006-2009*, p. 87.

documents outline complaints handling expectations¹⁴⁷. In addition, the 'service access' standard used in quality certification audits is the same as that reviewed by DEEWR contract managers during site monitoring visits.

5.30 ANAO has identified areas of overlap in the various program monitoring reference documents (see Table 5.1). (The tick symbol (✓) indicates that the document contains indicators or measures in the specified monitoring area.)¹⁴⁸

Table 5.1

Common elements in DEEWR's program monitoring indicators and measures

Monitoring area	Disability Services Standards	DEEWR Code of Practice	DEN Funding Deed KPIs	DEN Service Guarantee
Service access ¹⁴⁹	✓	✓		
Individual needs	✓	✓	✓	✓
Decision making and choice	✓	✓		
Privacy, dignity and confidentiality	✓	✓		
Complaints and disputes	✓	✓	✓	
Service recipient training and support	✓			✓
Protection of human rights and freedom from abuse	✓	✓		
Service guarantee		✓		✓
Access to information		✓		✓

Source: ANAO analysis of DEEWR documents. Note: 'Conformity with the certification requirements against the Disability Services Standards under the Disability Services Act' is part of the 'quality' key performance indicator in the DEN *Funding Deed*. While this indicator results in duplication with all of the Disability Services Standards (or monitoring areas), this overlap is not included in the table.

¹⁴⁷ Compliance with complaints handling expectations is assessed through three information sources (or activities): quality assurance audits, analysis of feedback from clients (including through CRRS reports), and site monitoring visits. DEN providers are required to present evidence of their complaints handling processes to DEEWR contract managers during site monitoring visits, and to certification body auditors as part of quality assurance audits.

¹⁴⁸ More detailed information about these areas of overlap is attached at Appendix 4.

¹⁴⁹ Quality assurance certification body auditors examine entry and exit documentation in their assessment of compliance with the 'Service Access' standard. DEEWR Account Managers review this same documentation to assess the providers' compliance with the terms of the Funding Deed during site monitoring visits.

5.31 There are risks associated with such a multi-faceted approach. In particular, there is potential for:

- confusion on behalf of providers who must refer to a number of documents in order to identify and comply with DEEWR's monitoring requirements; and
- duplication of monitoring activities and increased administrative workload on service providers.

5.32 The NDS highlighted the increase in 'the complexity and costs of compliance'¹⁵⁰ for DEN providers in its submission to the review of universal employment services. NDS suggested that the increasing administrative workload it identifies 'is reducing service efficiency and diverting resources from direct service provision'¹⁵¹.

5.33 DEEWR has recognised that the presence of some of the conceptual areas in several documents resulted, in the first years following the transition of DEN to DEEWR, in duplication of some compliance processes. DEEWR indicated that they have implemented measures to address this issue, with a view to ensuring that the administration of the different elements of the program is integrated as far as possible. These measures include clarifying the links between elements of the NCMF and the Quality Strategy to ensure contract managers leverage the information available to them from recent audit reports and avoid duplicating assessment of these areas in their site visits and desk audits.¹⁵²

5.34 DEEWR advised the ANAO that subsequent to the implementation of these measures, the level of provider concern had significantly decreased, as evidenced by the reduced amount of feedback received from providers and peak representative bodies on this issue. However, this feedback is a limited indication of the level of provider satisfaction.

¹⁵⁰ National Disability Services, *Improving Employment Services: Submission by National Disability Services* [Internet]. NDS, 2008, available from <<http://www.workplace.gov.au/workplace/Publications/PolicyReviews/Employment+Services+Review/ResponsestoDiscussionPaper.htm>> [accessed 2 July 2008], p. 5.

¹⁵¹ *ibid.*

¹⁵² *A Guide to Monitoring Disability Employment Network Services*, DEEWR, July 2006; *National Quality Strategy & DEWR's National Contract Management Framework*, Presentation given to the ACE Conference, September 2006; and DEN Account managers Conference, November 2006. *National Quality Strategy for DEN and VRS*.

5.35 In addition, the review of Universal Employment services recognises the administrative workload associated with DEEWR's monitoring of service providers in the employment field.¹⁵³ As part of this review, DEEWR is developing a new Charter of Contract Management that aims 'to strike the right balance between ensuring value for money and accountability to providers, and minimising the workload of Departmental monitoring'.¹⁵⁴ The discussion paper issued by the Australian Government relating to its *Review of Disability Employment Services* acknowledges concerns of administrative workloads for service providers:

Current contract compliance, together with maintaining certification against Disability Service Standards, creates significant compliance requirements for providers.¹⁵⁵

The discussion paper also foreshadows the application of the Charter of Contract Management will be applied to disability employment services.¹⁵⁶

Conclusion – DEEWR monitoring of DEN providers

5.36 The NCMF provides a consistent approach to contract management across DEEWR's employment programs. The inclusion of 'targeted projects' in the *Assurance and Compliance Framework* enables the department to respond flexibly to areas of risk as they arise and to tailor contract management to the specifics of the DEN program.

5.37 DEEWR has developed and implemented a comprehensive risk management approach for the compliance risks associated with DEN. The plan outlines treatments for each of the risks identified, with program monitoring activities forming the basis of many treatments. DEEWR's active management of risk is reflected in monthly assessments of contract management risks associated with each DEN provider.

¹⁵³ DEEWR, *The Future of Employment Services in Australia* [Internet]. DEEWR, 2008, available from <<http://www.workplace.gov.au/workplace/Publications/PolicyReviews/Employment+Services+Review/>> [accessed 21 May 2008], p. 5.

¹⁵⁴ DEEWR, op. cit., (fact sheet), p. 3.

¹⁵⁵ id., *Review of Disability Employment Services: a discussion paper*. September 2008, p. 17 <http://agent.capmon.com/intranet/cgi-bin/intserve_document.cgi/pressrel/08/agt/p080903276.htm.pdf> [Accessed 24 December 2008]

¹⁵⁶ ibid., p. 17.

5.38 The ANAO recognises that each of the DEEWR reference documents employed in monitoring DEN providers serves a different purpose and each could be expected to stand alone. However, while DEEWR has sought to address areas of duplication in its performance monitoring system, there is no formal monitoring of the effectiveness of these initiatives.

5.39 Due to the use of multiple reference documents and auditing activities, an administrative workload risk remains with the planned Charter of Contract Management providing a context for implementing initiatives to address this risk.

