

The Auditor-General
ANAO Report No.14 2017–18
Performance Audit

Design and Implementation of the Community Development Programme

Department of the Prime Minister and Cabinet

Department of Employment

Department of Human Services

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Canberra ACT
31 October 2017

Dear Mr President
Dear Mr Speaker

The Australian National Audit Office has undertaken an independent performance audit in the Department of the Prime Minister and Cabinet, the Department of Employment and the Department of Human Services titled *Design and Implementation of the Community Development Programme*. The audit was conducted in accordance with the authority contained in the *Auditor-General Act 1997*. Pursuant to Senate Standing Order 166 relating to the presentation of documents when the Senate is not sitting, I present the report of this audit to the Parliament.

Following its presentation and receipt, the report will be placed on the Australian National Audit Office's website—<http://www.anao.gov.au>.

Yours sincerely



Grant Hehir
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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Summary and recommendations

Background

1. The Community Development Programme (CDP) is an Australian Government employment and community development program designed to support jobseekers and reduce welfare dependency in remote Australia. The CDP commenced on 1 July 2015, replacing the Remote Jobs and Communities Program (RJCP).¹ The key objectives of the CDP are increasing: workforce participation and improving job opportunities; sustainable work transitions; and employability in remote communities.

2. The Department of the Prime Minister and Cabinet (PM&C) is responsible for the overall design and administration of the CDP; however some aspects of the CDP are administered by other Australian Government entities. Of the 33 000 jobseekers in the CDP, more than 80 per cent of these jobseekers identify as Indigenous. Currently, 40 third-party providers deliver employment services to CDP jobseekers, of which 65 per cent are Indigenous organisations. Total expenditure is estimated to be \$1.6 billion over four years from 2014–15 to 2017–18.

Audit objective and criteria

3. The objective of the audit was to assess the effectiveness of the transition of the Remote Jobs and Communities Program to the Community Development Programme including whether the Community Development Programme was well designed and administered effectively and efficiently. To form a conclusion against the audit objective, the ANAO adopted the following high level audit criteria:

- Sound analysis and advice informed the design of the Community Development Programme and transition from the Remote Jobs and Communities Program.
- The Community Development Programme was effectively and efficiently administered.
- Performance was appropriately monitored and outcomes were measured, reviewed and reported to the Minister.

Conclusion

4. The transition from the RJCP to the CDP was largely effective. The CDP was supported by stakeholder consultation, as well as risk management and evaluation frameworks. In addition, PM&C has strengthened its approach to monitoring and responding to compliance issues impacting on provider payments. There would be scope to review the incentives created by the revised provider payment structure.

5. The implementation of the CDP was supported by an external review of Indigenous Training and Employment, stakeholder engagement, and an effective communication strategy. However, the design of the CDP was not informed entirely by sound analysis of the RJCP.

1 The RJCP was introduced in July 2013 following a review of remote participation and employment servicing. The RJCP replaced four existing programs then operating in remote areas: Job Services Australia; Disability Employment Services; the Indigenous Employment Program; and the Community Development Employment Projects program.

6. The timeframes in which the RJCP was transitioned to the CDP impacted on the ability of providers to understand the changes prior to implementation. In addition, PM&C did not have arrangements in place to ensure funding commitments made by providers from their RJCP Participation Accounts met program requirements. Finally, aspects of the revised provider payment structure may reduce provider incentives to transition jobseekers into ongoing employment.

7. PM&C has established appropriate governance, key program frameworks and guidance material to assist in the administration and delivery of the CDP. PM&C has also strengthened its approach to compliance and fraud prevention in light of identified program risks.

8. PM&C has established transparent performance monitoring and reporting arrangements for CDP providers. These performance indicators are measurable and linked to the CDP's policy objectives, and have shown improvements in terms of 13 and 26 week employment outcomes; as well as aggregate hours of attendance by participants.

9. PM&C established complementary policies—the Employer Incentive Fund and the Indigenous Enterprise Development fund—aimed at addressing gaps in regional labour markets. However, these programs were significantly undersubscribed. In addition, there is scope to improve the targeting of funding to remote areas by monitoring the number of businesses created to better integrate the CDP Funding Arrangements with related policies.

10. PM&C has developed and implemented a program evaluation strategy for the CDP; however the timing of the review was not aligned to the Government's consideration of further funding in the 2017–18 Budget.

Supporting findings

Design and transition

11. PM&C's design of the CDP was supported by an analysis of the Review of Indigenous Training and Employment (the Forrest Review) and consultation across Government. In addition, the Minister for Indigenous Affairs consulted with employers, community councils, the Indigenous Advisory Council and representative bodies on the design of the CDP.

12. However, changes introduced as part of the CDP were not informed entirely by a sound evidence base. In particular, the review of the CDP's predecessor program, the RJCP, was based on incomplete analysis of the data. In addition, there would be scope for PM&C to consider the incentives created by the revised provider payment structure, and its alignment with the underlying policy objectives of the program changes.

13. PM&C developed a suitable phased transition and implementation plan, and communication strategy, to support the transition to the CDP. Due to the short implementation timeframes, many of the risks identified by PM&C materialised. In particular, the timeframes reduced the opportunity for providers to understand the substantial changes prior to implementation. While providers were authorised to access their Participation Accounts to facilitate the transition to the CDP, PM&C did not have arrangements in place to appropriately ensure commitments from the Participation Accounts met the program requirements. Four months following the introduction of the CDP, only 37 per cent of regions were on track to meet performance targets.

Administration of the Community Development Programme

14. PM&C has established appropriate governance frameworks and guidance material to assist the administration and delivery of the CDP. There are appropriate administrative arrangements in place between the relevant Australian Government entities responsible for delivering the CDP.

15. It is too early to assess whether the CDP is administered efficiently. The CDP is administered by entities at a higher unit cost than the RJCP and the broader jobactive employment services program.

16. PM&C has developed a fit-for-purpose risk management strategy to support the administration of the CDP. In late 2016, PM&C integrated its approach to risk management across the broader Indigenous Affairs Group grants program, which included the CDP. PM&C also established provider risk plans and assessments. However, some key program risks were either not identified in the program level risk plan, or were not fully addressed by mitigation strategies.

17. PM&C has developed a suitable compliance framework for both jobseekers and providers under the CDP. Given the inherent risks associated with issuing payments based on provider-reported data, PM&C has now strengthened its approach to identifying and pursuing suspected instances of non-compliance by providers.

18. PM&C has implemented suitable arrangements to support the administration of provider funding under the CDP. There would be scope to adopt a more transparent and systematic approach to making ancillary payments.

19. PM&C consults with key stakeholders on potential changes to the CDP. The level of engagement between CDP providers, and employers and communities, varied across the 60 regions in which the CDP was implemented.

Monitoring and reporting on CDP performance and outcomes

20. PM&C has established transparent and effective arrangements for measuring the performance of the CDP. Appropriate tailored approaches have been developed to suit delivery across the regional network.

21. PM&C regularly monitors and reports to its Minister on provider performance. While the basis of performance assessment and reporting is set out in provider agreements, there would be scope for greater transparency on the calculation of the Regional Employment Targets.

22. PM&C administers the Employer Incentive Fund to stimulate employment; however, only a small proportion of eligible employers have received the incentive payment. Similarly, there was minimal use of the Indigenous Enterprise Development funds to support the establishment of Indigenous business in CDP regions, resulting in a substantial underspend of allocated funding.

23. PM&C's evaluation strategy was developed late, some seven months after the CDP commenced and an overview of the evaluation strategy was not agreed by the Minister for Indigenous Affairs until 7 April 2016. This reduced the scope to collect data that was capable of informing an evaluation of the CDP's impacts.

24. The evaluation strategy was not peer reviewed by a reference group. Evaluation strategy milestones were not consistent with Government timeframes for considering ongoing funding of the CDP.

Recommendations

Recommendation no.1 The ANAO recommends the Department of the Prime Minister and Cabinet review the Community Development Programme provider payment structure, particularly the incentives it creates and its alignment with the underlying policy objectives of the program changes.

Paragraph 2.27

Department of the Prime Minister and Cabinet's response: *Agreed.*

Summary of entity responses

25. The departments of the Prime Minister and Cabinet, Employment and Human Services' summary responses to the proposed report are provided below, with full responses at Appendix 1.

Department of the Prime Minister and Cabinet

The Department welcomes the audit's overall conclusions and findings. The Department is pleased that the ANAO found that the transition from the Remote Jobs and Communities Programme to the Community Development Programme (CDP) was largely effective and supported by stakeholder consultation, risk management and evaluation frameworks. The Department appreciates the audit's acknowledgement that we have established appropriate governance, key program frameworks and guidance material to assist in the administration and delivery of the CDP.

The Department is taking steps to consider and address the areas of potential improvement raised by the ANAO, in particular strengthening guidance on ancillary payments and ensuring the provider payment model aligns with the program's core objectives of assisting job seekers into long-term employment. This includes through the department's ongoing programme implementation and design work, supported by a continual focus on provider performance, which is lifting job seeker outcomes. The Department is also committed to improving evaluation efforts and building the evidence base for Indigenous policies and programmes.

The Government has also announced its intent to consult on a new remote employment and participation model, which will better tailor welfare arrangements. These audit findings will also inform this consultation process.

Department of Employment

The Department acknowledges the audit's conclusions and findings. The Department notes the report's observation that the changes to the Job Seeker Compliance Framework announced in the 2017–18 Budget will not apply to the Community Development Programme.

Department of Human Services

The Department of Human Services (the department) notes this report and that the ANAO has concluded that the administrative arrangements in place between the department and the Department of the Prime Minister and Cabinet are appropriate.

Key learnings for all Government entities

26. Below is a summary of key learnings identified in this audit report that may be considered by other Commonwealth entities in designing and implementing policy.

Policy design

- Policy design, advice to Government, and program implementation should all be informed by sound analysis and a strong evidence base.
- Effective program evaluation requires complete and robust data. Where new programs are being implemented, entities should identify evaluation strategies and data requirements (including baseline data) early in the process, and monitor implementation of data collection throughout the trial.

Implementation

- Implementation planning should reflect adequate consideration of key risks throughout the implementation process, particularly where policy or program implementation involves untested service delivery models, new technology, or where significant behavioural change is expected.
- Entities should ensure identified mitigation strategies are effectively implemented, particularly where identified risks have begun to materialise.
- Where programs are supported by compliance monitoring and support resources, these resources should be targeted on a risk basis. Where relevant, compliance monitoring and reporting activity should also be consistent with broader organisational compliance frameworks.

Audit findings

1. Background

Introduction

1.1 As part of the Australian Government's mutual obligation requirements² for receipt of certain income support payments³, jobseekers must fulfil a range of requirements, such as looking for work and participating in activities that will improve their employment prospects and reduce reliance on income support payments. In 2016–17, the Government committed in excess of \$2 billion to fund employment services in Australia to support jobseekers into employment.

1.2 In May 2017, the unemployment rate in remote regions⁴ of Australia was 6.6 per cent compared to the national average of 5.5 per cent, with a corresponding youth unemployment rate (15–24 years old) of 18.6 per cent compared to the national average of 12.7 per cent. The unemployment rate was also higher for Aboriginal and Torres Strait Islander people in remote areas compared to those in non-remote areas.⁵

What is the Community Development Programme?

1.3 The Community Development Programme (CDP) is an Australian Government employment and community development service designed to reduce welfare dependency in remote Australia, by improving labour markets, increasing workforce participation, increasing skills and facilitating sustainable work transitions for jobseekers.

1.4 To participate in the CDP, a jobseeker must be on income support, live in a designated remote region and meet certain criteria, as shown in Table 1.1. Those eligible for the CDP who have mutual obligation requirements as part of their income support payment (for example, Newstart Allowance or Youth Allowance) are required to participate in the CDP.

2 Mutual obligation requirements refers to the activity test or participation requirements that a jobseeker must meet in order to receive an income support payment under the *Social Security Act 1991* and in accordance with any guidelines.

3 All income support recipients fall under the *Social Security Act 1991* that is administered by the Department of Social Services.

4 Average calculated by the ANAO based on Australian Bureau of Statistics Labour Force Survey data (as at May 2017) for a selection of Statistical Areas Level 4s which correspond to the Community Development Programme regions.

5 The unemployment rate in 2014–15 in remote areas was 27.4 per cent compared to 19.3 per cent in non-remote areas. Australian Bureau of Statistics (ABS), *National Aboriginal and Torres Strait Islander Social Survey, 2014–15 'Labour force characteristics'*, cat. no. 4714.0, ABS, Canberra, <<http://www.abs.gov.au/ausstats/abs@.nsf/mf/4714.0>> (accessed 6/7/2017). See also: Commonwealth of Australia, *Closing the Gap- Prime Minister's Report 2017*, p. 56. Available at: <<http://closingthegap.pmc.gov.au/sites/default/files/ctg-report-2017.pdf>>.

Table 1.1: Eligibility for the Community Development Programme

Individual circumstances	Additional information
Fully eligible	
Newstart Allowance Youth Allowance (Other)	Are subject to mutual obligation requirements.
Disability Support Pension Parenting Payment Other Income Support payments	Can be subject to mutual obligation requirements. Jobseekers not subject to mutual obligation requirements may be registered to participate.
Partial Capacity to Work and not on income support	Identified as having a disability and a partial capacity to work via an Employment Services Assessment.
Young person (aged 15–21) and not on income support	Not employed for more than 15 hours a week or in full-time education.
Pre-release prisoners	Approved day or partial release prisoners referred by their correctional institution to engage in paid work through a work-release program.
Restricted eligibility	
Vulnerable young persons (aged 15-21) and are full-time students	Eligible to participate only if they presented to a CDP provider in crisis and had at least one serious non-vocational barrier.

Source: ANAO analysis based on the departments of Human Services and PM&C documentation.

1.5 Those jobseekers aged between 18 and 49 years, who are receiving the full rate of income support, are not exempt from mutual obligation requirements, and are not otherwise disqualified by illness, injury or disability, are required to participate in Work for the Dole activities.⁶

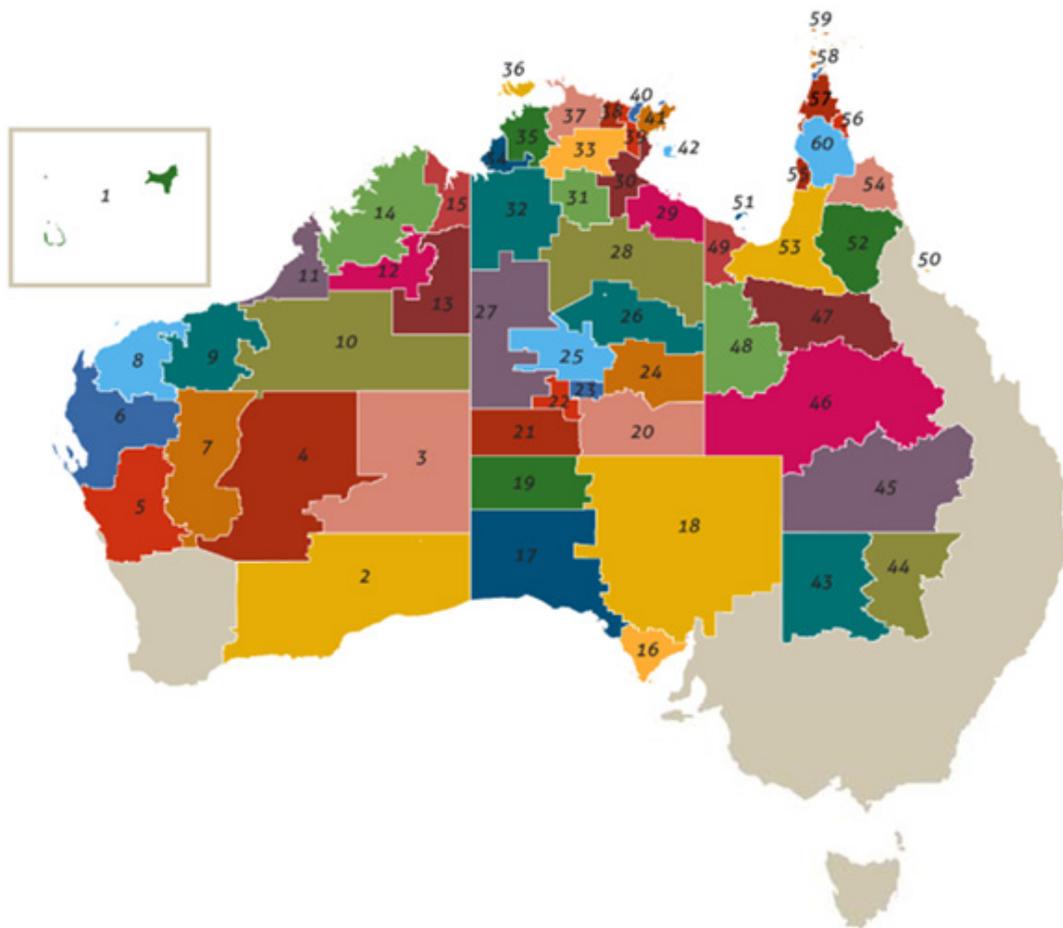
1.6 Participation in the CDP is not specific to Indigenous peoples; however, Aboriginal and Torres Strait Islander people comprise more than 80 per cent of the CDP caseload. The CDP is delivered across 60 designated remote regions⁷ to more than 1000 communities in Australia, as shown in Figure 1.1. Eligible jobseekers outside these regions are serviced by jobactive (administered by the Department of Employment) or Disability Employment Services (administered by the Department of Social Services).⁸

6 Jobseekers with mutual obligation requirements but who were not required to participate in Work for the Dole could undertake: Work for the Dole or part-time employment; voluntary work, approved study; hosted placement with an employer; non-vocational interventions; Australian Defence Reserves; or other non-government programs.