Recommendation No.3

5.40 In the context of DEEWR's plans to streamline compliance activities, the ANAO recommends that DEEWR evaluate the impact of initiatives aimed at reducing the administrative workload of Disability Employment Network providers.

DEEWR's response

5.41 Agreed. Through the Review of Disability Employment Services, the Government is focusing on creating streamlined service delivery and administration processes that provide transparency and accountability and minimise any unnecessary administrative burden on DEN providers (see p. 12 of the *Discussion Paper: Review of Disability Employment Services – Disability Employment Network and Vocational Rehabilitation Services*). DEEWR will evaluate the impact of the relevant initiatives once the new disability employment services model has been implemented and bedded down.

DEEWR reporting on open employment services

5.42 DEEWR produces weekly, monthly and quarterly employment services reports for internal distribution. The reports indicate the year to date performance of DEN against the *Portfolio Budget Statement* indicators. A monthly risk report indicates the risk rating of each DEN provider and outlet. It identifies actions required to be undertaken to address high risk areas.

5.43 Since March 2007, DEEWR has distributed monthly 'Health Check' reports to DEN providers. These reports indicate the

performance of the provider against a subset of the *Funding Deed* key performance indicators.

Star ratings

5.44 DEEWR has introduced a DEN Star Ratings system based on the Job Network Star Ratings system. Each DEN member received a Star Rating based on weighted, outcome-focused performance measures (see Appendix 5). Initial Star Ratings, based on DEN providers' cumulative performance from 1 July 2006 to 30 June 2007 were release to providers in August 2007. Subsequently, ratings based on performance from 1 July 2006 to 31 December 2007 were released to the public. The Ratings are relative to other DEN members across Australia.

5.45 DEN members and their peak bodies have expressed concern with the complexity of Star Ratings calculations¹⁵⁷ and the lack of information DEEWR provides to DEN members to assist them to improve their performance.¹⁵⁸

5.46 The Australian Government has convened an expert group to provide advice on a new performance management system for its employment providers. The new arrangements are expected to form part of the Government's new employment service system beginning on 1 July 2009.¹⁵⁹ Preliminary advice from this group includes:

- key performance indicators should reflect the Government's priorities, including training, employer engagement and the sustainability of employment outcomes;
- ratings should be determined by performance, rather than use a 'fixed' distribution to assign a set number or proportion of very high or very low ratings;
- quality of performance should be recognised consistently and transparently, and should include recognition of employer and job seeker feedback; and

¹⁵⁷ DEEWR, *Request for Tender – Disability Open Employment Services (uncapped stream)*, DEEWR, Canberra, 2005, p. 67.

¹⁵⁸ National Disability Services, *Improving Employment Services: Submission by National Disability Services* [Internet]. NDS, 2008, available from <<http://www.workplace.gov.au/workplace/Publications/PolicyReviews/Employment+Services+Review/ResponsesToDiscussionPaper.htm>> [accessed 2 July 2008], p. 9.

¹⁵⁹ O'Connor, B (Minister for Employment Participation) 2008, Experts to guide performance management for employment services, media release, 11 July, <<http://mediacentre.dewr.gov.au/mediacentre/OConnor/Releases/Expertstoguideperformancemanagementforemploymentservices.htm>> [accessed 12 September 2008].

- the performance management system should be simpler and number of elements used to compare providers operating in different locations and with different caseloads should be reduced.¹⁶⁰

5.47 The discussion paper for the *Review of Disability Employment Services* acknowledges the particular challenges faced by job seekers with disabilities in getting and retaining a job. With regard to performance management for service providers, the review seeks feedback on the following questions:

- how can the particular disadvantages of job seekers with disability in the labour market be recognised in the performance management framework? and
- what (key performance indicators) would reflect the desired program outcomes?¹⁶¹

Conclusion – reporting on open employment services

5.48 DEEWR has in place a range of reports to inform contract managers, providers and the public on DEN provider performance.

5.49 The value of the star rating system is limited as the actions DEN service providers need to take to improve their ratings is unclear. The expert group convened by the Government to provide advice on performance management system for employment services has the potential to address these concerns, provided that the advice is applicable to the DEN sub-group of employment service providers. Accordingly, the ANAO suggests that the expert group takes into consideration the particular differences between disability and general employment services in its advice on the new performance management system.

¹⁶⁰ DEEWR *Review of Disability Employment Services: a discussion paper* [Internet] Australia, 2008, available from <http://agent.capmon.com/intranet/cgi-bin/intserve_document.cgi/pressrel/08/agt/p080903276.htm.pdf> [accessed 30 September 2008] p. 14-15.

¹⁶¹ *ibid.*, p. 15.

Performance reporting

5.50 Schedule A3 of the CSTDA establishes a Performance Reporting Framework, whereby all parties agree to provide a set of data that will constitute:

... the basis for a publicly available report to demonstrate achievement in the delivery of specialist disability services and national progress in implementing agreed national policy priorities.¹⁶²

This report is published by the DPRWG as the *CSTDA Annual Public Report*. It constitutes the primary mechanism for reporting performance under the CSTDA.

5.51 For employment services, the CSTDA Schedule A3 specifies the minimum performance data required. These are presented in Table 5.2.

Table 5.2

Performance data required for disability employment services

Performance Data (Required for both Open and Supported Employment Services)
Must include number of consumers versus number of services
• Average cost per unit of service
• Average cost per service user
• Proportion of total service users by:
– primary disability type
– location
– Cultural and Linguistically Diverse Backgrounds (CALD)
– Aboriginal and Torres Strait Islander status (ATSI)
– Age
• Total service user numbers / time by:
– Proportion per 1000 of total jurisdiction population/location
– Proportion of total jurisdictional target group population/location

Source: CSTDA 2002–07, Schedule A3.

5.52 These indicators draw on data contained in the CSTDA National Minimum Data Set (NMDS). This national database has been jointly developed by the DPRWG and the Australian Institute of Health

¹⁶² FaHCSIA, *Agreement between the Commonwealth of Australia and the States and Territories of Australia in relation to Disability Services* (CSTDA), FaHCSIA, 2002 (revised 2007), Canberra, Schedule A3.

and Welfare (AIHW).¹⁶³ The AIHW is the designated 'external data agency' for the CSTDA and each year collects data from FaHCSIA and DEEWR to populate the NMDS.

5.53 The NMDS provides the basis for information included in the *CSTDA Annual Public Report*. A range of performance data is also published in other publicly available documents. These include:

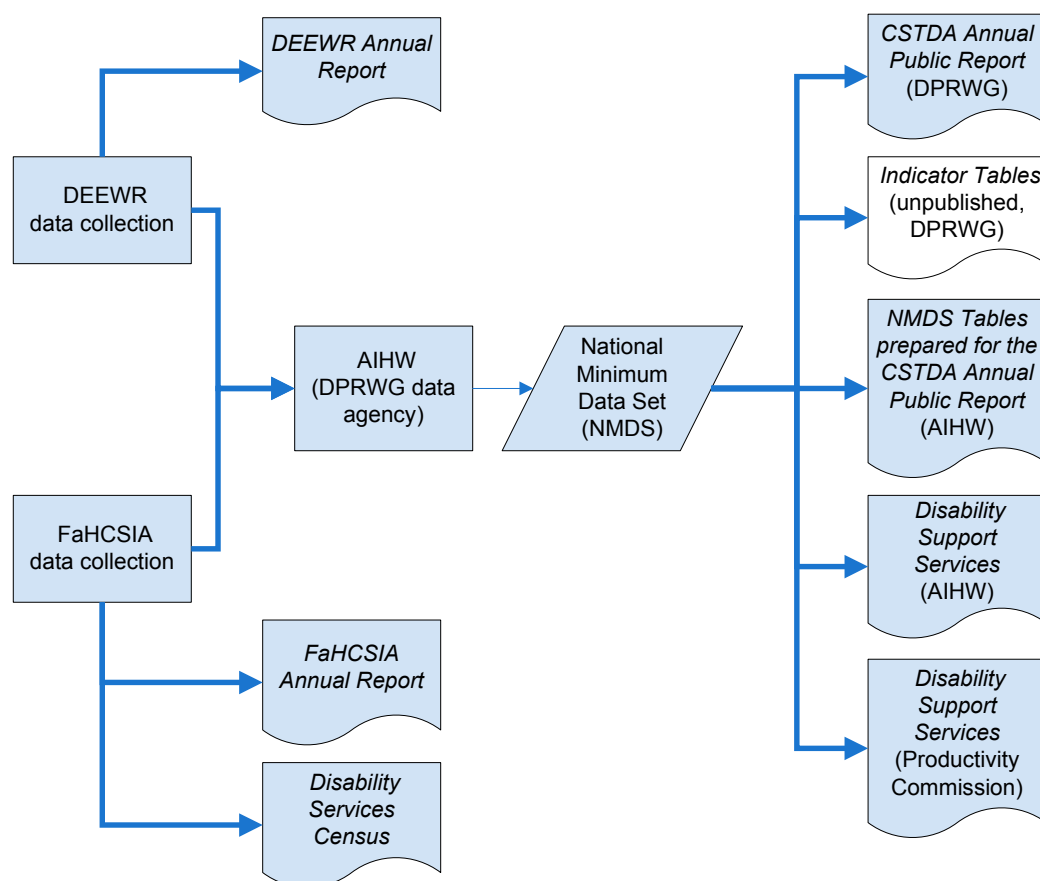
- the *CSTDA NMDS Tables* — prepared for the CSTDA Annual Public Report and published separately by AIHW;
- the *Disability Support Services Report* — published by AIHW;
- the Productivity Commission's annual *Report on Government Services*;
- the *Disability Services Census* — published by FaHCSIA; and
- departmental annual reports — published by FaHCSIA and DEEWR.

5.54 In addition, a report specifically produced to satisfy the requirements of CSTDA Schedule A3 is produced by AIHW for the DPRWG. This report is known as the *CSTDA Indicator Tables*. To date, the Indicator Tables have not been made publicly available. An overview of the reporting process is provided in Figure 5.3.

¹⁶³ See the Introduction of this report for a brief summary of the development and refinement of the NMDS.

Figure 5.3

Overview of the performance reporting process



Source: ANAO analysis

5.55 In its previous audit of the *Administration of the CSTDA*, the ANAO noted that the *CSTDA Annual Public Report 2002–2003* did not contain information about most of the performance indicators specified in Schedule A3 of the CSTDA.¹⁶⁴ Acknowledging FaHCSIA’s advice to the ANAO that it expected data quality to improve in the future, the audit report recommended that FaHCSIA should:

...work with the other National Disability Administrators to improve future CSTDA Annual Reports. These reports should include new and improved performance indicators, agreed by the NDA, and compare performance across jurisdictions and years.¹⁶⁵

¹⁶⁴ ANAO, Audit Report No.14, *Administration of the Commonwealth State and Territory Disability Agreement*, Canberra, 2005–2006, p. 49.

¹⁶⁵ *ibid.*, p. 51.

5.56 In this audit the ANAO assessed:

- performance reporting requirements specific to employment services in the years 2002–03 to 2005–06;
- the timeliness of publishing the *CSTDA Annual Public Report*; and
- effectiveness of improving data quality with respect to the performance reporting for disability employment services, a priority set in the three successive CSTDAs.

Compliance with CSTDA reporting requirements

5.57 Only four of the eleven indicators contained in the CSTDA Schedule A3 were regularly included in *CSTDA Annual Public Reports*, and therefore, this aspect of performance reporting has not improved significantly since the completion of the previous ANAO audit in 2005.¹⁶⁶

5.58 A large amount of information about disability employment services is available across a number of publicly available reports. Each of these reports adopts a different focus, such as financial analysis, service delivery or client demographics.

5.59 While all of these documents are not available for all years of the third CSTDA,¹⁶⁷ sufficient information was available for a broad comparative analysis. Table 5.3 outlines the ANAO's assessment of each of these reports against the employment services indicators listed in Schedule A3 of the CSTDA.

¹⁶⁶ *ibid.*

¹⁶⁷ For example, the *CSTDA NMDS Tables* were only available on the AIHW website for the year 2004–05.

Table 5.3

Commonwealth State/Territory Disability Agreement performance reporting data available in public reports

CSTDA performance data requirements	CSTDA Annual Public Reports		AIHW Tables and Disability Support Services Reports		Productivity Commission Reports on Govt. Services		FaHCSIA Disability Services Census		DEEWR & FaHCSIA Annual Reports	
	Open	Supported	Open	Supported	Open	Supported	Open	Supported	Open	Supported
Number of Consumers	✓	✓	✓	✓	✓	✓	✓	✓		✓
Number of Services			✓	✓			✓	✓	✓ ¹⁶⁸	
Average cost per unit of service ¹⁶⁹									✓	✓
Average cost per service user	✓	✓			✓	✓				✓
Proportion of total service users by:										
primary disability type	✓	✓	✓	✓			✓			Limited
location ¹⁷⁰					Combined figures only					✓
CALD ¹⁷¹							✓	✓		✓
ATSI							✓	✓		✓

¹⁶⁸ DEEWR reports the number of commencements in the program in the given year.