7 See Appendix 2 for further information on the CDP regions and providers.

8 The ANAO undertook a performance audit in the Department of Employment on the jobactive program. See ANAO Report No.4 2017–18 *jobactive: Design and Monitoring*. Available here: <https://www.anao.gov.au/work/performance-audit/jobactive-design-and-monitoring>.

Figure 1.1: Overview map of the 60 Community Development Programme regions^a



Note a: See Appendix 2 for supporting information on the regions.
Source: PM&C information.

1.7 CDP employment services in these remote regions are delivered by third-party providers (providers). There is generally one provider per region⁹ with some organisations providing services for multiple CDP regions. As at April 2017, PM&C reported that, of the 40 CDP providers, 65 per cent were Indigenous organisations.

1.8 CDP providers deliver two types of services on behalf of the Government.

- Basic Services: including integrated case management and supporting jobseekers to find and keep a job.
- Remote Employment Services: including establishing and administering Work for the Dole—work-like activities, which jobseekers must participate in five days a week, depending on their assessed capacity. These work-like activities were to reflect local employment opportunities or be relevant to community aspirations and needs.

⁹ The exception was Region 37—West Arnhem Region where there are two providers, see Appendix 2.

1.9 The total number of jobseekers on the remote employment services caseload fluctuates over the course of the year. As at 22 May 2017, there were 33 152 jobseekers in the total CDP caseload, consisting of 17 569 Work for the Dole jobseekers and 15 583 Basic Service jobseekers.

2015 changes to remote employment services

1.10 The CDP commenced on 1 July 2015, replacing the Remote Jobs and Communities Program (RJCP).¹⁰ The introduction of the CDP saw a range of changes aimed at increasing workforce participation, providing employment pathways to long term employment outcomes, and reducing administrative burden for providers.

1.11 Table 1.2 outlines the key differences between the RJCP and the CDP.

Table 1.2: Key differences between the Remote Jobs and Communities Program and the Community Development Programme

Program element	Remote Jobs and Communities Program	Community Development Programme
Participation activities	Provider discretion for jobseekers to participate in work-like and community participation activities and training for jobseekers to fulfil their mutual obligation requirements.	For those required to participate in Work for the Dole—Work for the Dole Activities.
Participation requirements	Based on capacity assessment, jobseekers between 15 to 65 years participate—up to 50 hours per fortnight—in an activity. Grandfathered Community Development and Employment Projects (CDEP) participants participate for sufficient hours to earn or be paid the applicable CDEP Wage Rate. ^a	Continuous Work for the Dole (up to 25 hours a week, 52 weeks a year, with leave provisions of up to six weeks per year and exemptions for cultural business) for all adults 18 to 49 years of age—not in work or study, up to their full activity tested capacity to work.
Payment model ^b	More than a dozen different provider payments including for: delivery of activities; education outcomes; job placements; and employment outcomes. Providers also had access to a Participation Account for selected ancillary payments to assist jobseekers, for example, to purchase clothing, equipment and for training.	Payment model structured in three payment categories: Basic Services; delivery of Work for the Dole activities; and achieving employment outcomes. Employers could receive an Employer Incentive Payment. Payments linked to jobseeker engagement and providers' efforts to follow up with the jobseeker.

¹⁰ The RJCP was introduced in July 2013 following a review of remote participation and employment servicing. The RJCP replaced four existing programs then operating in remote areas: Job Services Australia; Disability Employment Services; the Indigenous Employment Program; and the Community Development Employment Projects program. The RJCP was part of the Government's 'Closing the Gap' strategy, as agreed by the Council of Australian Governments in 2008, and was also aligned with the Government's Indigenous Economic Development Strategy 2011–18.

Program element	Remote Jobs and Communities Program	Community Development Programme
Additional funding	Community Development Fund (\$237.5 million over five years) projects to support social and economic participation for jobseekers including participation in work-like activities and job opportunities.	Annual grants of up to \$25 million for Indigenous Enterprise Development remote projects to establish enterprises that benefit communities and create opportunities for jobseekers to satisfy their mutual obligation requirements in a business environment.

Note a: Under CDEP, participants received a payment (expressed as a fortnightly rate) for participating in Remote Employment and Participation Activities. The CDEP Wage Rate at 1 July 2013 was \$217.71 (GST exclusive) per week for a CDEP Youth Participant and \$287.57 (GST exclusive) for all other CDEP Scheme Participants.

Note b: See Appendix 3 for further detail on the CDP and the RJCP payment models.

Source: ANAO analysis of PM&C documentation.

Administrative arrangements

Roles and responsibilities

1.12 PM&C is responsible for the overall administration of the CDP, including policy advice, and program design and management. A number of other Australian Government entities administer relevant legislation and aspects of CDP delivery.

1.13 Table 1.3 outlines the relevant responsibilities of each of the entities in regards to the CDP.

Table 1.3: Australian Government entities' responsibilities for the Community Development Programme

Function	Department of the Prime Minister and Cabinet	Department of Human Services	Department of Employment	Department of Social Services
Legislation	n/a	n/a	<i>Social Security (Administration) Act 1999</i> —in so far as it relates to activity test requirements and compliance obligations for participation payment recipients.	<i>Social Security (Administration) Act 1999</i> —in so far as it relates to capacity assessments and income support payments.

Function	Department of the Prime Minister and Cabinet	Department of Human Services	Department of Employment	Department of Social Services
Policy	Community Development Programme. Employment Services Assessment (policy responsibility shared between the departments of Social Services, the Prime Minister & Cabinet and Employment).	n/a	Job Seeker Compliance Framework. Employment Services Assessment (policy responsibility shared between the departments of Social Services, the Prime Minister & Cabinet and Employment).	Income support payments. Job Capacity Assessments. Employment Services Assessment (policy responsibility shared between the departments of Social Services, the Prime Minister & Cabinet and Employment).
Operations	Provider contract management and monitoring. Guidance material.	Jobseeker income support delivery.	Assess financial viability of Community Development Programme providers, as per the Memorandum of Understanding with the Department of Prime Minister & Cabinet.	n/a
Systems (IT)	n/a	Customer First/ Process Direct (system for administering income support).	Employment Services System (system for Community Development Programme providers' case management and reporting)	n/a
Payments^a	Providers' payments (for example, Work for the Dole payments, employment outcome payments, and ancillary payments).	Jobseekers' income support payments.	n/a	n/a
Compliance action	Provider compliance action.	Jobseeker compliance decisions. ^b	n/a	n/a

Function	Department of the Prime Minister and Cabinet	Department of Human Services	Department of Employment	Department of Social Services
Support tools for case management	Monitor provider use of tools (e.g. Job Seeker Classification Instrument) and links to other programs. ^c	Employment Services Assessment (delivery). Job Capacity Assessments (delivery). Job Seeker Classification Instrument (delivery).	Job Seeker Classification Instrument (policy owner).	Employment Services Assessment (policy owner).
Data ownership	Related to the administration of the Community Development Programme (primarily as it relates to employment services delivered by service providers).	n/a	Verifying and releasing data related to the Job Seeker Compliance Framework.	Income support payments/recipient circumstances.
Feedback, review and appeal	n/a	Jobseeker review and appeal.	Complaints (National Customer Service Line).	n/a
Reporting	Community Development Programme outcomes and performance, including evaluation.	n/a	n/a	Income support.

Note a: See Appendix 3 for further detail on the CDP payment model.

Note b: CDP providers report jobseeker non-compliance to the Department of Human Services (which triggers initial payment suspension and jobseeker contact), Human Services investigates non-compliance and decides whether the non-compliance applied, with any penalties applied as prescribed by legislation.

Note c: For example, the Skills Education and Employment Programme and the National Disability Insurance Scheme.

Source: ANAO.

Funding

1.14 In the 2015 changes to remote employment services, the Government redirected existing RJCP funding of \$1.5 billion over four years from 2014–15 and provided an additional \$94.9 million in funding for the CDP.¹¹ Table 1.4 sets out total funding allocations for all relevant entities for the CDP, 2014–15 to 2017–18.

Table 1.4: Community Development Programme funding allocations for the period 2014–15 to 2017–18

Entity	2014–15 (\$million)	2015–16 (\$million)	2016–17 (\$million)	2017–18 (\$million)	Total (\$million)
Department of the Prime Minister and Cabinet	278.2	347.4	406.1	385.9	1417.6
Department of Employment	3.2	0.0	0.0	0.0	3.2
Department of Social Services	16.8	64.3	63.5	39.8	184.3
Department of Human Services	1.0	0.7	-1.0	-2.5	-1.7
Total	299.2	412.4	468.6	423.2	1603.4

Note: Total may differ due to rounding.

Source: PM&C data.

1.15 No separate departmental funding was appropriated for the CDP for the departments of the Prime Minister and Cabinet and Human Services. The Department of Employment was allocated up to \$3.2 million in departmental funding to deliver IT systems.

Audit approach

1.16 The objective of the audit was to assess the effectiveness of the transition of the Remote Jobs and Communities Program to the Community Development Programme including whether the Community Development Programme was well designed and administered effectively and efficiently.

1.17 To form a conclusion against the audit objective, the ANAO adopted the following high level audit criteria:

- Sound analysis and advice informed the design of the Community Development Programme and transition from the Remote Jobs and Communities Program.
- The Community Development Programme was effectively and efficiently administered.
- Performance was appropriately monitored and outcomes were measured, reviewed and reported to the Minister.

¹¹ The additional funding was sourced through the new National Partnership Agreement on Remote Indigenous Housing. See paragraph 2.15.

Audit methodology

1.18 The audit methodology included:

- the examination and analysis of documentation relating to the design and implementation and risk management arrangements for the Community Development Programme;
- interviews with key officials in the Department of the Prime Minister and Cabinet, the Department of Employment, and the Department of Human Services; and
- interviews with, and surveys of, key external stakeholders including: Community Development Programme providers; relevant regional and remote employers; state and territory Government entities responsible for delivering related Indigenous programs; community organisations; and peak bodies such as Jobs Australia.

1.19 The audit was conducted in accordance with the ANAO's auditing standards at a cost to the ANAO of approximately \$547 000.

1.20 The team members for this audit were Sandra Dandie, Megan Beven, Barbara Das, Shickam Saouna, Donna Burton and Andrew Rodrigues.

2. Design and transition

Areas examined

This chapter examines the policy design, stakeholder consultation and communication strategy that informed the transition from the RJCP to the CDP.

Conclusion

The implementation of the CDP was supported by an external review of Indigenous Training and Employment, stakeholder engagement, and an effective communication strategy. However, the design of the CDP was not informed entirely by sound analysis of the RJCP.

The timeframes in which the RJCP was transitioned to the CDP impacted on the ability of providers to understand the changes prior to implementation. In addition, PM&C did not have arrangements in place to ensure funding commitments made by providers from their RJCP Participation Accounts met program requirements. Finally, aspects of the revised provider payment structure may reduce provider incentives to transition jobseekers into ongoing employment.

Areas for improvement

The ANAO recommended PM&C review the CDP payment structure to ensure it aligns with the underlying policy objectives of the program changes.

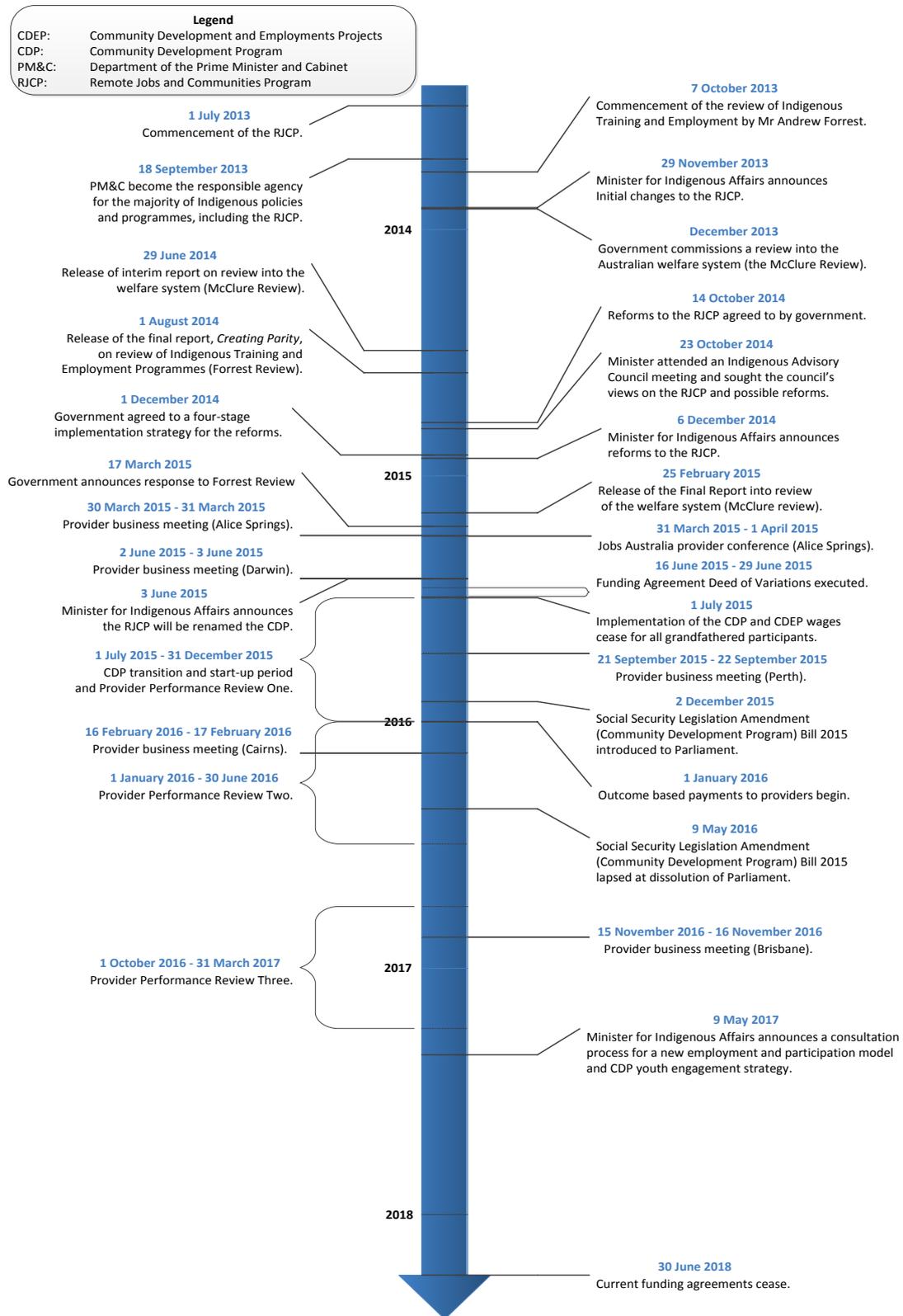
Was the design of the Community Development Programme informed by sound analysis, advice and consultation?

PM&C's design of the CDP was supported by an analysis of the Review of Indigenous Training and Employment (the Forrest Review) and consultation across Government. In addition, the Minister for Indigenous Affairs consulted with employers, community councils, the Indigenous Advisory Council and representative bodies on the design of the CDP.

However, changes introduced as part of the CDP were not informed entirely by a sound evidence base. In particular, the review of the CDP's predecessor program, the RJCP, was based on incomplete analysis of the data. In addition, there would be scope for PM&C to consider the incentives created by the revised provider payment structure, and its alignment with the underlying policy objectives of the program changes.

2.1 Implementation of the Remote Jobs and Communities Program (RJCP) commenced on 1 July 2013, with the then Department of Education, Employment and Workplace Relations as the responsible entity. Following the September 2013 Machinery-of-Government changes, the Department of the Prime Minister and Cabinet (PM&C) assumed policy and program responsibility for a range of the Australian Government's Indigenous initiatives, including the RJCP and its successor, the Community Development Programme (CDP). A timeline of these key events is set out in Figure 2.1.

Figure 2.1: Timeline of key milestones and events in the establishment and implementation of the Remote Jobs and Communities Program and the Community Development Programme from 2013 to 2018



Source: ANAO analysis.

Decision to change the Remote Jobs and Communities Program

2.2 Between November 2013 and December 2014, the Government decided on changes to the RJCP. Broadly, these changes were aimed at:

- addressing a number of emerging design and implementation issues with the RJCP model¹²;
- aligning remote employment services with broader welfare reforms and changes to the mainstream employment services; and
- ensuring people in remote communities were 'engaged in training that leads to real jobs or participating in activities that benefit their communities'.

2.3 The Government's decision to change the RJCP occurred in the context of broader changes to the mainstream employment services model, jobseeker mutual obligations requirements, and the Review of Indigenous Training and Employment (the Forrest Review).¹³ The changes introduced through the CDP would ultimately form part of the Government's response to the Forrest Review.¹⁴

2.4 PM&C's advice to Government supported the decision to change the RJCP based on the program's performance outcomes. In particular, PM&C's advice noted that, under the RJCP model, only around a third of remote jobseekers were engaged in any form of Structured Activities.¹⁵

2.5 Under the RJCP, participants could meet their mutual obligation requirements by participating in one or more 'employment and participation activities'¹⁶, consistent with their individual participation plan (which was required to be developed for each jobseeker). Structured Activities were only one type of activity jobseekers could be engaged in and, as such, PM&C's analysis did not take into account those jobseekers engaged in other agreed employment and

12 The Minister noted challenges including: delays in selecting providers which resulted in little time to establish the program; flaws in the RJCP funding model where providers did not have access to adequate funding to establish quality participation activities; limited ability to engage with employers and deal with the complexity of remote labour market conditions; and complex mechanisms for employer access to funding.

13 See Appendix 4 for an overview of Government reviews and reforms (including the Forrest Review and McClure Review) and proposed welfare reforms relating to Indigenous employment and income support.

14 See A. Forrest, Commonwealth of Australia, 2014, *The Forrest Review – Creating Parity*, available from <<https://www.pmc.gov.au/sites/default/files/publications/Forrest-Review.pdf>> (pp. 19–60). The implementation of the RJCP reforms and the announcement of the CDP preceded the Government's formal response to the Forrest Review to allow time for the transition and to align the reforms with the implementation of other broader employment and welfare measures.

15 Under the RJCP, Structured Activities were to be as work-like as possible and consisted of those activities which were fully supervised (delivered as a group activity or an individual placement by a provider or host organisation).

16 Activities could include: Structured Activities; work experience opportunities; appropriate accredited and non-accredited vocational training and skills acquisition and self-employment training; assistance to overcome non-vocational barriers; mentoring; activities and assistance under the Remote Youth Leadership and Development Corps; activities that support economic development of the communities in the region including those in relation to establishment, development or expansion of Social Enterprises; and community participation activities including cultural activities.

participation activities, such as accredited training or Remote Youth Leadership and Development Corps activities.¹⁷

2.6 As at December 2014, if all RJCP agreed activities were taken into consideration, around 65 per cent of RJCP jobseekers were participating in RJCP agreed activities.

2.7 Additionally, in October 2014, PM&C also advised Government that under the RJCP there had been a significant reduction (90 per cent) in jobseekers achieving employment that lasted more than 26 weeks since the commencement of the RJCP compared to the previous year's employment outcomes under the Job Services Australia model in remote areas. PM&C was unable to provide evidence to the ANAO to support this advice.

Consultation on changes to the remote employment services model

2.8 The decision to change the RJCP and the subsequent design of the CDP was informed by consultation and submissions received from relevant stakeholders, including communities, employers, Indigenous leaders and community organisations; and Government departments and agencies, as part of the Review of Indigenous Training and Employment (the Forrest Review).

2.9 The Minister for Indigenous Affairs (Minister), supported by PM&C, convened several roundtable meetings with selected employers and community councils in September 2014 to discuss the findings of the Forrest Review, including aspects relevant to the design of the CDP. In October 2014, the Minister also consulted with the Indigenous Advisory Council members¹⁸ on the merits of the CDP, as well as Jobs Australia¹⁹ and a selection of trusted providers. In April 2015, PM&C consulted Jobs Australia on elements of the CDP design.

Design of the Community Development Programme

2.10 The changes to remote employment services took effect from 1 July 2015, and formed the basis of the CDP. Key changes included²⁰:

- all adults between 18 and 49 years of age, not in work or study, would undertake a routine of full-time Work for the Dole activity—up to 25 hours across a five day week, 52 weeks a year ('Continuous' Work for the Dole);

17 The Remote Youth Leadership and Development Corps was delivered by RJCP providers (either directly or through a subcontracting arrangement) and aimed to provide young aged jobseekers 24 years and under in remote communities a clear pathway into employment.

18 The Prime Minister's Indigenous Advisory Council's role is to advise Government on practical changes which can be made to improve the lives of Indigenous people. The Council also provides ongoing advice to the Government on emerging policy and implementation issues related to Indigenous affairs. Available at: <<https://www.directory.gov.au/portfolios/prime-minister-and-cabinet/department-prime-minister-and-cabinet/prime-ministers-indigenous-advisory-council>>.

19 Jobs Australia is the national peak body for non-profit organisations that assists unemployed people to prepare for and find employment. Jobs Australia is the largest network of employment and related service providers in Australia and is funded and owned by its members.

20 Whilst PM&C had proposed in June 2014 that RJCP providers be responsible for breaching non-compliant jobseekers, the Government decided to retain a single compliance framework (administered by the Department of Employment) for both mainstream and remote programs—as a timelier and lower cost option. In this context, the Department of Human Services remained responsible for administering compliance actions and applying financial penalties where remote jobseekers did not meet their obligations, consistent with the *Social Security Act 1991*.

- a greater emphasis on ‘work-like activities’ that provided a service to community and full-time work experience for jobseekers;
- the establishment of new enterprises in remote communities through the provision of grants under the existing Indigenous Advancement Strategy;
- changes to incentives for providers and employers;
- simplified processes for providers aimed at reducing administrative burden; and
- a requirement for providers to immediately notify the Department of Human Services of jobseeker non-compliance to better support remedial action.

‘Continuous’ Work for the Dole

2.11 The inclusion of ‘continuous’ Work for the Dole in the design of the CDP was consistent with Government policy²¹ and the introduction of Work for the Dole in mainstream employment services. Under jobactive, the mainstream employment service, jobseekers were required to participate in Work for the Dole, or another approved activity, for six months each year.²²

2.12 In its advice to Government, PM&C proposed that Work for the Dole participation requirements should vary from the mainstream income support payment participation requirements. PM&C noted that implementing Work for the Dole for only six months of each year would not work in remote communities which often had virtually non-existent labour markets and where there was a need to establish social norms. Consequently, PM&C advised that ‘only a comprehensive full time Work for the Dole program applied to all jobseekers will work in remote regions’. ‘Continuous’ Work for the Dole activities was also considered a key factor in reducing the ‘high level of idleness in communities’.

2.13 The Government agreed that the ‘continuous’ Work for the Dole component of the CDP would be implemented as a trial until 30 June 2018, with the outcome of the evaluation of the CDP’s effectiveness to inform further advice to Government in late 2016.

Work-like activities

2.14 As part of the CDP’s ‘continuous’ Work for the Dole component, providers were expected to deliver a mix of ‘work-like’ activities that set a daily routine for jobseekers across a five day, Monday to Friday week. Providers could either deliver the activities themselves or through a hosted placement with an employer.²³

21 In September 2013, prior to the Federal Election, the Coalition released its Policy to Create Jobs by Boosting Productivity which included the election commitment of a renewed commitment to reinvigorating the Work for the Dole program, so that unemployed people on income support were active, engaging in mutual obligation work activities and building skills to ensure they were work ready.

22 See Appendix 5 for a comparison of participation requirements in approved activities between the CDP and other employment programs.

23 Hosted placements could be in a community development activity or a real workplace. In both cases, the jobseeker remained on income support. Host organisations could be not-for-profit organisations, businesses, social enterprises, entities related to the provider, or Commonwealth, state, territory or local Government agencies. Available from: <<http://guides.dss.gov.au/guide-social-security-law/3/2/9/70>>.

- The CDP guidelines provided greater flexibility in what constituted a Work for the Dole activity, to drive creativity and allow providers to design activities that best met community wants and needs.²⁴
- Around 16 per cent of Work for the Dole jobseekers were expected to be in hosted placements. Host organisations would receive a payment for the costs of hosting a jobseeker, with PM&C recommending providers split the Work for the Dole service payment²⁵ 50-50 with the host organisation. This arrangement was intended to maintain the incentives for providers to move jobseekers into hosted places.²⁶

2.15 PM&C advised the Government that an additional \$96 million over the forward estimates was required to ensure the quality of the work-like activities to be delivered, based on PM&C's estimates of the likely caseload.²⁷ The additional funding was sourced through the new National Partnership Agreement on Remote Indigenous Housing.²⁸ This was agreed to by Government on the basis that the CDP could be used to support remote housing delivery.²⁹

Indigenous Enterprise Development

2.16 In December 2014, the Government announced \$25 million in funding to support the establishment of local enterprises, and in so doing help build remote labour markets.³⁰ The funding would be limited to one to two years, with enterprises required to have a plan in place to become commercially sustainable. In addition, jobseeker placements would be limited to 12–24 months to ensure the placement represented a path to ongoing employment and to reduce the displacement of existing jobs.

2.17 In early 2015, PM&C engaged a private consultancy firm to support the initial design of the operation of the remote intermediate labour markets. This design work ultimately formed the basis of the Indigenous Enterprise Development (IED). Funding decisions under the IED were covered by the Indigenous Advancement Strategy guidelines³¹ and assessed on the extent to which applicants would '... provide employment and hosted placement opportunities for the CDP jobseekers'.

24 The guidelines also allowed for flexibility in when these activities could operate, although the majority of activities were held from 08:00 to 13:00.

25 See Appendix 3 for additional information on the payment model for the CDP.

26 Hosted placements are discussed further at paragraph 4.22.

27 This followed the Government's decision to include the jobseekers who would be eligible for *The Stronger Participation for Job-seekers under 30* Budget measure in the RJCP reforms. PM&C advised the Minister that the inclusion of this cohort 'put further pressure on an already tight budget for the reformed RJCP, directly impacting on the Work for the Dole unit cost and the quality of Work for the Dole activities'.

28 PM&C advised the additional funding could not be sourced from within the portfolio's current funding base as 'further investment in the measure would impact on other Indigenous affairs priorities, such as school attendance and community safety'. As noted in paragraph 1.14, an additional \$94.9 million was allocated.

29 For further discussion see paragraph 4.18 on Work for the Dole activities.

30 The Minister noted that this funding was to support the establishment of local enterprises which would 'provide real work experience and ultimately, real jobs in remote communities'. See Media Release, Minister for Indigenous Affairs. Available from: <<http://www.indigenous.gov.au/news-and-media/announcements/minister-sculion-more-opportunities-jobseekers-remote-communities>>.

31 See Appendix 3 for additional information on the payment models for the CDP and the RJCP.

CDP payment model

2.18 The transition to the CDP saw significant changes to provider payments, with greater emphasis placed on employment outcomes.³² Additionally, the provider Participation Account³³ that had existed under the RJCP, would cease to operate under the CDP.

2.19 From 1 July 2015, payments to providers to deliver the CDP included the:

- Basic Services payment—payable for delivering Basic Services to jobseekers not required to participate in Work for the Dole activities.
- Work for the Dole payment—payable for delivering both Basic Services and Work for the Dole activities.
- Employment Outcome payment—payable where a jobseeker was still employed after 13 and 26 consecutive weeks (with an allowable break³⁴) of employment and designed to encourage providers to support jobseekers into employment and ensure they stayed in employment.
- Employer Incentive Fund payment—a payment passed onto employers from providers if a jobseeker achieved a 26 week employment outcome.

2.20 CDP funding agreements also provided for two other payments:

- The ancillary payments—the purpose of these payments were not specified in the Funding Agreement or other guidance; and
- Funding to strengthen organisational governance—payable to providers who became incorporated (where required) under the Funding Agreement.

2.21 The CDP payment model was designed to strengthen incentives for providers to place jobseekers into work; however concerns were raised prior to its implementation that ‘there is little, if any incentive (at a financial risk for them) for a provider to place a Work for the Dole participant into a job’.

2.22 Pursuant to the changes introduced to the payment model in transitioning from the RJCP to the CDP, the Employment Outcome payment providers received for a full-time jobseeker increased from \$6325 to \$7500 (GST exclusive).³⁵ ANAO analysis showed that although the financial incentive had increased overall, there was a lower probability a provider would receive that payment as:

- under the CDP, Employment Outcome payments were weighted towards 26 weeks, compared to the RJCP where the providers received a proportion of the payment at more regular intervals (as shown in Table 2.1);

32 See Appendix 3 for additional information on the payment models for the CDP and the RJCP.

33 The Participation Account was a flexible pool of funds held by PM&C which providers could access to help pay for activities and interventions including goods and services purchased for jobseekers under the RJCP.

34 Allowable breaks were periods of approved unpaid leave from work by a jobseeker. Allowable breaks included when a jobseeker had a break between finishing one job and starting another. Allowable breaks also included unpaid breaks in employment due to illness or carer emergencies, or Christmas breaks and shut downs.

35 Under the RJCP, providers received a higher employment outcome payment for those jobseekers assessed as having partial capacity (\$8085 GST exclusive).

- under the CDP, there was an increased risk to the provider given that the jobseeker may not have achieved a 13 or 26 week outcome payment, with only 40 per cent of job placements achieving 26 week outcomes (as shown in Table 2.2).

2.23 Given the more stringent timing requirements, and inherent uncertainty in achieving the 13 and 26 week employment outcomes, the revised payment system may dilute the incentives for providers to place jobseekers in work, as opposed to continuing their engagement in ‘work-like activities’ pursuant to Work for the Dole arrangements.

Table 2.1: Comparison of the Remote Jobs and Communities Program and the Community Development Programme Employment Outcome Payments

Payment interval	Remote Jobs and Communities Program		Community Development Programme	
	Amount (\$)	Proportion of total payment (%)	Amount (\$)	Proportion of total payment (%)
Job placement	550	9	0	0
7 week	825	13	0	0
13 week	2 475	39	2 250	30
26 week	2 475	39	5 250	70
Total	6 325	100	7 500	100

Source: ANAO analysis of PM&C documentation.

Table 2.2: Community Development Programme job placements, and employment outcomes at 13 weeks and 26 weeks, 1 July 2015 to 30 April 2017

	Outcomes	Proportion of job placements which achieved an outcome (%)
Job placements	12 226	n/a
13-week employment outcomes	6 544	54
26-week employment outcomes	4 915	40

Source: ANAO analysis of PM&C data.

2.24 Additionally, the timeframe within which an employment outcome could be achieved was reduced. For example, under the RJCP model a 26 week outcome would be achieved when a jobseeker had been employed for 26 weeks over a maximum of 52 consecutive weeks, whereas under the CDP, a 26 week employment outcome had to be achieved within 26 *consecutive* weeks (with an allowable break).

2.25 There were further concerns raised by other Government entities on:

- the timing of 13 and 26 week outcome payments not accounting for the seasonal and casual work available in remote labour markets; and
- the financial viability of CDP providers, as the 26 week outcome payments for the CDP were lower than those for the most highly disadvantaged jobseekers under the mainstream Employment Services 2015 model with no additional fees for providers,

including ‘... to pay for interventions that address non-vocational and vocational barriers or to help jobseekers into work’.³⁶

2.26 To reduce red-tape for providers, the CDP payment model was streamlined into three main payment categories from approximately seven different payment categories available under the RJCP.

Recommendation no.1

2.27 The ANAO recommends the Department of the Prime Minister and Cabinet review the Community Development Programme provider payment structure, particularly the incentives it creates and its alignment with the underlying policy objectives of the program changes.

Department of the Prime Minister and Cabinet’s response: *Agreed.*

2.28 *I agree with this recommendation. The CDP provider payment model, in tandem with provider performance management, has been effective in significantly improving employment outcomes for job seekers and encouraging job seeker attendance in work-like, skills building activities. However, having been in operation for over two years, there is now scope to consider whether the incentives still appropriately encourage providers to best support job seekers. The Department will consider, as part of the Government’s consultation on a new model for remote Australia, whether the current provider payment model is best supporting the programme to deliver on its dual objectives of employment outcomes and greater community participation.*

Did the Department of the Prime Minister and Cabinet have a suitable strategy in place to underpin the transition of the Remote Jobs and Communities Program to the Community Development Programme?

PM&C developed a suitable phased transition and implementation plan, and communication strategy, to support the transition to the CDP. Due to the short implementation timeframes, many of the risks identified by PM&C materialised. In particular, the timeframes reduced the opportunity for providers to understand the substantial changes prior to implementation. While providers were authorised to access their Participation Accounts to facilitate the transition to the CDP, PM&C did not have arrangements in place to appropriately ensure commitments from the Participation Accounts met the program requirements. Four months following the introduction of the CDP, only 37 per cent of regions were on track to meet performance targets.

36 Under jobactive, the provider payment model streamed jobseekers according to their relative difficulty in gaining and maintaining employment and to identify those jobseekers that had complex or multiple barriers to employment that needed further assessment. For a jobseeker in Stream C (the most disadvantaged jobseekers) who lived in a regional location, the full employment outcome payment ranged between \$6875 and \$13 750, based on their period of unemployment. The full employment outcome payment was paid in instalments at the 4 week, 12 week and 26 week mark. Additionally, under the RJCP, providers received higher payments for those jobseekers assessed by the Department of Human Services as having partial work capacity.

Transition arrangements

2.29 The transition from the RJCP to the CDP was considered a significant task, with six months between the announcement of the changes and the commencement of the new funding agreement on 1 July 2015, including a new payment model. In December 2014, the Government agreed to a four-stage process to transition from the RJCP to the CDP to be implemented over 18 months, as shown in Table 2.3.