¹⁶⁹ DEEWR and FaHCSIA report the average cost per employment outcome, rather than the average cost per 1000 hours of service, the specific performance indicator in the CSTDA.

¹⁷⁰ Location is defined in Schedule A3 as 'data on the rural and remote population'. The CSTDA Annual Public Report and the Disability Services Census present location as the proportion of total users by jurisdiction—i.e. State/Territory. The Report on Government Services reports on remoteness, but does not include the open/supported employment services breakdown.

¹⁷¹ The Disability Services Census reports the 'country of birth' and 'main language spoken at home' of clients.

CSTDA performance data requirements		CSTDA Annual Public Reports		AIHW Tables and Disability Support Services Reports		Productivity Commission Reports on Govt. Services		FaHCSIA Disability Services Census		DEEWR & FaHCSIA Annual Reports	
age		✓	✓	✓	✓			✓	✓		Limited ¹⁷²
Total service user numbers / time by:											
Proportion per 1000 of total jurisdiction population / location				Not reported but able to be derived		Combined figures only					
Proportion of total jurisdictional target group population / location ¹⁷³		Combined, national figure only		Combined figures only		Combined figures only					National figure only

Source: ANAO analysis.

¹⁷² FaHCSIA reports 'users of Business Services per eligible 1000 of the eligible population aged 15-24 years,' rather than an age breakdown of the total client population.

¹⁷³ The AIHW Tables, *Disability Support Services* reports and *Reports on Government Services* indicate the users of employment services per 1000 potential population, but do not give the break-down for open and supported employment services, as requested by the CSTDA. The *FaHCSIA Annual Report* provides the 'users of Business Services per 1000 of the eligible population born in a non-English speaking country.'

5.60 With respect to Table 5.3 and the publications on which it is based, the ANAO found that:

- the *CSTDA Annual Public Reports* does not report on seven of the 11 performance data required;
- while the *CSTDA NMDS Tables*, the AIHW yearly publications on *Disability Support Services*, and the Productivity Commission's *Reports on Government Services*, publish a range of data, the level of overlap with the *CSTDA Annual Public Reports* is such that they provide information on one additional performance data requirement (the number of disability employment services);
- the FaHCSIA *Disability Service Census* reports present additional information on the clients' demographic profile (number of users by Indigenous status and by main language spoken at home); and
- both the FaHCSIA and DEEWR *Annual Reports* provide the 'average cost per employment outcome', which is related, but not equivalent to, the CSTDA reporting requirement of 'average cost per unit of service'. The FaHCSIA report also includes demographic information and a number of indicators of the program's effectiveness in targeting particular population groups.

5.61 Across all publicly available reports, four performance measures are not published for open and supported employment services.¹⁷⁴ These are:

- the average cost per unit of service;
- the proportion of users by location (as defined in the Schedule);
- the total employment service user numbers/time by proportion per 1000 of total jurisdiction population/location; and
- the total employment service user numbers/time by proportion of total jurisdictional target group population/location.

5.62 These four performance measures are available in the *CSTDA Indicator Tables* produced by AIHW for the DPRWG. The ANAO examined AIHW's Indicator Tables for 2004–05 and 2005–06, and did not identify any area of sensitivity—in respect of disability employment services—that should preclude publication of the information.

¹⁷⁴ A number of reports publish data for open and supported employment services together, but do not indicate the breakdown, as required by the CSTDA.

Conclusion – compliance with CSTDA reporting requirements

5.63 Across the range of publicly available reports, a large amount of information is available on disability employment services. Each public document adopts a slightly different focus to reporting information and collectively, these documents provide useful information to jurisdictions and disability sector stakeholders for planning purposes, policy development, and for identifying areas of strength and weakness.

5.64 However, the ANAO found that the current reporting system, in some cases duplicates, and in others fragments performance reporting on disability employment services across at least six different publications. Furthermore, the performance reporting requirements of CSTDA Schedule A3, for employment services, are not comprehensively met in the publicly available reports.

5.65 The *CSTDA Annual Public Report* does not constitute, as it could be expected to under the Agreement, a comprehensive performance reporting mechanism. The information in that report must be complemented by other publications and unpublished material in order to fully demonstrate achievements in the delivery of disability employment services. As such, the ANAO considers that the reporting requirements under the CSTDA have not been fully met.

Recommendation No.4

5.66 The ANAO recommends that FaHCSIA works with the Disability Policy and Research Working Group to ensure that:

- (a) all performance indicators specified in the Commonwealth State/Territory Disability Agreement (CSTDA) Schedule A3 are reported in publicly available documents; and
- (b) all reporting against performance indicators, as specified in the current CSTDA and any future disability services agreement with states and territories, are published in one primary document, such as the *CSTDA Annual Public Report*.

FaHCSIA's response

5.67 Agreed.

Timeliness of the CSTDA Annual Public Report

5.68 The *CSTDA Annual Public Report* for 2005–06 was endorsed for publication by the Community and Disability Services Ministers' Advisory Council in August 2007.

5.69 The Schedules to the CSTDA include a Performance Reporting Framework Timeline that requires all jurisdictions to submit NMDS data to the external data agency (AIHW) by 31 October following the end of the financial year. Within six months following the end of the financial year, jurisdictions are expected to 'submit and exchange CSTDA performance reports' and during the period January to March of the following year, the DPRWG is responsible for preparing a 'report to Ministers, leading to the release of the *CSTDA Annual Public Report*.'¹⁷⁵

5.70 According to the CSTDA Performance Reporting Framework Timeline a report for 2005–06 was due to be prepared for Ministers between January and March 2007, following which the *Annual Public Report* was to be released. However, the ANAO found that the *CSTDA Annual Public Report* for 2005–06 had not been released as at September 2008, eighteen months after the earliest possible release date, and thirteen months after it had been endorsed for publication by Community and Disability Ministers' Advisory Council.

5.71 FaHCSIA advised that while its Minister and some of the State/Territory Ministers had endorsed the report for publication, it was awaiting endorsement from three State/Territory Ministers.