Table 2.3: Transition from the Remote Jobs and Communities Program to the Community Development Programme

Phase	Date	Description
One	November 2014 to December 2014	<ul style="list-style-type: none"> Review of RJCP activities and jobseeker characteristics data.
Two	January 2015 to June 2015	<ul style="list-style-type: none"> Establishment of new Work for the Dole activities (based on the Phase One review) from 1 January 2015 using existing RJCP funding and the PM&C allocation from the Budget measure <i>Stronger Participation for Job-seekers under 30</i>. Jobseekers gradually transitioned to Work for the Dole activities, with 100 per cent of eligible jobseekers placed in Work for the Dole activities by 1 July 2015.
Three	July 2015 to December 2015	<ul style="list-style-type: none"> Commencement of continuous Work for the Dole from 1 July 2015 and support of providers (ten regions at a time) to establish the required number of activities and transition Community Development and Employment Projects (CDEP) wage recipients to income support and continuous Work for the Dole. Providers received monthly Work for the Dole payments assuming 75 per cent of eligible jobseekers were participating, supplementary payments were made for providers who had a participation rate of more than 75 per cent.
Four	January 2016 to July 2016	<ul style="list-style-type: none"> Commencement of outcomes-based Work for the Dole payments for providers from 1 January 2016. Engage the majority (75 per cent or more) of eligible jobseekers in continuous Work for the Dole activities and provide intensive regional support for a further six months for regions where this is not achieved.

Source: ANAO analysis of PM&C documentation.

2.30 The implementation risk management plan identified ten key risks to the transition process, six of which were rated as 'high'.

Governance Arrangements

2.31 PM&C proposed that the transition process would be supported by an internal Implementation Taskforce; an interdepartmental RJCP Reform Sponsors Group; and subsequently a Reform Implementation Programme Board. A range of cross-agency working groups, supported by Project Boards, were also proposed.

2.32 The Reform Implementation Programme Board held its first meeting in late May 2015, some five months after the Minister's announcement and only one month before the commencement of major program changes (such as continuous Work for the Dole in selected regions).

2.33 PM&C implemented the transition according to the overall implementation timeframe agreed by Government. The short timeframe between the announcement of the changes and the commencement of the new Funding Agreement on 1 July 2015 (including the new payment model) contained a number of inherent risks. PM&C established risk mitigation strategies to address these; however, several key risks, specifically those related to transitioning providers from the RJCP to the CDP, eventuated. Subsequently, a number of providers did not have the capacity to meet the requirements of the new Funding Agreements, impacting on the transition to the CDP and the extent to which providers were able to meet their CDP performance targets.

Provider transition

The development and expansion of structured activities

2.34 From December 2014, as agreed by Government, PM&C reviewed RJCP activities and jobseeker characteristics, and mapped Work for the Dole needs and potential activities for each region, informed by existing activities and provider Community Action Plans.

2.35 To facilitate the transition to the CDP, PM&C was to assist providers in each region phased for transition, to develop and establish Work for the Dole activities, and to monitor the Structured Activities being developed and offered to jobseekers. Providers in these regions were allocated placement targets for each month from April to July 2015, with the aim of 100 per cent of eligible jobseekers in these regions placed in Structured Activities (Work for the Dole activities) by 1 July 2015.

2.36 As at 1 July 2015, 45 per cent of Work for the Dole eligible jobseekers had been placed in Work for the Dole activities.³⁷

Use of the Participation Account and other funding to support the transition

2.37 In the lead up to the implementation of the new CDP arrangements, from late March 2015 PM&C encouraged providers to make use of the (RJCP) Participation Account, to support the development of structured activities and increase participation rates.³⁸

2.38 There was only a gradual increase in the rate of funding commitments from the Participation Account for most of the six months leading up to 1 July 2015. As at 13 May 2015,

37 As at 30 April 2017, 89 per cent of Work for the Dole eligible jobseekers had been placed in Work for the Dole activities.

38 Further guidance was issued to providers on 5 June 2015 regarding the use of the Participation Account and the process for drawing down funds prior to 1 July 2015. Providers were required to develop detailed budgets for all Structured Activities showing how Participation Account purchases, advance payments and assets (both purchased and leased) are required and link to the delivery of the activities. According to transition guidance, providers were also able to use the Participation Account for purposes not directly connected to activities, including: wage subsidies for jobseekers placed into employment prior to 1 July 2015; Post Placement Support for any employment commenced before 30 June 2015; and long term leasing arrangements between the provider and a third party (for up to three years) entered into prior to 30 June 2015, with Participation Account funds only to be used to pay leasing arrangements up to 12 months when leased through Indigenous Business Australia. All forward commitments were to be drawn down prior to 30 June 2015.

a large proportion (55 per cent) of projects were still in development or awaiting approval³⁹—some dating back to September 2014.

2.39 After the Participation Account closed, PM&C advised the Minister that between 22 and 23 June 2015, providers had entered into the Account’s IT System more than \$13 million in funding commitments. In particular, PM&C noted that at this time there had been a significant increase in withdrawals under \$20 000 (which did not require prior PM&C approval). PM&C subsequently reduced the available notional balance in the Participation Account to ‘ensure appropriate expenditure and avoid overspending’ of the account.⁴⁰

2.40 The total Participation Account funds paid to providers in 2014–15 was \$152.6 million. As outlined in Table 2.4, in June 2015 alone, there were 415 advance payment expenditure transactions from the Participation Account across 38 CDP regions worth more than 20 per cent of the total funds expended in 2014–15 (>\$30 million).

Table 2.4: Participation Account commitments of advance payment transactions in June 2015

	Value of transactions (\$)	Number of transactions
Transactions >\$20 000 ^a	28 840 041	285
Transactions ≤\$20 000 ^b	1 946 204	130
Total	30 786 245	415

Note a: Transactions >\$20 000 required prior approval from PM&C.

Note b: Transactions ≤\$20 000 did not require prior approval from PM&C.

Source: ANAO analysis of PM&C data.

2.41 PM&C’s review of expenditure from the Participation Accounts indicated that 30 per cent of commitments/claims in 2014–15 did not meet evidentiary requirements and were not payable.⁴¹

2.42 As part of its annual audit of financial statements, the ANAO identified weaknesses in PM&C’s management, reporting and pre-approval processes for Participation Account expenditure, resulting in the program area having to undertake a significant project to re-baseline and reconcile total expenditure of the Participation Account over the life of the former RJCP.⁴²

2.43 Based on a direct selection process, on 11 May 2015 the Minister approved the awarding of a \$19.5 million grant under the Indigenous Advancement Strategy to Indigenous Business Australia (IBA), to be managed through the Indigenous Economic Development Trust. The funding

39 Providers could commit and draw down Advance Payments from the Participation Account up to and including \$20 000 without prior approval from PM&C. Advance Payments in excess of \$20 000 required approval from PM&C (which included submitting a detailed budget and business case for approval).

40 PM&C agreed to honour those provider commitments already agreed, but not yet entered into the system.

41 PM&C subsequently recovered nearly \$300 000 from one CDP provider whose staff member had fraudulently obtained money from the Participation Account during the transition period to the CDP. This incident was identified and reported to PM&C by the provider. The issue was monitored by PM&C, with the provider initiating legal action and a review of their internal controls.

42 RJCP compliance and Indigenous Advancement Strategy grant acquittal management were reported as category B findings in the ANAO’s 2014–15 financial statement audit. ANAO Report No.15 2015–16, *Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2015*. Available at: <https://www.anao.gov.au/sites/g/files/net3416/f/ANAO_Report_2015-2016_15.pdf>, (pp. 120–121).

was sourced from the Participation Account and aimed to assist providers prepare for the implementation of continuous Work for the Dole under the CDP. The provision of funds through the grant was to address the risk that providers would have limited time to cost and purchase the services and equipment required from 1 July 2015 or would make 'hasty and poor quality decisions'. Additionally, as the assets would be owned by Government, the risk of providers holding onto assets when contracts were cancelled (as occurred with CDEP providers with the onset of the RJCP) would be avoided.

2.44 In advising Government, PM&C expected the majority of this grant to IBA would be expended before 1 July 2015 given RJCP providers 'will be required to deliver structured activities by then'. However, there was very limited time available for providers to identify services and equipment they would need to implement Work for the Dole, with IBA signing the agreement on 3 June 2015.⁴³

Exiting and new providers

2.45 In the transition to the CDP, three providers across four regions (out of 41 providers across 60 regions) exited the program. Two of these providers requested that their funding agreements be terminated. The third provider's funding agreement was not extended by PM&C due to serious performance and financial issues—including investigations for fraud. However, this same provider was then sub-contracted by the incoming provider to deliver activities within select communities in the region.⁴⁴

2.46 PM&C replaced exiting providers through a register of interest process. Organisations were selected based on factors including: past performance in other regions; capacity for timely commencement of service delivery; and ability to establish meaningful community connections.

2.47 PM&C identified and monitored a number of significant risks associated with three of the four incoming providers. These included: prior poor performance; financial viability concerns; capacity to scale-up to provide region-wide services; investigations into board members for allegations of inappropriate accounting; and inability to recruit appropriate staff. To mitigate these risks PM&C offered shorter funding agreements to two of the incoming providers and advised government they would provide intensive business capability support and performance monitoring (for further discussion on risk, see paragraphs 3.18 to 3.24).

2.48 As the existing providers had access to the Participation Account, PM&C also provided start-up funding, totalling \$1.8 million, to three of the four incoming providers.

Funding agreement Deed of Variations

2.49 The transition to the CDP was reflected in a variation of the existing RJCP funding agreements between PM&C and each provider. The draft agreements were made available to providers on 30 April 2014, with formal offers made to providers from 28 May 2015. Providers

43 Providers were advised, in the May 2015 transition guidance, about the IBA arrangements, with providers required to seek prior approval from PM&C before entering into leasing arrangements with IBA or another leasing agent.

44 PM&C were aware of this arrangement prior to the agreement with the incoming provider and acknowledged that there were some risks in retaining the exiting provider given their previous poor performance. The department also noted that under these arrangements the incoming provider would be entirely responsible for the sub-contractor's performance.

were expected to return the signed agreements to PM&C by 12 June 2015.⁴⁵ PM&C executed the agreements between 16 and 29 June 2015.

2.50 The funding agreements incorporated the Programme Management Framework (PMF) for the CDP which established PM&C's approach to the management of compliance, performance and assurance under the CDP. The PMF was discussed with providers in early June 2015 and came into effect from 1 July 2015.

2.51 Providers subsequently raised concerns that they did '... not believe they [had] enough information about the change to implement the changes by 1 July 2015'. Associated risks were also raised in PM&C's advice to the Minister in June 2015.⁴⁶

Implementation of the new Funding Agreement

2.52 PM&C contracted PricewaterhouseCoopers Indigenous Consulting (PIC) to work with providers ahead of the implementation of the CDP to help them understand the new funding agreement; to consider their operations and financial viability; and the financial implications of the changes, using PM&C's Financial Modelling Tool.⁴⁷

2.53 This provider support project was undertaken between 12 May and 30 June 2015, with PIC engaging with 32 of the (then) 41 providers. PIC noted that timing of their contract was difficult as it coincided with providers anxiously considering and signing the new funding agreements, communicating the changes to community and participants and trying to increase their delivery. PIC further noted that '... the project was too short to meaningfully evaluate the impact of using the financial modelling tool with providers' and indicated that '... providers were struggling with being able to provide even basic financial information'.⁴⁸ In September 2015, following advice from PM&C, the Minister approved the provision of funding for PIC to deliver additional provider capability support given the findings from PIC's pre-implementation work.

2.54 During the start-up period, for the first six months following implementation of the CDP, providers received a minimum Work for the Dole monthly payment for 75 per cent of their Work for the Dole jobseeker caseload. In November 2015, four months after the CDP had commenced, only 22 regions (37 per cent) were assessed by PM&C to be on track to be able to maintain their funding level of 75 per cent monthly Work for the Dole payments from 1 January 2016 when outcomes-based payments began. PM&C advised the Minister that regions with jobseeker activity attendance below 37.5 per cent, particularly the bottom 10 performing providers/regions, were

45 This was to ensure sufficient time for the Department of Employment—responsible for the IT system which payments were calculated against—to make the updates to the system to avoid any service interruptions during the transfer.

46 In advising the Minister ahead of his attendance at the RJCP Provider Business Meeting in Darwin on 3 June 2015, PM&C noted that: 'with six weeks to go before 1 July, timeframes for providers to accept or reject offered Funding Agreement Variations are tight. Some providers have expressed concern that this substantial reform is being pushed on them too quickly. There is limited time to make necessary systems changes to support the variation and to source alternative providers where existing providers elect to withdraw. Providers will have only two weeks to review the final, offered variations'.

47 The Financial Modelling Tool was made available to providers on the 31 March 2015.

48 Some providers developed their own financial modelling systems and/or paid third parties to provide book keeping services.

the focus of enhanced compliance action, with PM&C preparing Breach Notices for providers in three of the regions.⁴⁹

Communication on the transition

2.55 The agreed implementation plan for the CDP included a communication and stakeholder engagement strategy. Dates for the release of key communication material were also included in PM&C's implementation timeline and a stakeholder engagement calendar.

Communication with providers

2.56 To support providers during the transition to the CDP, PM&C made guidance material available through a number of channels.⁵⁰ The more detailed information on the transition was available from March 2015.⁵¹ In submissions to this audit, a number of stakeholders noted there was inadequate time allowed for the provision of key guidance material and the implementation of the CDP. This impacted on providers' understanding of the new requirements, particularly among smaller or less experienced providers.

Communication with jobseekers, communities and other stakeholders

2.57 As part of the agreed implementation plan, PM&C also proposed conducting a number of community consultations, and visiting a number of communities in conjunction with providers to discuss the changes. PM&C also developed flipcharts for jobseekers on the changes and ran a number of advertisements on community radio in English and Indigenous languages in May 2015.

2.58 The Minister visited a number of communities, providers and met with key stakeholders, including the Indigenous Advisory Council, in the lead up to the changes. Bilateral discussions were also held with relevant state and territory governments between March and April 2015 on opportunities to improve Government services to remote communities and create useful activities for jobseekers.

49 As at 30 April 2017, the overall CDP participation rate (including reported attendance and valid non-attendance) for Work for the Dole eligible jobseekers was 70 per cent.

50 This included through: the online provider portal; email; webinars; monthly newsletters; and Provider Business Meetings.

51 For instance: detail on the provider payment model was first distributed to providers at the CDP Provider Business Meeting on 30–31 March 2015; the draft funding agreement was circulated on the 30 April 2015 with the final copy not distributed to providers until the end of May 2015; provider transition guidance from the RJCP to the CDP was published on the provider portal at the end of May 2015; and the Programme Management Framework was published in May 2015.

3. Administration of the Community Development Programme

Areas examined

This chapter examines the effectiveness and efficiency of the administration of the CDP; including payments, risk management and compliance arrangements.

Conclusion

PM&C has established appropriate governance, key program frameworks and guidance material to assist in the administration and delivery of the CDP. PM&C has also strengthened its approach to compliance and fraud prevention in light of identified program risks.

Areas for improvement

There would be scope for PM&C to provide greater guidance and transparency around ancillary payments to providers.

Has an appropriate governance framework been established with well-defined administrative policies, procedures and guidance in place?

PM&C has established appropriate governance frameworks and guidance material to assist the administration and delivery of the CDP. There are appropriate administrative arrangements in place between the relevant Australian Government entities responsible for delivering the CDP.

Community Development Programme frameworks and guidance

3.1 The administration and delivery of the Community Development Programme (CDP) was governed by a number of key program frameworks and guidance material, as outlined in Table 3.1.

Table 3.1: Community Development Programme frameworks and guidance

Framework or guidance material	Function
Funding Agreement including Remote Activity Conditions ^a	Outlined the agreed terms and conditions of the funding assistance to providers, including: roles and responsibilities; program activities; and performance information; and information specific to the delivery of remote services.
Programme Management Framework	Outlined the Department of Prime Minister and Cabinet's (PM&C's) approach to the management of compliance, performance and assurance under the Funding Agreement and all relevant guidelines, at both the program and provider level.
CDP Guidelines Handbook	Outlined program details to support the Funding Agreement and Remote Activity Conditions, for example, information on: services; payments; marketing and promotion; compliance; and performance.
Provider Performance Review guides	Outlined details on the Provider Performance Review process; the collection of performance information and determination of performance ratings against the key performance indicators.

Note a: Two Remote Activity Conditions (RACs) existed under the Funding Agreement: RAC1 outlined the categories of remote services and associated payments; and RAC2 outlined the Remote Youth Leadership and Development Corps, phased out from 1 July 2015.

Source: ANAO analysis of PM&C documentation.

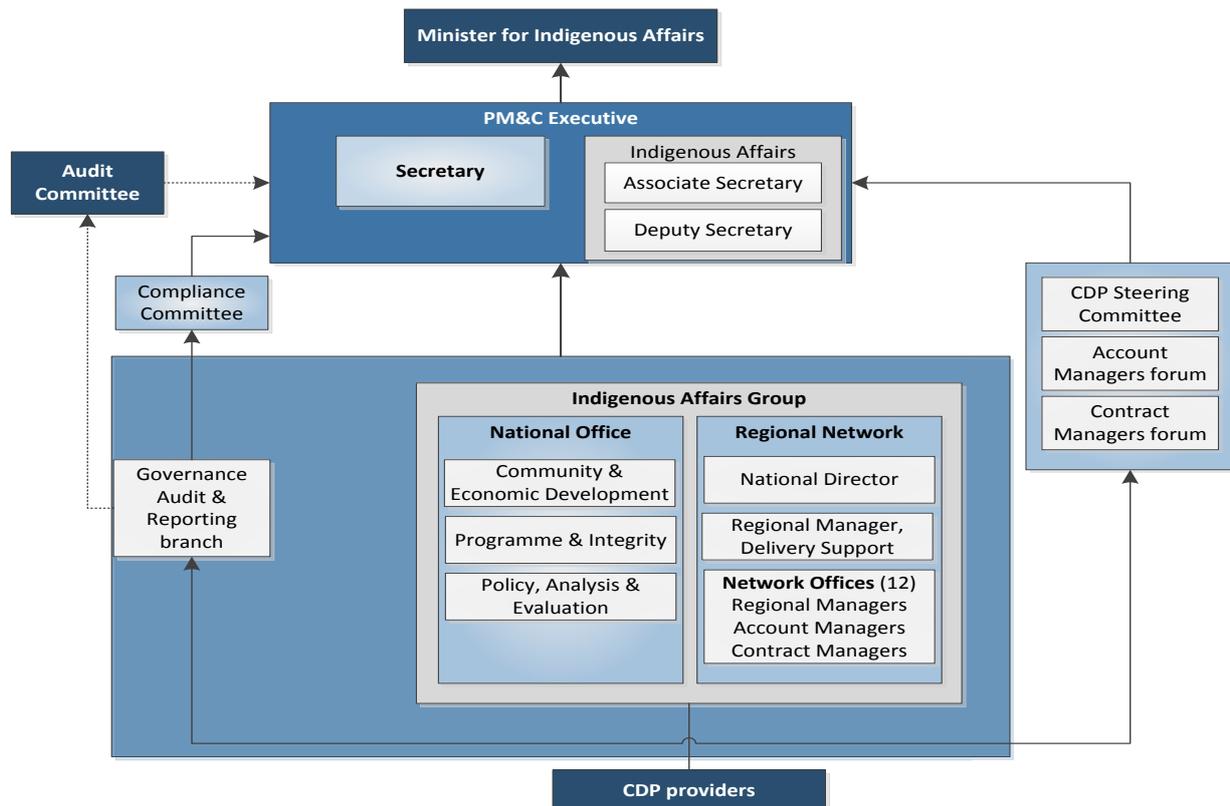
3.2 This guidance addressed important aspects of the delivery and administration of the CDP, and provided information relevant for PM&C staff and CDP providers. PM&C is currently updating the CDP Guidelines Handbook.

Governance arrangements

3.3 The CDP was managed within PM&C's Indigenous Affairs Group (IAG). While CDP policy and other high-level program management functions were managed within the IAG national office, responsibility for day-to-day operations, management of providers, and identification of emerging issues affecting the CDP, was dispersed across the IAG regional network.⁵² The overall structure of governance for the CDP, as at May 2017, is outlined in Figure 3.1.

52 Program management for the CDP in the Torres Strait was undertaken by the Torres Strait Regional Authority (TSRA), a Commonwealth entity, by agreement with PM&C.

Figure 3.1: Department of the Prime Minister and Cabinet’s internal governance structure for the Community Development Programme



Source: ANAO analysis of PM&C documentation.

3.4 PM&C’s governing committee structure for the CDP changed over the two years following the implementation of the CDP. From July 2015 to July 2016, early implementation oversight was primarily the responsibility of the CDP Implementation Steering Group⁵³, Remote Jobs and Communities Program (RJCP) Implementation Taskforce⁵⁴, and to a lesser extent, the Programme Board.

3.5 From July 2016, it was intended that the CDP Implementation Steering Group would take on a more strategic role. In addition, two supporting fora were established—the CDP Account Managers forum and the CDP Contract Managers⁵⁵ forum.⁵⁶ While these governance fora offered a useful vehicle for raising issues and progressing strategies for managing individual providers, strategic direction and decision making was not a focus. The CDP Implementation Steering Group had only met twice since amending its terms of reference in July 2016 and the only substantive

53 The CDP Implementation Steering Group focused heavily on monitoring provider performance and compliance.
 54 The taskforce convened weekly, making policy decisions on the CDP and setting direction for program monitoring.
 55 PM&C Contract Managers were responsible for managing the day to day supervision related to the providers delivery of the funding agreement, including providing direction and gathering the relevant information on the provider’s performance.
 56 TSRA staff also participated, as well as meeting regularly with national office staff in relation to provider performance.

outcomes were the endorsement of PM&C's Provider Performance Review (PPR) 2 outcomes in September 2016 and discussion of new budget announcements affecting the CDP in May 2017.

3.6 In addition, PM&C's governance framework did not provide sufficient links between the CDP programme area and PM&C's broader governance area, particularly in relation to management of fraud and serious non-compliance matters.

Cross-entity governance

3.7 Delivery of the CDP was supported by a Memoranda of Understanding (MOU) between each of PM&C, the Department of Employment (Employment) and the Department of Human Services (Human Services), as well as a cross-entity MoU management committee.

Is the Community Development Programme administered efficiently?

It is too early to assess whether the CDP is administered efficiently. The CDP is administered by entities at a higher unit cost than the RJCP and the broader jobactive employment services program.

3.8 As noted in Chapter 2, a key objective for the CDP was to broaden the availability and quality of structured activities for jobseekers. To support this objective, the Government agreed to an additional \$94.9 million in funding, in addition to funding previously allocated under the RJCP, to ensure providers were sufficiently resourced to deliver Work for the Dole activities in remote communities that were work-like.

3.9 The estimated unit cost (per jobseeker) of delivering employment services in CDP regions was around double the estimated cost for delivery under the RJCP, as shown in Table 3.2

Table 3.2: Comparison the Remote Jobs and Communities Program and the Community Development Programme estimated cost per jobseeker

Program	Total funding allocation (\$million)	Estimated total jobseeker caseload	Estimated cost per jobseeker (\$)
Remote Jobs and Communities Program	745.6 ^a	147 031 ^b	5 071
Community Development Programme	1603.4 ^c	152 799 ^d	10 494

Note a: As per the funding allocated, from 2012–13 to 2015–16, to the RJCP in the 2012–13 Budget Paper No.2.

Note b: ANAO estimated jobseeker caseload for the RJCP from 2012–13 to 2015–16.

Note c: As per the final agreed costings for the CDP with the Department of Finance (2014–15 to 2017–18).

Note d: ANAO estimated jobseeker caseload for the CDP from 2014–15 to 2017–18.

Source: ANAO analysis of PM&C data.

3.10 The ANAO calculated the estimated cost per jobseeker in the CDP (estimated 40 000 jobseeker caseload) in 2016–17 was around five times the estimated cost per jobseeker in jobactive (estimated 750 000 jobseeker caseload). These outcomes may partly reflect diseconomies of scale in sparsely populated areas as well as the inherent challenges associated with delivering services in remote locations.

3.11 The CDP formed part of the broader Indigenous Advancement Strategy (IAS) with CDP expenditure estimated to be around 29 per cent (\$1.4 billion in administered funds) of the IAS funding allocation (\$4.9 billion)⁵⁷ over four years to 2017–18.⁵⁸ CDP expenditure primarily funded Work for the Dole, employment outcome, ancillary and the Employer Incentive Fund payments to providers.

3.12 Provider payments varied based on the accuracy of their reporting, jobseeker attendance at Work for the Dole activities, employment outcomes and overall caseload. ANAO analysis showed that in 2016–17, provider payments ranged from \$2 950 to \$31 419 per jobseeker (see Appendix 3 for detail on the payments made to providers). Providers reported that the ratio of jobseekers to staff employed to deliver the CDP (including operational/compliance staff) varied from eight to 117 jobseekers, with an average of 28 jobseekers for each provider staff member.

3.13 For 2015–16, the ANAO analysis showed that PM&C had a budget underspend for the CDP of just over \$50 million, primarily due to fluctuations in the total number of jobseekers in the CDP and lower jobseeker attendance in Work for the Dole activities. Given this, there would be merit in PM&C reviewing the factors underpinning the wide variation in provider payments, and the resulting underspend, including on whether provider resources have been put to optimal use and whether there is scope to improve on the efficiency with which providers deliver the CDP.

3.14 At the time of the audit, the CDP had been implemented for around 24 months and the ANAO considered this period of time to be too short to assess broader efficiency, taking into account policy outcomes.

Departmental

3.15 PM&C advised the ANAO that PM&C's average staffing level (ASL) to administer the CDP was 106—comprising of 56 ASL in the regional network and 50 ASL in the national office. As noted at paragraph 1.15, the Department of Employment was allocated \$3.2 million in departmental funding for delivery of IT services. The Department of Human Services delivered its CDP functions from existing resources.

Are fit-for-purpose risk management plans in place?

PM&C has developed a fit-for-purpose risk management strategy to support the administration of the CDP. In late 2016, PM&C integrated its approach to risk management across the broader Indigenous Affairs Group grants program, which included the CDP. PM&C also established provider risk plans and assessments. However, some key program risks were either not identified in the program level risk plan, or were not fully addressed by mitigation strategies.

3.16 PM&C's entity-wide approach for managing risk and compliance was supplemented by specific measures to support the operation of the CDP, namely:

- a program level risk management plan (formally owned by the CDP Steering Group);

57 Department of the Prime Minister and Cabinet, Funding under the IAS, available at: <https://www.pmc.gov.au/indigenous-affairs/grants-and-funding/funding-under-ias>.

58 This estimate excludes funding to the departments of Employment, Human Services and Social Services for administration of their responsibilities.

- provider risk plans; and
- program fraud risk assessment (and corresponding specification of controls/treatments).

3.17 These mechanisms were supported by a centralised monitoring and compliance area which oversaw CDP provider compliance and performance.

Program level risk management plans

3.18 The CDP program level risk plan⁵⁹ was approved by the Programme Board in December 2015.⁶⁰ The risk plan included ten significant risks, including: fraud and other misappropriation of funds; gaps in support for providers; budget and ICT infrastructure constraints; data quality; and occupational health and safety risks to jobseekers.

3.19 Some of the specified controls and treatments did not fully address the identified risks. For example:

- (a) while individual risk profiles were prepared for each CDP provider, this did not always translate to increased monitoring or support for that provider;
- (b) the risk plan did not adequately account for functions being carried out by other entities—for example, the challenges for Human Services in re-engaging jobseekers located in remote areas; and
- (c) while PM&C prepared risk profiles for individual providers to inform monitoring and support requirements, the allocation of staff to oversee these risks was not aligned with the risk profiles but determined by Regional Managers in response to local community priorities; as well as the competing needs of other programs.

Provider risk

3.20 Provider Risk Plans were a core element of PM&C's risk framework. PM&C's Account Managers were responsible for preparing risk plans for each provider, and each region, which were typically updated every six months following the review of provider performance. The Provider Risk Plans were intended to reflect local monitoring results as well as performance and compliance information held by PM&C.

3.21 The 2016 Provider Risk Plans assessed providers against five risk categories. Table 3.3 outlines these risk categories and the overall results for 2016. While the typical assessed rating for providers across all categories was 'moderate', a significant proportion of providers were rated as presenting a 'high' or 'very high' risk against each category.

59 Although the CDP Steering Group only explicitly reviewed the risk plan once, it did indirectly monitor various risks and controls specified within the plan, particularly through its focus on provider performance.

60 Prior to this, risk was managed as part of the implementation governance arrangements, see paragraphs 2.31 to 2.33.

Table 3.3: Provider risk assessment and results, 2016^a

Risk category	Risk description	Most common rating for 2016 ^b	Proportion of providers assessed as 'high' or 'very high' risk
Fraud	The provider is vulnerable to intentional practices designed to appropriate funds or performance that is not warranted.	Moderate	20%
Financial viability	The provider is financially vulnerable and not capable of withstanding downturns in income, or other financial factors.	Moderate	37%
Service delivery and performance	The provider does not deliver activities and services effectively, including coverage, diversity, and meeting participants, community or employer demand.	Moderate	42%
Governance and compliance	The provider has an inadequate governance framework, strategic direction or operational proficiency. The provider is at risk of not complying with regulations and provisions of the CDP Funding Agreement including claims for payment and other financial and contractual compliance.	Moderate	10%
Relationships	Effective relationships are not developed and maintained with internal and external stakeholders which impact on outcomes and delivery of services.	Moderate	20%

Note a: As at May 2017, the results of the 2016 provider risk assessments were the most recent results available.

Note b: The available risk ratings were: low, minor, moderate, high and very high.

Source: PM&C guidance and ANAO analysis.

3.22 Assessments of provider financial viability, based on providers' annual financial statements, were undertaken by Employment on behalf of PM&C. All incoming providers underwent a financial viability assessment, with ongoing annual assessments for existing providers.

3.23 In late 2016, PM&C began work to ensure CDP provider risk assessments were fed through the broader IAG Grant Applicant Risk Profile (GARP) assessments conducted.⁶¹ GARPs considered provider delivery against other PM&C programs and funding agreements. This integration was particularly important given many CDP providers were also delivering other PM&C service delivery agreements by grant (for example, the Remote Schools and Attendance Strategy).

Program fraud risk

3.24 PM&C's Fraud Risk Plan for the CDP (in addition to the broader departmental Fraud Control Plan and Fraud Risk Register) specifically targeted the risk of providers claiming funding for services not delivered. Although the plan identified specific controls and treatment actions,

61 This was part of a broader program of work to integrate CDP-specific risk and compliance functions with the broader Indigenous Affairs Group risk and compliance functions, and PM&C's entity-wide risk and serious non-compliance functions.

PM&C's IAG carried out its non-compliance functions independently from PM&C's serious non-compliance and fraud teams. Integration between PM&C's CDP operations area and its fraud and serious non-compliance area is discussed further at 3.42.

Has a suitable compliance framework been implemented?

PM&C has developed a suitable compliance framework for both jobseekers and providers under the CDP. Given the inherent risks associated with issuing payments based on provider-reported data, PM&C has now strengthened its approach to identifying and pursuing suspected instances of non-compliance by providers.

Jobseeker compliance framework

3.25 The *Social Security Act 1991*⁶² requires jobseekers receiving activity-tested income support payments to satisfy mutual obligation requirements (MORs). The level and exact nature of a jobseeker's MORs vary according to their: income support type; age; work capacity; level of education completed; and carer responsibilities. Under the CDP, providers set activities through which jobseekers met their MORs.^{63 64}

3.26 The Job Seeker Compliance Framework (JSCF), administered by the Department of Employment⁶⁵, was intended to assist providers to quickly re-engage non-compliant jobseekers. Under the JSCF, providers were required to take compliance action and lodge compliance reports where a jobseeker failed to meet the MORs under the CDP.⁶⁶ The type of action taken depended on the nature of the jobseeker's non-compliance.⁶⁷

3.27 While providers were responsible for initiating compliance action, Human Services was responsible for administering the *Social Security Act 1991*, including any prescribed penalties.⁶⁸

62 Section 601: <<https://www.legislation.gov.au/Details/C2017C00234>>.

63 Examples of activities jobseeker could undertake to meet their MORs included: attend monthly appointments with CDP provider; undertake job search activities; 25 hours per week Work for the Dole; other suitable activities (for example, accredited courses, voluntary work).

64 Jobseekers eligible for employment assistance, but living outside of CDP regions, were serviced by the jobactive program (which is administered by the Department of Employment) or the Disability Employment Services program (which is administered by the Department of Social Services).

65 Department of Employment, Jobseeker Compliance Framework: Available at: <https://docs.employment.gov.au/system/files/doc/other/upcoming_job_seeker_compliance_framework_guideline.pdf>.

66 See Appendix 6 for information on the types of provider compliance reports.

67 Jobseeker MORs varied between the CDP and jobactive, with the CDP requiring greater participation in Work for the Dole and potentially affording more opportunity for jobseeker non-compliance. See Appendix 5 for more detail about the differences between the CDP and jobactive participation requirements in approved activities.

68 Suspended payments were paid back to jobseekers following re-engagement. However, financial penalties applied to income support were not paid back following re-engagement. In the first two quarters of 2016–17, jobseeker payments in CDP regions were, on average, suspended for 4.7 business days. In addition, the JSCF notes that 'Where any No Show No Pay Failure is applied, the jobseeker will lose a business day's income support payment for each day'. These failures relate to jobseekers not attending Work for the Dole activities they have agreed to in their job plans where they do not have a reasonable excuse.

Human Services' determination was in some cases informed by a Comprehensive Compliance Assessment which sought to identify any barriers to compliance for the jobseeker.⁶⁹

3.28 In 2015–16, around 146 700 financial penalties were applied to CDP jobseekers (with the majority of these penalties related to non-attendance at activities) compared to around 35 500 in the RJCP in 2014–15. This reflects that under the CDP, unlike the RJCP, providers were required to consistently enter jobseeker attendance data and, where required, initiate action under the JSCF. Provider payments were dependent on the accurate reporting of jobseeker attendance and re-engagement.

3.29 Moreover, based on a snapshot of Participation Reports in January 2017 for both jobactive and the CDP, 54 per cent of all non-compliance reports across the two programs that triggered Human Services' investigation and decision making process were CDP generated, despite the CDP comprising around 5 per cent of the jobactive caseload.

3.30 Providers centralised compliance teams in regional centres, engaged external contractors or used third-party organisations to assist with the compliance process due to reported complexity of the JSCF and the difficulty in employing local staff with relevant skills and experience.

CDP jobseeker and provider contact with Human Services

3.31 Jobseekers who received payment suspensions due to non-compliance were required to contact Human Services to discuss the reasons and arrange reconnection. Human Services indicated that jobseekers (and providers) calling from remote locations were given priority through the use of the Participation Solution Team (PST) phone number (1300 306 325). However, Human Services general enquiries phone number (132 850), referenced in the JSCF, was not prioritised by Human Services according to remote post codes.