Conclusion – timeliness of the CSTDA Annual Public Report

5.72 The ANAO considers that the *CSTDA Annual Public Report* for 2005–06 has not been published in a timely manner, as it was still unpublished as at September 2008. However, the ANAO notes that the impediment to publication is a lack of endorsement from three State/Territory Ministers, an issue outside the direct influence of FaHCSIA. Improving data quality

5.73 Improvements in data collection have been a priority under the three successive CSTDAs, and the move from 'snapshot' day to full financial year data collection has significantly improved the quality and the scope of data collected.

¹⁷⁵ FaHCSIA, *Agreement between the Commonwealth of Australia and the States and Territories of Australia in relation to Disability Services* (CSTDA), FaHCSIA, 2002 (revised 2007), Canberra, Schedules A and B, p. 26.

5.74 In order to collect data to populate the CSTDA NMDS, data collection initially involved the use of paper forms—one for each client, organised by service outlet. Progressively, FaHCSIA and DEEWR have moved to automate the collection of data, drawing the necessary information from their respective IT systems—FOFMS and EA3000. In 2008, FaHCSIA’s census and DEEWR’s data on DEN outlets and service participants was sourced entirely from the IT systems.

5.75 Complementing the improvements in the data collection methods the AIHW has also implemented a series of data cleansing practices, reducing the double counting of clients who moved from State to State or from one provider to another through data matching.

Conclusion – improving data quality

5.76 The ANAO considers that FaHCSIA’s and DEEWR’s automation of data collected for the CSTDA NMDS has led to the availability of more comprehensive and accurate information. It has also helped to reduce the administrative workload on service providers by negating the need for individual client paper forms to populate the NMDS.

5.77 In addition, the ANAO considers that the AIHW’s continued refinement of the NMDS, including data cleansing activities to reduce double counting, has resulted in a higher quality data set on disability services.



Ian McPhee
Auditor-General

Canberra ACT
4 December 2008

Appendices

Appendix 1: DEEWR's Response to the Audit

The Department of Education, Employment and Workplace Relations (DEEWR) appreciates the performance audit of Disability Employment Services examining DEEWR and FaHCSIA's fulfilment of their roles and responsibilities for specialist disability employment services under the Commonwealth State/Territory Disability Agreement 2002–07. DEEWR has worked closely with the Australian National Audit Office (ANAO) since the audit commenced in February 2008.

The ANAO found that during the third CSTDA period, DEEWR has responded to the changing environment and effectively planned, managed and implemented policy initiatives in the disability employment sector. The ANAO has made four recommendations. Two of the recommendations are applicable to DEEWR.

DEEWR agrees with Recommendation No.2. One of the guiding principles of the Review of Disability Employment Services is to reduce complexity where possible and the funding model is an area the Government has identified as overly complex (see p.13 of the *Discussion Paper: Review of Disability Employment Services – Disability Employment Network and Vocational Rehabilitation Services*). DEEWR will develop a package of information to assist DEN providers to more easily reconcile their payments and claims.

DEEWR agrees with Recommendation No.3. Through the Review of Disability Employment Services, the Government is focusing on creating streamlined service delivery and administration processes that provide transparency and accountability and minimise any unnecessary administrative burden on DEN providers (see p.12 of the *Discussion Paper: Review of Disability Employment Services – Disability Employment Network and Vocational Rehabilitation Services*). DEEWR will evaluate the impact of the relevant initiatives once the new disability employment services model has been implemented and bedded down.

DEEWR's current contract monitoring and compliance framework is in place to ensure that DEEWR meets its obligations under the *Financial Management and Accountability Act 1997* and the *Disability Services Act 1986*, as well as managing risks in relation to DEN. The current arrangements, together with the requirement to maintain certification against the Disability Service Standards (DSS), can create significant compliance requirements for providers. DEEWR has been working to reduce the administrative workload for providers within the current policy settings, by minimising the overlap between the DEEWR compliance framework and the DSS certification regime. Additionally, the Review of Disability Employment Services has provided the

opportunity for DEEWR to consider those issues which are dependant on a review of the overall framework.

Appendix 2: Disability employment services fees

Case based funding additional fees (Business Services)

1. The additional fees for Business Services are summarised in Table A2.1.

Table A2.1

Case based funding additional fees (Business Services)

Additional fee	Amount ¹⁷⁶		
Work based personal assistance	Either: \$27.15 per hour where the work based personal assistance is provided by an Approved Support Worker from within the Outlet; or \$36.20 per hour where the work based personal assistance is purchased from a second agency, is provided up to a maximum of 10 hours per week or 40 hours over a four week period.		
Incentives for New Apprenticeships	\$115 when the Supported Employee accumulates 4 weeks working in a New Apprenticeship; \$230 when the Supported Employee accumulates 13 weeks working in a New Apprenticeship; and \$345 for each year that the Supported Employee works in a New Apprenticeship.		
Rural and remote service supplement	ARIA Classification ¹⁷⁷	Amount Per Month	Amount Per Annum
	Highly Accessible	Nil	Nil
	Accessible	\$1295	\$15 540
	Moderately Accessible	\$2585	\$31 020
	Remote	\$3880	\$46 560
	Very Remote	\$5170	\$62 040
Existing high cost worker payment	An amount in excess of CBF employment maintenance fee level four, as determined by FaHCSIA in accordance with the Additional Procedures and Information (to the funding agreement).		

Source: FaHCSIA, *Schedule DEA—Terms and Conditions for the FaHCSIA Long Form Funding Agreement*, Canberra, May 2007, Item F1, Table 2, p.6.

¹⁷⁶ All prices are GST exclusive and current as at June 2008.

¹⁷⁷ The Accessibility/Remoteness Index of Australia—originally developed in 1997 by the then Commonwealth Department of Health and Aged Care.