3.32 Table 3.4 showed that the metrics related to PST phone call wait times were more favourable for jobseekers in remote regions. (These estimates were for all queries/income support payment type calls originating from remote locations, not just the CDP). However there has been a significant increase in the maximum call wait times for both remote and overall wait times from 2014–15 to 2016–17.

69 A comprehensive compliance assessment was undertaken by Human Services where jobseekers had continually missed activities and appointments. Human Services assessed any barriers to jobseekers meeting requirements. There was a potential serious failure penalty of no income support for eight weeks. Human Services could choose to waive the eight week penalty where jobseekers agreed to compliance activity for eight weeks.

Table 3.4: Comparison of performance metrics for overall and prioritised remote Centrelink Participation Solution Team telephone line, 2014–15 to 2016–17^a

Performance metric	2014–15		2015–16		2016–17 ^b	
	Overall	Remote	Overall	Remote	Overall	Remote
Answered Calls ^c (total number)	1 163 119	57 401	654 044	156 396	524 267	136 388
Average Answer Speed of Answer ^d (h:mm:ss)	9:38	05:18	15:06	10:23	30:51	15:55
Average Abandoned Time ^e (h:mm:ss)	6:53	6:15	19:21	16:14	23:04	16:01
Maximum Call Wait Times ^f (h:mm:ss)	1:32:40	59:00	2:46:37	1:58:49	3:38:57	2:44:40
Average Handle Time ^g (h:mm:ss)	08:20	12:25	10:45	15:15	12:50	14:04

Note a: Centrelink Participation Solution Team telephone line (1300 306 325) services both jobseekers and providers. Financial year results calculated based on monthly results provided to the ANAO by Human Services.

Note b: Year to date data, as at end of February 2017.

Note c: Number of calls answered by all Centrelink service officer after passing through the Interactive Voice Recognition (IVR) system and entering the queue.

Note d: Average time a caller spends in queue (after proceeding through the IVR system) before being answered by a Centrelink service officer.

Note e: Average time a caller spends in the queue (after proceeding through the IVR system) that abandons after entering a queue and prior to reaching an agent.

Note f: Maximum time a caller spent in queue before being answered by a Centrelink service officer.

Note g: Average time a Centrelink service officer spends handling an individual call.

Source: ANAO analysis of Human Services' data.

3.33 Wait times related to the CDP were being investigated by the Commonwealth Ombudsman. PM&C and Human Services noted that they '... are currently working on ensuring a better understanding of the range of issues that feed into call wait-times'.

3.34 Given the phone number for jobseeker enquiries (which includes CDP jobseekers) referenced in the JSCF (132 850) was not prioritised, there would be value in the Department of Employment updating the guidelines and providing further detail to differentiate the jobseeker enquiries number from the PST phone number (1300 306 325).

Jobseeker Compliance Framework policy change

3.35 In the 2017–18 Budget, the Government announced changes to the JSCF. The CDP was excluded from these changes due to: the potential impacts on CDP jobseekers; the need to redesign the provider payments and performance framework; and the requirement for additional funding. Following the 2017–18 Budget, PM&C advised the ANAO that they had commenced a consultation process with remote communities on a potential new employment and participation model for remote Australia, which it intends to bring forward in the second half of 2017.

Provider compliance framework

3.36 Under the CDP, provider payments and provider compliance were closely linked to the JSCF. The Funding Agreement requires providers to accurately record jobseeker attendance in the Activity Diary as well as manage jobseeker non-compliance in accordance with the JSCF.

3.37 Work for the Dole provider payments comprised, on average, more than 70 per cent of total provider income. PM&C's Programme Management Framework (PMF) sets out the assurance mechanisms applicable to assure the integrity of provider payments, including: routine monitoring compliance activities (for example, spot checks, regular liaison, and desktop monitoring); Provider Performance Reviews; Targeted Assurance Reviews; and Provider Risk Plans. In addition, the framework requires cases of potential fraud to be referred to PM&C's Governance, Audit and Reporting Branch in accordance with PM&C's Fraud Control Plan.

PM&C compliance activity

3.38 PM&C site visits and spot checks identified a number of instances where providers had overstated jobseeker attendance at Work for the Dole Activities. In addition, PM&C found that some activities had, at times, been unsupervised.

3.39 These outcomes were consistent with the ANAO's observations during fieldwork, which found: inconsistent reporting of voluntary jobseeker participation in Work for the Dole activities to meet mutual obligation requirements across regions⁷⁰; and inaccurate recording of attendance in Work for the Dole activities, including where timesheets were signed for an activity that was not delivered or where there was only partial jobseeker attendance in activities. In addition, some providers had no systematic approach to monitoring and reporting partial attendance.

3.40 From the commencement of the CDP to the end of 2016, PM&C compliance monitoring identified nine providers as having significantly misreported attendance, shown in Table 3.5. In 2016, nearly \$700 000 of CDP funds had been recovered as a result of PM&C investigations. Of the nine instances of serious provider misreporting of attendance, only three were referred by PM&C's CDP compliance area to PM&C's fraud team for assessment of whether a fraud investigation or serious non-compliance review was required.⁷¹

70 Once jobseekers agreed in their job plan to undertake Work for the Dole to fulfil their mutual obligation requirements, their non-attendance without a valid reason was required to be reported by the provider.

71 From 1 July 2016 to 3 May 2017, PM&C reported that they had addressed 59 provider compliance matters with a total of 18 compliance breaches covering 13 providers having been, or in the process of being, issued.

Table 3.5: Provider instances of misreporting: 2015 and 2016

Provider	Issue	Period
Provider A ^a	Allegations provider: inflated CDEP numbers with people in jail or deceased; kept funding intended to boost local employment;	2015
	staff fraudulently mis-appropriated RJCP PA funding that had been obtained for building works for RJCP activity.	2016
Provider B ^a	Over 70% of attendance records entered as Did Not Attend Valid (DNAV) in both regions.	2016
Provider C	No activities run and attendance reported as DNAV.	2016
	Site visit observed low attendance but 90% reported attendance.	2016
Provider D	Inaccurate reporting of WfD attendance.	2016
Provider E	Misreported non-attendance as valid.	2016
Provider F ^a	Allegations provider forged attendance signatures and misreported non-attendance as valid.	2016
Provider G	Inaccurate attendance of jobseeker attendance at WfD Activities.	2016
Provider H	While compliance action was being taken against jobseekers, provider incorrectly recorded jobseekers as DNAV.	2016
Provider I	Reporting attendance where activities were not running and for days jobseekers were not attending.	2016

Note a: Referred by PM&C's CDP compliance area to PM&C's fraud team.

Source: ANAO analysis of PM&C data.

3.41 Given the serious nature of the non-compliance and the fact that it generated overpayments to providers, consistent with the Commonwealth Fraud Control Framework (CFCF), the matters should have been promptly referred to PM&C's dedicated fraud team for initial assessment of whether, in their experience of applying the CFCF and investigating fraud, the matters required investigation as fraud, serious non-compliance or compliance.

3.42 In February 2017, the CDP compliance area within IAG began a more formalised approach to sharing information about identified instances of potential CDP non-compliance with PM&C's entity-wide Fraud and Serious Non-Compliance teams. Subsequently, a further five providers were referred to PM&C's fraud team.

3.43 During the course of this audit, PM&C also established a CDP Complaints, Compliance and Fraud Triage Committee (the Committee) and was developing an agreed protocol for the allocation and management of cases to the most relevant business area. In May 2017, the Committee agreed to commission an assurance review of CDP fraud and compliance.

3.44 A further mechanism to assure the integrity of the CDP was a Targeted Assurance Review (TAR). The TAR was intended to: deter providers from serious non-compliance; audit provider reporting of Work for the Dole attendance in detail; and identify potential ways to strengthen PM&C's provider compliance framework.

3.45 The TAR was intended to review three out of the 40 current CDP providers in 2016–17, with the providers selected to reflect geographic diversity and a mix of reporting results.⁷² The TAR methodology included analysis of provider-reported attendance and outcome data as well as site visits, activity observation and interviews with provider staff, jobseekers, employers and other stakeholders. The first of the TARs commenced in September 2016. As at June 2017, the TAR report had not been finalised; however, preliminary findings had identified issues including jobseeker activity attendance and compliance.

Are suitable arrangements in place with providers to support the administration of funding?

PM&C has implemented suitable arrangements to support the administration of provider funding under the CDP. There would be scope to adopt a more transparent and systematic approach to making ancillary payments.

Administration of payments

3.46 The jobseeker outcome-based provider payment model was implemented from January 2016⁷³, pursuant to the revised provider Funding Agreements. Outcome-based payments were linked to jobseekers' reported attendance in activities, providers' recorded actions following non-attendance (including, in some cases, compliance action) and jobseekers staying in jobs for 13 and then 26 weeks.

3.47 As outlined at Appendix 3, Basic Services, Work for the Dole service payments and employment outcomes payments were made monthly, in arrears, with:

- Basic Services Payments calculated according to the total number of the jobseeker caseload, excluding jobseekers in Work for the Dole activities, recorded in the CDP IT System;
- Work for the Dole service payments calculated on the basis of providers accurately reporting on all jobseeker attendance in Work for the Dole activities and re-engaging jobseekers who have an invalid reason not to attend their activities; and

72 The three providers selected had achieved a 'poor', 'average' and 'good' overall provider performance rating.

73 As part of the transition to the CDP, from July 2015 to December 2015, providers received monthly advance service payments based on their jobseeker caseload on the condition that: providers had met with the jobseeker and agreed a Job Plan; and if the jobseeker was suspended, suspension was for less than 14 days of that month. Service payments were calculated based on:

- Basic Services payment—paid for all basic participants (that is, those jobseekers which were outside the 18 to 49 age group, or aged 18 to 49 and were not in receipt of activity-tested income support) on the provider's caseload.
- Work for the Dole activity payments—paid on the assumption that 75 per cent of eligible jobseekers (that is, jobseekers between 18 to 49 who were in receipt of activity-tested income support) were attending Work for the Dole activities. These payments were supplemented where providers exceeded 75 per cent of their eligible caseload attending activities.

- Employment Outcome payments calculated on the basis of providers placing and supporting a jobseeker in employment for 13 weeks and 26 weeks.⁷⁴

3.48 Basic Services, Work for the Dole and Employment Outcome payments were automated and calculated daily in the CDP IT system based on information entered by providers and/or information from the Human Services system regarding a jobseeker's obligation requirements.⁷⁵

3.49 Some providers noted that, initially, there was a lack of clarity from PM&C on how the monthly service payments were calculated, and they were unable to reconcile the payments received with their own corresponding data extractions. PM&C has since improved its advice to providers on the calculations of providers' monthly service payments.

3.50 The Employer Incentive Fund payment was an employment incentive payment manually claimed by providers from PM&C, with the requirement that providers pay the equivalent amount to the employer of a CDP jobseeker who had achieved a 26 week employment outcome.⁷⁶

3.51 CDP providers were required to have sufficient documentary evidence to prove that services had been delivered in accordance with the Funding Agreement when making a claim for payments and reimbursements.

Ancillary payments

3.52 The Funding Agreement for the CDP includes provision for ancillary payments to be made to providers.⁷⁷ As at May 2017, there was no published guidance for providers (or PM&C) to indicate the potential purpose(s) or potential amounts of ancillary payments. PM&C advised the ANAO that the Department is currently finalising internal guidance on ancillary payments.

3.53 Towards the end of 2015–16, PM&C facilitated a process for making \$5.5 million in ancillary payments available to selected providers to enable them to run projects that would improve the delivery of the CDP.⁷⁸ The ancillary payments (known as 'provider performance payments') of \$250 000 were made to 22 CDP providers who were allocated a 'good' rating in PM&C's Provider Performance Review (PPR) 1 process. The expenditure was consistent with PM&C's Indigenous Advancement Strategy grant guidelines.

3.54 PM&C approved 13 provider-proposed projects before releasing payment to the providers. A further 49 projects were approved after payment had been made to the provider and in some cases PM&C provided detailed advice to providers on reframing their project proposals.

74 Basic and Work for the Dole payments were not made where: a Job Plan was not signed; jobseekers were not allocated to appropriate activities to meet their MORs; providers did not record jobseeker attendance at Work for the Dole activities in the Activity Diary; or jobseekers did not attend Work for the Dole activities as required, with no valid reason and the provider took no formal compliance action or initiated compliance action but the jobseekers did not re-attend Work for the Dole activities within 14 days.

75 See Appendix 3 for calculation of provider payments.

76 There was no time limit to claim, however providers that received Employer Incentive Funding were required to:

- pay an equivalent amount to the Employer, within 10 business days of the funding being received; and
- ensure an employer is only paid once for each jobseeker.

77 Remote Area Conditions (RAC 1), clause 49 states that PM&C may make discretionary payments (Ancillary Payments) to providers subject to providers satisfying any terms and conditions which are notified to providers and meeting any requirements specified in the Guidelines.

78 See Appendix 7 for timeline of the provision of the 2016–17 Ancillary Payments.

Although PM&C approved and made the provider performance payments in advance of approving some individual projects, the main criteria against which approved projects were assessed was determined ahead of payments being made and PM&C retained the right to recover money from the provider. The timing, accordingly, while not ideal, did not present a legislative or policy breach.

3.55 The majority of the projects were due to be completed and acquitted in June or July 2017. At the time of audit fieldwork⁷⁹, only one provider had reached the completion date for projects and acquitted the relevant portion of funding.

3.56 PM&C's underspend of its budget (noted at paragraph 3.13) appeared to have been a factor in PM&C's decision to offer the provider pre-payments.⁸⁰

3.57 In May 2017 PM&C announced ancillary funding of up to \$150 000 to all providers for each of their regions to develop and implement a strategy to address the disengagement of youth. PM&C progressively sent letters of offer to low-risk providers who were required to sign and return acceptance of the offer by 29 May 2017.⁸¹ As at 6 June 2017, 15 providers had formally accepted the offer and received payments in respect of 23 CDP regions.⁸²

Is the Community Development Programme informed by ongoing consultation with key stakeholders, including with state/territory governments?

PM&C consults with key stakeholders on potential changes to the CDP. The level of engagement between CDP providers, and employers and communities, varied across the 60 regions in which the CDP was implemented.

The Department of the Prime Minister and Cabinet

3.58 PM&C implemented a Communications Strategy in October 2016, with the goal of promoting the benefits and providing accurate information on the CDP and embedding consultation into the delivery of the CDP.⁸³ PM&C's primary form of ongoing consultation with CDP providers was through regular Provider Business Meetings. Operational engagement between the jurisdictions was devolved to its regional network.

79 As at April 2017.

80 Within the CDP risk plan, PM&C had anticipated the risk of the CDP budget being under- or over-spent. The risk plan noted that an underspend would present a reputational risk that the CDP was not delivering outcomes as intended and accordingly the treatment specified, should this risk emerge, PM&C was to reinvest any underspend in the CDP through provider performance payments. The department did not reflect this intent in its approval documentation.

81 Higher risk providers were required to submit a proposal including an implementation plan prior to finalising the letter of offer.

82 Unlike the ancillary payments at the end of 2015–16, payments for the CDP Youth engagement strategy were available per region, rather than per provider. Accordingly, providers servicing multiple regions were able to receive multiple payments.

83 PM&C advised the ANAO that in December 2016 a team within PM&C was established to ensure that communications and engagement with stakeholders remained a priority.

3.59 PM&C consulted with key stakeholders on potential changes to the CDP. In response to the introduction of the *Social Security Legislation Amendment (Community Development Program) Bill 2015*⁸⁴, PM&C undertook significant consultation with remote communities, complemented by an Advisory Forum formed in April 2016 (comprised of 10 existing CDP providers). Following the announcement of changes to the jobseeker compliance framework, PM&C initiated consultations with the relevant communities.

Providers

3.60 Providers were required to engage with their relevant communities and employers, and were assessed against this in the Provider Performance Reviews. Provider engagement with employers varied between the CDP regions. Providers noted they used a range of approaches to consult with employers, including the continued use of Workforce Development Strategies⁸⁵ as providers considered them useful to facilitate engagement with employers.

3.61 Similarly, provider consultation with communities varied between CDP regions. Stakeholders noted that there was no mechanism, for communities and councils, to provide input into the CDP. PM&C advised the ANAO that it is developing a detailed consultation plan for all stakeholders, as part of consultation on a potential new employment and participation model for remote Australia.

84 On the 2 December 2015, the *Social Security Legislation Amendment (Community Development Program) Bill 2015* (the Bill) was introduced to Parliament. The purpose of the Bill was to create 'greater incentives for activity-tested income support recipients in remote communities within selected regions to engage with activity requirements, and find and remain in paid work'. The Bill lapsed at the dissolution of Parliament in May 2016.

85 Workforce Development Strategies were required under the RJCP but not required under the CDP.

4. Monitoring and reporting on Community Development Programme performance and outcomes

This chapter examines the performance monitoring, reporting and evaluation of the Community Development Programme.

Conclusion

PM&C has established transparent performance monitoring and reporting arrangements for CDP providers. These performance indicators are measurable and linked to the CDP's policy objectives, and have shown improvements in terms of 13 and 26 week employment outcomes; as well as aggregate hours of attendance by participants.

PM&C established complementary policies—the Employer Incentive Fund and the Indigenous Enterprise Development fund—aimed at addressing gaps in regional labour markets. However, these programs were significantly undersubscribed. In addition, there is scope to improve the targeting of funding to remote areas by monitoring the number of businesses created to better integrate the CDP Funding Arrangements with related policies.

PM&C has developed and implemented a program evaluation strategy for the CDP; however the timing of the review was not aligned to the Government's consideration of further funding in the 2017–18 Budget.

Has an effective performance framework for providers been established?

PM&C has established transparent and effective arrangements for measuring the performance of the CDP. Appropriate tailored approaches have been developed to suit delivery across the regional network.

4.1 The key mechanisms through which the Department of the Prime Minister and Cabinet (PM&C) sets performance targets and collects data to support performance monitoring of the CDP include: the Programme Management Framework (PMF); the provider Funding Agreement and related Remote Activity Conditions (RAC) 1; and the CDP provider performance review guides.

4.2 The PM&C regional network offices were responsible for assessing the performance of providers against a list of Key Performance Indicators, which were weighted to reflect their relative importance. These Provider Performance Reviews were moderated by PM&C's national office.

4.3 Providers that received a rating of 'needs to improve' or 'unsatisfactory' would undergo a performance management process and would need to comply with a performance improvement plan and/or be issued with a Show Cause or Breach Notice.⁸⁶ PM&C would then outline corrective actions to be taken by the provider and assess progress each month in the lead up to the next PPR.

86 A Show Cause Notice gives the provider an opportunity to demonstrate why corrective action should not be taken in respect of a breach. A Breach Notice outlines that a breach has occurred and what corrective actions PM&C will take (if any) in respect of the breach.

Key Performance Indicators

4.4 The Minister for Indigenous Affairs (Minister) agreed, on 20 May 2015, to three measurable Key Performance Indicators (KPIs) proposed by PM&C. The KPIs covered 14 targets as shown at Table 4.1.

Table 4.1: The Department of the Prime Minister and Cabinet provider Key Performance Indicators

Key Performance Indicators	Performance targets
KPI 1: Delivery of Services in accordance with the Funding Agreement	100 per cent of Eligible Job Seekers have been provided with monthly contact which complies with Clauses 6, 7, and 8 of RAC 1.
	100 per cent of all Eligible Job Seekers have an individualised Job Plan that complies with the requirements set out in the CDP Funding Agreement.
	In each six month period, at least 15 per cent of Eligible Job Seekers identified as requiring a driver's licence in their Job Plan sit for a driver's licence assessment.
	100 per cent of Eligible Job Seekers identified as requiring literacy, language or numeracy training received such training.
KPI 2: Availability, attendance and appropriateness of activities for Work for the Dole Jobseekers	100 per cent of Eligible Job Seekers placed in employment are provided with quality Post-placement Support in accordance with RAC 1.
	Eligible Job Seekers were supported to apply for vacancies and Paid Work Assignments.
	Provider has managed customer feedback in line with the CDP Funding Agreement and Guidelines and has improved practices in response to complaints.
	All Eligible Job Seeker non-attendance is handled swiftly and appropriately in accordance with Guidelines and the CDP Funding Agreement.
KPI 3: Achievement of the Regional Employment Target	Providers comply with operational, financial and record-keeping requirements outlined in the CDP Funding Agreement and Guidelines.
	100 per cent of Work for the Dole Jobseekers have been placed in one or more activities, sufficient to meet their participation requirement.
	100 per cent attendance required of all Work for the Dole Jobseekers in activities (in line with their mutual obligation requirements).
	100 per cent of activities are appropriate to Work for the Dole Jobseekers, local labour market, and the community.
KPI 3: Achievement of the Regional Employment Target	The provider has made significant efforts to broker and place Work for the Dole Jobseekers in quality hosted placements with local employers.
	100 per cent of the Regional Employment Target is met.

Source: PM&C Programme Management Framework.

4.5 While some of the targets were qualitative in nature, most of the targets were relevant and reliable, and provided a complete picture of each provider's performance.^{87 88}

4.6 PM&C subsequently reviewed the KPIs to reduce the number of targets (from 14 to 9) and to consolidate some targets into a single qualitative measure.

Are the Programme's achievements regularly and reliably monitored and reported?

PM&C regularly monitors and reports to its Minister on provider performance. While the basis of performance assessment and reporting is set out in provider agreements, there would be scope for greater transparency on the calculation of the Regional Employment Targets.

PM&C administers the Employer Incentive Fund to stimulate employment; however, only a small proportion of eligible employers have received the incentive payment. Similarly, there was minimal use of the Indigenous Enterprise Development funds to support the establishment of Indigenous business in CDP regions, resulting in a substantial underspend of allocated funding.

4.7 PM&C regularly monitored provider performance against the KPIs and targets through their rolling six monthly Provider Performance Reviews (PPRs). As at June 2017, three PPRs had been finalised. Table 4.2 shows provider performance outcomes for the three PPRs assessed as at June 2017.

Table 4.2: Provider Performance Review outcomes

Provider Performance Review period	Proportion of providers who received rating (%)			
	Unsatisfactory	Needs to improve	Good	Excellent
Overall provider performance rating				
PPR 1 Weights (%): KPI 1: 30, KPI 2: 35, KPI 3: 35	3	37	60	0
PPR 2 Weights (%): KPI 1: 30, KPI 2: 35, KPI 3: 35	8	48	44	0
PPR 3 Weights (%): KPI 1: 20, KPI 2: 45, KPI 3: 35	10	18	69	0

Note a: Percentages for PPR 3 will not add up to 100 per cent due to non-assessment related to a change in providers.

Source: ANAO Analysis of PM&C data.

4.8 Over the 21 month review period, the performance of providers initially declined after PPR 1, but performance ratings have since improved from PPR 2 to PPR 3.

87 ANAO Analysis.

88 ANAO Audit Report No. 21 2013–14, *Pilot Project to Audit Key Performance Indicators*, p. 41.

The Regional Employment Target

4.9 Providers were assessed against KPI 3—‘100 per cent of their regional employment target (RET) is met’, noted in Table 4.1. The RET measured the number of jobseekers that reached a 26 week employment outcome in each region within a PPR period.

4.10 As shown in Table 4.2, a significant proportion of the provider’s performance assessment rating (35 per cent) was based on KPI 3. PM&C were required to inform providers of their RET six months prior to their provider performance review. Table 4.3 shows how the RET was assessed for PPR 1, PPR 2 and PPR 3.

Table 4.3: Assessment of the Regional Employment Target

PPR 1	PPR 2	PPR 3
Assessment determined by:		
<ul style="list-style-type: none"> number of job placements providers achieved; <p>Baseline: the number of placement outcomes achieved under the Remote Jobs and Communities Program adjusted for:</p> <ul style="list-style-type: none"> an improvement dividend; calculated according to the average standard deviation of historical outcomes under the RJCP. 	<ul style="list-style-type: none"> number of 26 week job outcomes providers achieved; <p>Baseline: the PPR1 target, adjusted for:</p> <ul style="list-style-type: none"> changes to the labour market conditions (Australian Bureau of Statistics (ABS) data) in the second half of 2015; outcome of consultation with the regional network on local labour market conditions and other factors;^a provider requests for RET reductions. 	<ul style="list-style-type: none"> number of 26 week job outcomes providers achieved; <p>Baseline: the PPR 2 target was adjusted:</p> <ul style="list-style-type: none"> and prorated by 50% to reflect the length of the review period; by provider requests for RET reductions. Reassessments were based on a PM&C review of ABS data, Department of Employment Small Area Labour Market, and advice from local network staff. PM&C did not increase the RET based on labour market data, only decreased the target.

Note a: This included characteristics in the region such as: current and future labour market opportunities; seasonality in the labour market; jobseeker disadvantage; concentration of jobseekers in the region; discreteness of region and opportunities for mobility; and the previous performance of providers in each region.

Source: PM&C advice.

4.11 The ANAO compared the RET outcomes for PPR 1, PPR 2 and PPR 3, shown in Table 4.4.

Table 4.4: Regional Employment Target outcomes

Provider Performance Review (PPR) period	Proportion of providers who received rating (%)			
	Excellent	Good	Needs to improve	Unsatisfactory
PPR 1 ^a	90	5	5	0
PPR 2 ^b	41	11	20	26
PPR 3 ^b	69	5	11	11

Note a: Training outcomes were not assessed in PPR 1.

Note b: Percentages for the PPR 2 RET and PPR 3 RET will not add to 100 per cent due to non-assessment related to a change in providers.

Source: ANAO analysis.

4.12 There was a decline in performance ratings across some categories of RET outcomes from PPR 1 to PPR 2, however, as illustrated in Table 4.3, the methodology for calculating the RET in the first six months of the CDP reflected that PPR 1 was the first assessment period and a ‘... lower bar’ was set. The RET performance outcome of providers from PPR 2 to PPR 3 showed an overall improvement.

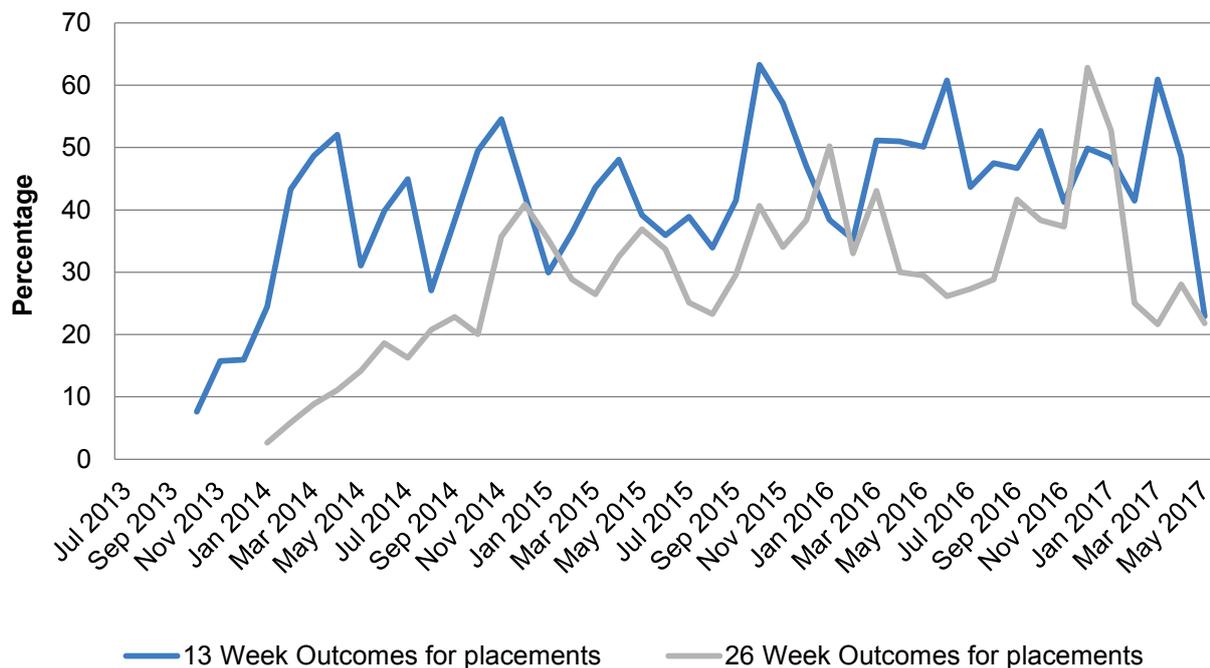
4.13 Providers, in feedback to the ANAO, were concerned with the RET, noting that if they did not meet the RET then it was impossible to receive an overall good rating due to the RET weighting and that they were unclear on how the RET was calculated.

4.14 In response to provider concerns regarding the RET, the Minister agreed on 19 March 2017 to procure a consultant to undertake a review of the methodology used to calculate the RET and ‘... build a forecasting tool to better evaluate employment outcomes and set employment targets’. The review of the RET is expected to be finalised by PM&C by 30 September 2017.

Employment outcomes

4.15 PM&C made jobseeker employment outcome payments to providers based on the number of jobseekers who remained continuously employed for either 13 or 26 weeks. These employment outcomes relative to the number of employment placements facilitated by providers are shown at Figure 4.1.

Figure 4.1: 13 and 26 week employment outcomes as a proportion of job placements, July 2013 to May 2017^a



Note a: This period spans the implementation of the Remote Jobs and Communities Program and the Community Development Programme.

Source: ANAO analysis of PM&C data.

4.16 ANAO analysis⁸⁹ showed that outcomes had improved marginally. The proportion of 13 week employment outcomes, relative to jobseeker placements under the RJCP, averaged 41 per cent per month (254 jobseekers) compared to 47 per cent per month (311 jobseekers) for the CDP. There were 26 per cent of jobseeker placements, on average per month, that resulted in a 26 week employment outcome for the RJCP (179 jobseekers) compared to 34 per cent for the CDP (230 jobseekers).

4.17 Table 4.5 also shows that for 2015–16 and 2016–17, there were proportionally more outcomes than what PM&C forecast when costing the implementation of the CDP.

Table 4.5: Comparison of forecast and actual 13 and 26 week employment outcomes, 2016–17 and 2017–18

Year	13 week outcomes forecast	26 week outcomes forecast	13 week outcomes actual	26 week outcomes actual
2016–17	3 614	2 425	3 658	2 766
2017–18	3 881	2 605	4 101	2 804

Source: PM&C data.

Provider monitoring and reporting

Participation in Work for the Dole activities

4.18 Providers were assessed on the extent to which they placed Work for the Dole jobseekers in appropriate work-like activities; and their monitoring and reporting on jobseeker attendance. PM&C Account Managers assessed the appropriateness of Work for the Dole ‘work like’ activities according to the regions for which they were responsible⁹⁰, including having regard ‘to local labour market needs’.⁹¹

4.19 The ANAO observed that most activities were held between the hours of 08:00 and 13:00, although some activities, such as the Community Night Patrol, were held outside of these hours. Concerns were raised by providers about the inflexibility of the hours that activities were approved to be run by some PM&C Account Managers and that the approved hours did not take into account a more modern, flexible approach to work. Some providers noted they were not able to provide facilities for doing activities appropriate to culture or seasonal factors. Reasons noted included the limited stock of available infrastructure in the community and cost.

4.20 At the end of October 2016 and May 2017, the proportion of jobseekers required to participate in Work for the Dole activities was consistent at around 53 per cent.

89 The first three months of employment outcomes were not included in the ANAO analysis to remove any inconsistencies (for instance, in reporting) while the RJCP was initially implemented and bedded down.

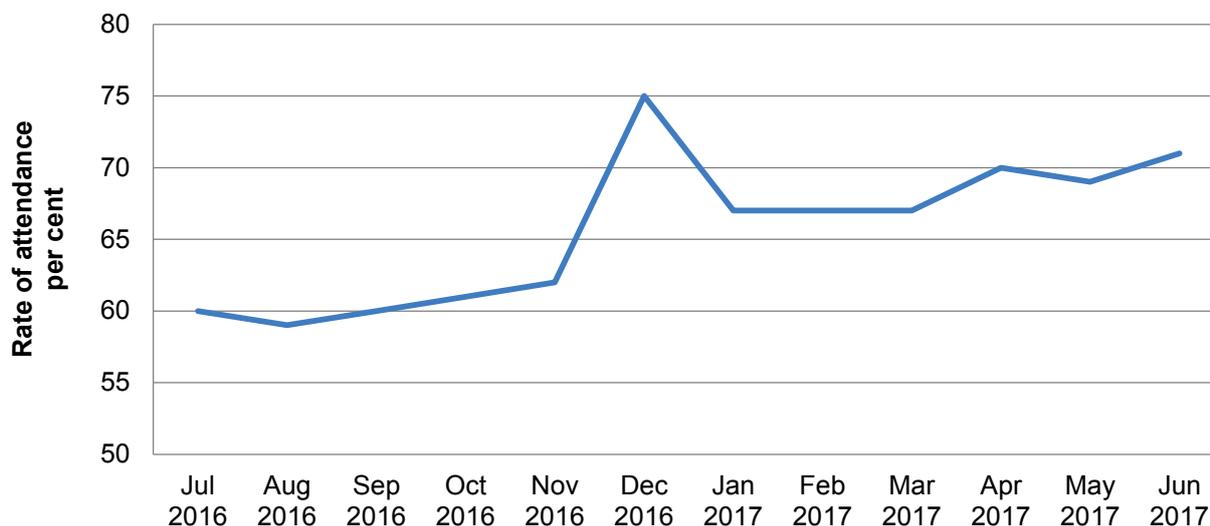
90 This was based on PM&C’s assessment of whether the activities: were ‘...needed, wanted and valued by the community’; did not contribute to social dysfunction; built skills and increased job-readiness; where training was the activity, was aligned to local labour market needs or needed for participation in another activity; and was appropriate for jobseekers with disabilities or reduced capacity and they were supported appropriately.

91 Jobseeker activities could include working in income generating cafés, opportunity shops and furniture making where, in some cases, jobseekers were able to share some of the profits made. PM&C advised the ANAO that there were four businesses created in two regions from income generating Work for the Dole activities or around 6 per cent of the 34 regions where data was available.

Monthly jobseeker engagement rate

4.21 PM&C calculated the monthly jobseeker engagement rate⁹² based on the total number of hours attended in Work for the Dole activities by all jobseekers, as a proportion of the total hours required under agreed job plans.^{93 94} Figure 4.2 shows that the engagement rate of jobseekers had improved since the start of the CDP, to just over 70 per cent as at June 2017.⁹⁵

Figure 4.2: Jobseeker engagement rate in Work for the Dole activities, 2016–17



Source: ANAO analysis of PM&C data.