Case based funding additional fees (DEN capped and uncapped stream)

2. The additional fees for the DEN capped and uncapped stream are summarised in Table A2.2.¹⁷⁸

Table A2.2

Case based funding additional fees (DEN capped/uncapped stream)

Payment / Description	Fee
Intermittent support fee and Intermittent support fee (mental health) — One claim in any financial year where the DEN provider will provide two or more services to an independent worker in the next 12 months (at least four occasions of support for intermittent support fee (Mental Health)). The number of claims must be less than or equal to 20 per cent of the DEN provider's outlet capacity.	\$302.50 \$605.00 (Mental Health)
New Apprenticeship fees After 4 weeks as a New Apprentice After 13 weeks as a New Apprentice After 52 weeks as a new Apprentice (claimable for each year the worker completes as a new apprentice).	\$121.00 \$242.00 \$363.00
Job seeker at risk loading (capped stream participants only) — may be claimed when a job seeker has not achieved an employment milestone or outcome before all 10 monthly employment assistance fees are payable.	Payable as a 50% loading on the 4 week and 13-week milestones, if not already claimed, and on the 26-week employment outcome.
Eligible job seeker locational loading — paid to rural and remote outlets where relevant travel time (defined in the Funding Deed) exceeds one hour. Relevant travel time of: at least 1 hour but less than 2 hours — 10 % loading; at least 2 hours but less than 3 hours — 20 % loading; more than 3 hours — 30 % loading.	A percentage loading paid on all payments that may be claimed in relation to a DEN participant, except work based personal assistance fees and high cost worker fees.
Set up payment — for a service provider who can demonstrate they require assistance with the initial set up costs when establishing a new rural or remote outlet.	A one-off, lump sum payment determined by DEEWR.
Baseline fee — guarantees a rural or remote outlet a minimum monthly income (under the Funding Deed) of \$4000 (GST exclusive).	Top up payment to ensure min. mthly. income of \$4000.

¹⁷⁸ Full details of the relevant criteria and conditions for additional fees are contained in DEEWR's *Employment Services Funding Deed 2006–09*. Table A2.2 attempts to summarise the major points only.

Outlet locational loading — a loading applied to some fees according to the ARIA accessibility classification.		A percentage loading on set up payments and baseline fees.
<i>ARIA Classification</i>	<i>Applicable loading</i>	
Accessible	0%	
Moderately accessible	10%	
Remote	20%	
Very remote	30%	
Work based personal assistance fees — May be claimed for a maximum of 10 hours per week per eligible worker (capped).		\$28.88 per hour, where assistance is provided by the DEN service provider, and; \$38.50 per hour, where assistance is purchased by the DEN provider.
Existing high cost worker fee — Grandfather provision of the transition from BGF to CBF (similar to provisions in the supported employment program) to protect the income of service providers with workers funded above employment maintenance fee level four. ¹⁷⁹		Difference between the high cost worker's previous employment maintenance fee and the current level four maintenance fee.
Wage subsidy scheme fee — paid per worker when the worker has satisfied the conditions for capped Wage Subsidy Employment and the DEN provider has paid a wage subsidy under the scheme to the worker's employer.		Up to a maximum of \$110.00.

Source: ANAO summary based on information taken from DEEWR's *Employment Services Funding Deed 2006–09 – Part B Specific Conditions*, including Schedule B3 – Fees and Funds.

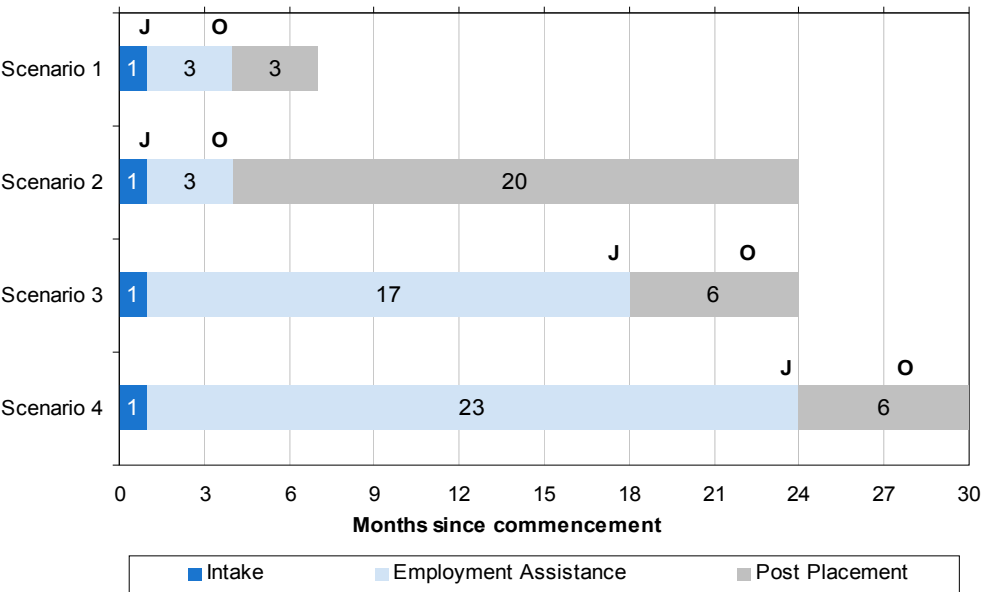
¹⁷⁹ In DEEWR's review of the implementation of CBF, 20 clients in the employment maintenance phase (0.08 per cent) were identified as Existing High Cost Workers.

Scenarios illustrating DEN uncapped stream participants experiences in the program and associated fees

3. Figure A2.1 represents four scenarios for a participant in the uncapped stream and associated fees for providers.

Figure A2.1

Length of time a participant might spend in the uncapped stream



Note: ‘J’ indicates the time when that the participant is placed in a job. ‘O’ indicates the time when the participant achieves a 13-week employment milestone.

Source: ANAO analysis of uncapped stream business rules.

- Scenario 1** depicts the minimum number of months of assistance; namely:
- an intake phase of one month (early job placement) and the client placed in a job at the end of that month;
 - an uncapped Full 13-week Milestone achieved at the end of a three month period of employment assistance; and
 - three months post placement with client no long requiring support.
- Scenario 2** represents two years of assistance with early job placement and the maximum number of post placement fees:
- an intake phase of one month and the client placed in a job at the end of that month;
 - an uncapped Full 13-week Milestone achieved at the end of a three month period of employment assistance; and
 - post placement fees over 20 months.

Scenario 3 also represents two years of assistance with a minimum number of post placement fees:

- an intake phase of one month;
- an uncapped Full 13-week Milestone achieved their 18th month; and
- post placement fees over 6 months.

Scenario 4 demonstrates an 'exception provision' for a client who is not placed in employment within 24 months of acceptance into the program:

- an intake phase of one month;
- an employment assistance phase of 23 months, with the client placed in a job at the end of the 24th month; and
- post placement fees over 6 months.

Scenario 4 involves the 'exception provision' for clients who are not placed in employment until very close to their 24th month in the program.¹⁸⁰ The combination of this exception provision to the employment assistance phase and the exit rule of having received 24 months assistance in the program with at least 6 months of support post employment placement, permit a maximum time in the program of two and a half years.

¹⁸⁰ Clause 21.9 of the *Funding Deed 2006–09* states:

The Funding Recipient must not claim more than:

(a) 23 Monthly payments for an eligible job seeker (uncapped) if that eligible job seeker (uncapped) is not placed in Employment within 24 Months of the Acceptance Date; or

(b) 29 Monthly payments if the eligible job seeker (uncapped) is placed in Employment during their 24th Month in the DEN Programme and does not achieve an uncapped 13 Week Employment Milestone.

Appendix 3: Outcomes of block grant funding and case based funding

Table A3.1

Supported employment services

		13-week outcome	Source	26-week outcome	Source
BGF	2003–04	62.8% all clients 32.5% new clients	Annual Report (2003–04)	***	***
	2004–05	63.4% all clients 38% new clients	Annual Report (2004–05)	***	***
	2005–06	91% all clients	Annual Report (2005–06)	***	***
	2006–07	72% clients commenced 30/06/00 to 30/06/06	CBF Review	71% clients commenced 30/06/00 to 30/06/06	CBF Review
CBF	2003–04	***	***	35% all clients since 11/1999 35% new clients	Annual Report (2003–04)
	2004–05	***	***	28% all clients since 11/1999 38% new clients	Annual Report (2004–05)
	2005–06	***	***	88% all clients	Annual Report (2005–06)
	2006–07	92% all clients 94.8% clients commenced in 2004 89% clients commenced in 2005	Annual Report (2006–07) CBF Review	88% all clients 87.8% clients commenced in 2004 82.5% clients commenced in 2005	Annual Report (2006–07) CBF Review

Source: FaHCSIA, *Annual Report*, FaHCSIA, Canberra, various. FaHCSIA, *Case Based Funding Review*, FaHCSIA, Canberra, 2006. *** no data reported

Table A3.2
Open employment services

		13-week outcome	Source	26-week outcome	Source
BGF	2003–04	30% new clients as a percentage of all clients that received assistance during the year	Annual Report (2004–05)	***	***
	2004–05	***	***	***	***
	2005–06	***	***	***	***
	2006–07	25% clients that commenced 01/07/05–31/12/05 and commenced employment assistance by 30/06/07	CBF Evaluation	***	***
CBF	2003–04	***	***	***	***
	2004–05	***	Annual Report (2004–05)	34% clients achieved an outcome as a proportion of all clients who have received assistance since November 1999	***
	2005–06	***	***	***	***
	2006–07	43.2% clients that commenced 01/07/05–31/12/05 and commenced employment assistance by 30/06/07	CBF Evaluation	36.3% clients who received assistance during 2006–07 achieving an outcome 33.1% clients that commenced 01/07/05–31/12/05 and commenced employment assistance by 30/06/07	Annual Report (2006–07) CBF Evaluation

Source: DEEWR, *Annual Report*, DEEWR, Canberra, various. DEEWR, *Case Based Funding Evaluation*, DEEWR, Canberra, 2007. *** no data reported

Appendix 4: Common elements in DEEWR's program monitoring

Monitoring area	Disability Services Standards (how services are delivered)	DEEWR Code of Practice (how services are delivered)	DEN Capped KPIs (outcomes and service delivery)	DEN Uncapped KPIs (outcomes and service delivery)	DEN Service Guarantee (what services are delivered)
Service access	1.2 The service provider's entry and exit procedures are fair and equitable and consistently applied	Demonstrates our commitment to clients by treating clients fairly and with respect	Conformity with the Disability Services Standards	Conformity with the Disability Services Standards	
Individual needs	2.2 Each individual's employment goals are used as a basis for service provision, with the service provider undertaking a process of planning, implementation, review and adjustment to facilitate the achievement of these goals	Is accurate and relevant by tailoring assistance to clients with consideration of their individual needs and relevant participation requirements	Personalised service delivery Conformity with the Disability Services Standards	Personalised service delivery Conformity with the Disability Services Standards	Work closely with participant to develop an individual plan to assist to achieve the participant's employment goals
Decision making and choice	3.1 The service provider provides appropriate and flexible opportunities for each individual to participate in decision making at all levels, including individual choices in pre employment and employment planning, service delivery planning and corporate and business planning.	Is communicated clearly and effectively by providing timely feedback and information to clients about decisions we make that could affect them.	Conformity with the Disability Services Standards	Conformity with the Disability Services Standards	

Monitoring area	Disability Services Standards (how services are delivered)	DEEWR Code of Practice (how services are delivered)	DEN Capped KPIs (outcomes and service delivery)	DEN Uncapped KPIs (outcomes and service delivery)	DEN Service Guarantee (what services are delivered)
Privacy, dignity and confidentiality	4.1 The service provider complies with the Information Privacy Principles of the Privacy Act 1988 in order to protect and respect the rights of individual service recipients. The service provider does not disclose personal information about service recipients without their informed consent.	Upholds the integrity and good reputation of the services and programmes by complying with all relevant Australian laws, including privacy, fair trading, trade practices and anti-discrimination laws Is accurate and relevant by: Ensuring that information is recorded in a timely manner and is kept confidential (IPP 1) Ensuring information is recorded in a timely manner and kept confidential (IPP 4).	Conformity with the Disability Services Standards	Conformity with the Disability Services Standards	
	4.2 The service provider promotes tolerance and respect for each service recipient's personal needs and circumstances	Demonstrates our commitment to clients by: Considering clients' individual circumstances and backgrounds Ensuring cultural sensitivity in dealing with indigenous clients and clients from diverse cultural and linguistic backgrounds	Conformity with the Disability Services Standards	Conformity with the Disability Services Standards	

Monitoring area	Disability Services Standards (how services are delivered)	DEEWR Code of Practice (how services are delivered)	DEN Capped KPIs (outcomes and service delivery)	DEN Uncapped KPIs (outcomes and service delivery)	DEN Service Guarantee (what services are delivered)
Complaints and disputes	7.1 The service provider encourages the raising of complaints by service recipients regarding areas of dissatisfaction with the service provider and the service.	Encourages feedback without bias by ensuring that we have a complaints process of which clients are made aware	Conformity with the Disability Services Standards	Conformity with the Disability Services Standards	
	7.2 Service recipients have no fear of retribution in raising complaints	Encourages feedback without bias by ensuring that staff support clients when resolving any issues or concerns they may have.	Conformity with the Disability Services Standards	Conformity with the Disability Services Standards	
	7.3 The service provider facilitates the resolution of complaints or disputes by service recipients regarding the service provider and the service		The number or type of serious founded complaints, series of founded complaints and active management of complaints including assisting DEEWR in negotiating complaint resolution. Conformity with the Disability Services Standards	The number or type of serious founded complaints, series of founded complaints and active management of complaints including assisting DEEWR in negotiating complaint resolution. Conformity with the Disability Services Standards	

Monitoring area	Disability Services Standards (how services are delivered)	DEEWR Code of Practice (how services are delivered)	DEN Capped KPIs (outcomes and service delivery)	DEN Uncapped KPIs (outcomes and service delivery)	DEN Service Guarantee (what services are delivered)
Service recipient training and support	10.1 The service provider provides or facilitates access to relevant training and support programs that are consistent with the employment goals and opportunities of each service recipient		Conformity with the Disability Services Standards	Conformity with the Disability Services Standards	Provide information on training, personal development, and traineeships and apprenticeships that improve employment opportunities
Protection of human rights and freedom from abuse	12.2 The service provider upholds the legal and human rights of its service recipients	Is communicated clearly and effectively by ensuring that clients are aware of their rights and obligations	Conformity with the Disability Services Standards	Conformity with the Disability Services Standards	
Service guarantee		Demonstrates our commitment to clients by delivering assistance in accordance with service guarantees			All standards of service outlined in the DEN Service Guarantee
Access to information		Is communicated clearly and effectively by providing information to clients with disabilities in an accessible format			Give you clear information on what services you will receive from them and what your responsibilities are

Source: ANAO analysis of DEEWR documents.

Appendix 5: DEN Star Ratings

Key performance indicator	Performance measure	Weighting
Capped stream employment assistance phase		
KPI 1: Efficiency	Retention between DPI and 12 months	5%
	Retention between 12 and 18 months where outcome not achieved	5%
KPI 2: Effectiveness	13-week employment milestone	30%
	26-week employment milestone	40%
	Australian Apprentice 13-week milestone	5%
	Average hours per week in work (higher better)	5%
	Average weekly wage from work (higher better)	5%
	12 month employment status	5%
KPI 3: Quality	DEEWR satisfaction with quality of services delivered	Pass/fail
Capped stream maintenance phase		
KPI 1: Efficiency	Remain in employment and leave maintenance	10%
KPI 2: Effectiveness	Remain in employment – same or better earnings	30%
	Remain in employment	60%
KPI 3: Quality	DEEWR satisfaction with quality of services delivered	Pass/fail
Uncapped stream		
KPI 1: Efficiency	Achieving independence in less than two years	20%
	Time from start of employment assistance phase to 13-week outcome	5%
KPI 2: Effectiveness	13-week full employment milestone	20%
	26-week full employment outcome	35%
	Australian Apprenticeship 13-week milestone	5%
	Average weekly wage from work	5%
	Average hours per week in work	5%
	12 month employment status	5%
KPI 3: Quality	DEEWR satisfaction with quality of services delivered	Pass/fail

Source: DEEWR, *Understanding DEN Star Ratings* [Internet]. DEEWR, Australia, 2007, available from <<http://www.workplace.gov.au/workplace/Organisation/ServiceProvider/DisabilityServiceProviders/IndependentStatisticalReviewoftheDENStarRatingsModel.htm>> [accessed 4 July 2008].

Index

A

Accreditation, 9, 24, 81–84
Australian Institute of Health and Welfare (AIHW), 8, 37–38, 44, 48, 115, 117–120, 122–123

B

Block grant funding (BGF) model, 8, 20, 23, 41, 73, 75, 77–78, 130, 133–134

C

Case based funding (CBF) model, 6, 8, 10, 18–20, 22–24, 41–42, 55–57, 61–63, 70–78, 128–130, 133–134
Certification, 7, 10, 18–19, 21, 24–25, 79–80, 82–100, 106, 108, 110, 126

Commonwealth State/Territory Disability Agreement (CSTDA), 6, 8, 10–11, 17–22, 25, 27–28, 30, 33–38, 41, 44, 46–47, 55, 85, 87, 98, 102–103, 114–123, 126

Complaint handling, 6, 7, 19, 24–25, 79–80, 85, 88, 90–97, 108, 137

Complaints Resolution and Referral Service (CRRS), 8, 85, 91–95, 97, 100, 108

D

DEN capped stream, 6, 7, 10, 21, 23, 40, 43, 45, 51–52, 62, 63–66, 68, 70, 73, 77–78, 129–130

DEN uncapped stream, 6, 7, 17–18, 23, 37, 40, 43, 45, 49, 51, 62, 65, 66, 68–73, 112, 129, 131–132

Disability Maintenance Instrument (DMI), 6–8, 23, 29, 56–65, 74, 77, 104

Disability Policy and Research Working Group (DPRWG), 8–11, 30, 44, 87, 114–115, 120–122

Disability Pre-employment Instrument (DPI), 7–8, 62–66, 69–70, 74, 77, 104, 139

Disability Services Standards, 6, 10–11, 24, 79–82, 88–93, 98, 100, 107–108, 135–138

Disability Support Pension (DSP), 8, 16, 41, 50, 54

E

Employment assistance, 56, 63, 65, 67, 69

Employment maintenance, 56–57, 64

J

JAS-ANZ, 9, 10, 24–26, 81–86, 88–90, 92–97

Job Capacity Assessments (JCAs), 9, 16, 18–22, 41, 43, 47, 49–52, 54

N

National Mental Health and Disability Employment Strategy, 19, 45–46

National Minimum Data Set (NMDS), 9, 27, 44, 85, 114–115, 117, 120, 122–123

P

Post-placement, 16–17, 23, 55, 67, 69, 131–132

Q

Quality assurance system, 7, 24, 80–81, 83, 100, 108

Quality Strategy for Disability Employment Services and Rehabilitation Services, 19, 21, 24–25, 41–43, 79–81, 85–89, 95–97, 109

R

Review of Disability Employment Services, 18, 22, 28, 46, 53–54, 74–75, 110–111, 113, 126

S

Star Ratings, 12, 41, 44, 45, 105, 107, 112, 139

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