Hosted placements

4.22 As noted at paragraph 2.14, hosted placements were implemented but with guidelines in place to reduce the risk of worker displacement and to ensure that the work experience gained by jobseekers led to 'real' jobs.

4.23 Provider performance assessments included the KPI around provider efforts to broker hosted placements. As at 5 October 2016, hosted placements accounted for only four per cent of the total Work for the Dole jobseeker cohort compared to the 16 per cent that was forecast to be in hosted placements when the CDP commenced. There is limited evidence to suggest that providers had been active in facilitating hosted placement agreements with employers, despite there being evidence that some employers who had never been involved in hosting a jobseeker seeing the placements as potentially valuable.

92 The engagement rate includes both jobseeker attendance in activities and instances of non-attendance where the provider has determined the job seeker has a valid reason. Required hours are measured against hours agreed in the job plan, or, in absence of a job plan, against the required hours based on the job seeker's circumstances (e.g. age, rate and type of income support).

93 PM&C did not report on the overall jobseeker participation rate in Work for the Dole activities according to the number of jobseekers who attended the required hours outlined in their job plan.

94 This included jobseekers that had a valid reason not to attend.

95 The spike in the data series in December 2016 reflects seasonal factors related to allowable time off from Work for the Dole.

4.24 Some providers noted there was a lack of financial incentive to facilitate hosted placements (PM&C recommended that providers share 50 per cent of the Work for the Dole payment they receive with host employers) and providers were concerned that the jobseeker hosted placements would risk being assessed as displacing workers in paid employment positions. There is evidence to suggest that the risk of displacement is high, with around 24 per cent of placements lasting six months or longer with some hosted placements lasting over 18 months.

Employer Incentive Fund

4.25 PM&C administered the Employer Incentive Fund (EIF) payments, which were paid to providers to assist them to stimulate job creation, increase demand for employment of eligible jobseekers, strengthen provider relationship with employers, and increase eligible jobseekers' chances of achieving employment outcomes. Providers were eligible for payments where they had placed a jobseeker with a single employer for 26 weeks, subject to allowable breaks. Providers had to manually claim for this payment (\$7500 for full-time and \$3750 for part-time outcome) and then forward the payment to the employer of the CDP jobseeker.

4.26 For the period from January to April 2016, there were 183 payments totalling around \$1 million claimed by providers and paid to eligible employers. Around 20 per cent of all eligible employers received the payment. Since this initial analysis, undertaken in June 2016, PM&C had done no further analysis of this data. While PM&C had recorded EIF payments claimed by providers under the CDP, it had not tracked whether providers had paid the corresponding amount to employers, as required.

4.27 PM&C had commenced development work in early 2017 to improve their ability to monitor when EIF claims were outstanding for 26 week outcomes and further enhancements were under consideration such as ways to better automate the process.

Indigenous Enterprise Development

4.28 As noted at paragraphs 2.16 and 2.17, the Indigenous Enterprise Development Fund (IED) aimed to facilitate the establishment of new Indigenous business. The IED fund was '... launched' later than expected in September 2015 and the associated funding round closed on 20 May 2016. Grant and loan packages, totalling around \$8.8 million as at 31 March 2017 were provided to support Indigenous businesses.⁹⁶ However, this amount included \$4.5 million secured through commercial loans for seven Indigenous businesses.

4.29 The total amount of IED funding expended (out of a total pool of \$99.0 million over four years from 2014–15 to 2017–18) was around \$4.1 million as at 31 March 2017. This amount included \$2.8 million for support packages approved or where negotiations were ongoing to secure partial private financing and \$1.3 million was grant funding approved in 2015–16 but not provided until 2016–17.

4.30 Although this funding was designed to underpin the CDP, only 46 per cent of total IED funds expended up to 31 March 2017 had been provided to enterprises in CDP regions, with

96 PM&C advised that grant funding to seven Indigenous businesses totalled \$1.3 million, commercial loans for seven Indigenous businesses totalled \$4.5 million and support packages for seven Indigenous businesses totalled \$3 million.

33 per cent of total funds directed to non-remote areas.⁹⁷ In addition, out of 59 Indigenous businesses referred to business support services for assistance in developing their business proposals, only nine were in CDP regions. Moreover, none of the businesses who received IED funding hosted CDP jobseekers.

4.31 PM&C did not measure the total number of businesses created as a result of the IED fund. The Government had since announced the establishment of the Indigenous Entrepreneurs Fund, built on the lessons learnt from the IED.⁹⁸

Complaints and feedback monitoring

4.32 Jobseekers were able to lodge complaints about the CDP through the Department of Employment's National Customer Service Line, Human Services social media complaints channel and Customer Feedback Tool and the provider complaints facility.

4.33 However, PM&C did not have a formal arrangement in place with Human Services to receive complaints relating to the CDP. PM&C noted that all complaints made by jobseekers to Human Services about the CDP were channelled through the Department of Employment (Employment) National Customer Service Line (NCSL). Arrangements for this service were detailed in the Memorandum of Understanding between Employment and PM&C regarding the provision of Employment Systems and Services. Employment received \$15 515 per annum for administering the 'tip off' service.

4.34 From 1 July 2015 to 30 April 2017 there were 1690 calls to the NCSL on the CDP, of which 389 were defined as complaints. The number of complaints over this period increased slightly. On average, there were 77 calls to the NCSL line every month, 0.23 per cent of the average CDP caseload.

4.35 Providers were to establish and publicise details of their customer feedback and complaints process and keep a detailed Customer Feedback Register. Providers were required to consider feedback and investigate complaints promptly and 'appropriately' and be transparent in the investigation and in the communication of an outcome. Providers were expected to refer any unresolved issues to the NCSL for consideration and resolution, initially by Employment as discussed in paragraph 4.33.

4.36 Feedback to the ANAO indicated that language barriers in remote communities impeded jobseekers' ability to understand and interact with the complaints and feedback process. The extent of feedback and complaints through both feedback channels was reported to be minimal. PM&C has not examined the reasons behind the low level of feedback or complaints.

97 Broome is not part of the CDP but is considered remote.

98 The Government redirected \$23.1 million in 2016–17 from Indigenous Business Australia to the Department of the Prime Minister and Cabinet to ensure the continuity of business support and capability development services to Indigenous entrepreneurs in 2016–17. Services were to include business planning and advice, and workshops and training for Indigenous entrepreneurs who wish to take advantage of opportunities to start up, acquire or grow a business. Available at: <http://www.budget.gov.au/2016-17/content/bp2/html/bp2_expense-20.htm>.

PM&C reporting to the Minister for Indigenous Affairs

4.37 PM&C provided the Minister with information on Indigenous programs including the CDP through the Minister's Monthly Dashboard report. PM&C also regularly briefed its Minister, including on provider performance indicators and reviews, risks to provider performance and their funding agreements, jobseeker compliance, employment outcomes, new policy proposals and other issues as they arose.

Have the Community Development Programme outcomes been evaluated?

PM&C's evaluation strategy was developed late, some seven months after the CDP commenced and an overview of the evaluation strategy was not agreed by the Minister for Indigenous Affairs until 7 April 2016. This reduced the scope to collect data that was capable of informing an evaluation of the CDP's impacts. The evaluation strategy was not peer reviewed by a reference group. Evaluation strategy milestones were not consistent with Government timeframes for considering ongoing funding of the CDP.

4.38 The Government committed \$1.3 million over three years from 2015–16 towards the costs of monitoring and evaluating the CDP. The Minister was required to return to Government in late 2016 with an evidence-based submission to secure further funding for the continuation of the CDP.

4.39 A working draft of a two-page evaluation strategy overview was developed more than five months after the commencement of the CDP in December 2015 to underpin the evaluation of the CDP. A comprehensive evaluation strategy was late in development, with the first draft that included detail on methodology and timelines developed seven months after the commencement of the CDP, reducing the scope to identify and collect baseline data to more accurately measure the impact of the CDP.^{99 100}

4.40 The Minister agreed on 7 April 2016 to PM&C advice on the proposed evaluation strategy overview and '... expenditure of up to \$1.35 million (including GST) over three financial years to 2017–18, predominantly to engage one or more Indigenous research organisations'.

4.41 PM&C engaged consultants to conduct community case studies in eight remote communities through interviews and qualitative surveys, and to undertake qualitative analysis and a literature review in conjunction with reviewing the CDP program logic¹⁰¹ developed by PM&C.

99 ANAO, Better Practice Guide, 'Public Sector Governance: Strengthening Performance Through Good Governance', June 2014.

100 Australian Public Service Commission. Challenges of evidence-based policy-making, Gary Banks AO: Commissioners foreword. Available at: <<http://www.apsc.gov.au/publications-and-media/archive/publications-archive/evidence-based-policy>>.

101 A tool that can help in establishing an understanding of how an entity's purpose is achieved through one or more activities. It is typically a visual representation of the causal connection between critical elements such as needs, inputs, processes, outputs and outcomes. The Department of Finance, *Resource Management Guide No.131: Developing good performance information*, April 2015. Available from: <<http://www.finance.gov.au/sites/default/files/RMG%20131%20Developing%20good%20performance%20information.pdf>>.

Further evaluation work proposed included quantitative analysis by PM&C using administrative data.

4.42 To date, a preliminary qualitative evaluation report on two community case studies has been developed, with initial findings showing reduced jobseeker engagement and some activities not being work-like. In addition, an internal PM&C CDP analysis paper on early trends was drafted with findings that showed:

- a decreasing number of jobseekers (activity tested) in the CDP region (concentrated among Indigenous people, particularly Indigenous men aged 18 to 30) which was not fully explained by an increase in job placements or movement of activity tested income support recipients to non-CDP regions;
- an increase in the proportion of participants placed in work-like activities from 40 per cent of participants in June 2015 to approximately 70 per cent in June 2016, with the increase qualified as some of the change may have been due to an increase in the number of activities that were being recorded as Work for the Dole;
- the proportion of participants placed in at least one job was almost unchanged but there was a small increase in the total number of job placements (mostly casual jobs), particularly Indigenous jobseekers;
- a minor increase in 13 and 26 week outcomes but with an increase in exits from income support which could not be fully explained by employment outcomes; and
- disengagement by jobseekers while attending activities.

4.43 The evaluation strategy contained limited detail on one of the key aspects to the evaluation—identification of an approach to undertake the impact analysis of administrative data that may provide better information on the impact of the policy.

4.44 The comprehensive evaluation strategy was not peer reviewed by a reference group.¹⁰² The alignment of planning for the evaluation of the CDP was not consistent with the Government agreed approach (see paragraphs 2.13 and 4.38), with the timeline for implementation and proposed review of the evaluation findings not aligned to inform consideration of further funding in late 2016, for the 2017-18 Budget process.

4.45 PM&C indicated their intention to establish a CDP Evaluation Reference Group in March 2017, although the group had not convened by 26 April 2017.



Grant Hehir
Auditor-General

Canberra ACT
31 October 2017

102 The Department of Finance, *Resource Management Guide No.131: Developing good performance information*, April 2015. Available from: <<http://www.finance.gov.au/sites/default/files/RMG%20131%20Developing%20good%20performance%20information.pdf>, pp. 31, 40>.

Appendices

Appendix 1 Entity responses



Australian Government
Department of the Prime Minister and Cabinet

SECRETARY
DR MARTIN PARKINSON AC PSM

Mr Grant Hehir
Auditor-General
Australian National Audit Office
GPO Box 707
CANBERRA ACT 2600

Dear Mr Hehir

Design and Implementation Audit of the Community Development Programme

On behalf of the Department of the Prime Minister and Cabinet, I thank the Australian National Audit Office (ANAO) for conducting the Design and Implementation Audit of the Community Development Programme (CDP) (the audit).

Strong program governance and administration is core to delivering outcomes for remote job seekers and communities. I welcome the audit's overall conclusions and findings. I am pleased that the ANAO found the transition from the Remote Jobs and Communities Programme to the CDP was largely effective and supported by stakeholder consultation, risk management and evaluation frameworks. I appreciate the findings that the Department has established appropriate governance, key program frameworks and guidance material to administer and deliver the CDP. I am committed to continuously improving my Department's public administration, and to this end I welcome the audit's suggestions. The Department will carefully consider these suggestions and embed them in our ongoing business transformation.

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The Department's response to the audit recommendation is below and our summary and editorial comments for inclusion in the report are attached.

Recommendation 1

I agree with this recommendation. The CDP provider payment model, in tandem with provider performance management, has been effective in significantly improving employment outcomes for job seekers and encouraging job seeker attendance in work-like, skills building activities. However, having been in operation for over two years, there is now scope to consider whether the incentives still appropriately encourage providers to best support job seekers. The Department will consider, as part of the Government's consultation on a new model for remote Australia, whether the current provider payment model is best supporting the programme to deliver on its dual objectives of employment outcomes and greater community participation.

Other observations

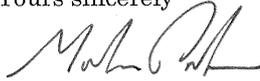
The Department is also committed to improving evaluation efforts and building the evidence base for Indigenous policies and programmes. The current CDP evaluation, which draws together administrative data and analysis, and community stakeholder feedback, will inform the Government's consideration of a future new remote model for employment services. In the 2017-18 Budget, the Government also announced the allocation of \$52.9 million over four years to implement a whole-of-government research and evaluation strategy for policies and programs affecting Indigenous Australians. The Department's approach to lifting data capability is also giving quicker access to more data, leading to stronger operational administration and more in-depth analysis to support policy development.

One of the program's core objectives is to assist job seekers into work, and setting regionally-tailored targets for this has been effective in helping job seekers stay in 5,700 jobs for at least six months. These Remote Employment Targets (RETs) are based on evidence and are realistic, as demonstrated by the job outcomes being achieved. The Government expects high quality services of CDP providers and, necessarily, these targets are calibrated to continually lift outcomes for job seekers – noting this requires providers to strive to meet these targets. The Department undertakes regular reviews to ensure that the RETs are evidence based and respond to remote labour market conditions. Providers are consulted on their RETs and whether they are appropriate based on their local knowledge. The methodology is currently being enhanced to factor in new, available data – such as Census 2016 data – ensuring the RETs continue to lift outcomes and factor in relevant local context.

I would like to thank the ANAO for its professional and comprehensive audit of the CDP and the manner in which it was conducted.

Should you have any questions regarding the Department's response, please contact Deborah Lewis, First Assistant Secretary, Community & Economic Development on deborah.lewis@pmc.gov.au.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Martin Parkinson', written in a cursive style.

Martin Parkinson
18 October 2017



Australian Government
Department of Employment

Secretary
Kerri Hartland

Grant Hehir
Auditor-General
Australian National Audit Office
GPO Box 707
CANBERRA ACT 2601

Dear Mr Hehir 

Performance audit of the Community Development Programme

The Department of Employment (the department) thanks the Australian National Audit Office (ANAO) for the opportunity to comment on the proposed final report of the ANAO's performance audit of the Community Development Programme (the audit).

The department acknowledges the audit's conclusions and findings. The department notes the report's observation that the changes to the Job Seeker Compliance Framework announced in the 2017-18 Budget will not apply to the Community Development Programme.

Should you have any questions regarding the department's response, please contact Benedikte Jensen, Group Manager Labour Market Strategy Group, on 02 6121 3020 or benedikte.jensen@employment.gov.au.

Yours sincerely



Kerri Hartland

28 September 2017



Australian Government
Department of Human Services

Caroline Edwards
Acting Secretary

Ref: EC17-001937

Mr Grant Hehir
Auditor-General
Australian National Audit Office
GPO Box 707
CANBERRA ACT 2601

Dear Mr Hehir

Thank you for providing the Department of Human Services (the department) with the opportunity to comment on the Australian National Audit Office's (ANAO) proposed report on the Design and implementation of the Community Development Programme.

The department notes the report's findings, including that the administrative arrangements between the department and the Department of the Prime Minister and Cabinet are appropriate.

A short summary of the department's response to the proposed report is at Attachment A.

The department has not provided a response to the report's single recommendation as it is directed to the Department of the Prime Minister and Cabinet.

Ms Joanna Stanion, National Manager, Working Age Programmes and Compliance Branch, is the contact for this matter. Ms Stanion may be contacted on 02 6141 7267 or joanna.stanion@humanservices.gov.au.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Caroline Edwards'.

Ms Caroline Edwards
September 2017

Appendix 2 Community Development Programme regions

Table A.1 outlines detailed information on the CDP regions and providers.¹⁰³

Table A.1: Community Development Programme regions and providers

Region map number ^a	CDP region	Provider ^b
1	Christmas-Cocos Islands	Indian Ocean Group Training Association
2	Kambalda/Norseman Region	Goldfields Employment and Training Services Pty Ltd
3	Ngaanyatjarra Lands	Ngaanyatjarra Council Aboriginal Corporation
4	Yaaliku Region	Goldfields Employment and Training Services Pty Ltd
5	Mid West - West Region	MEEDAC Incorporated
6	Gascoyne Region	MAX Solutions
7	Mid West - East Region	Yuella Incorporated
8	Karratha Region	REFAP Pty Ltd
9	Port Hedland Region	Ashburton Aboriginal Corporation
10	Western Desert Region	Ashburton Aboriginal Corporation
11	Kullarri Region	Kullarri Regional CDEP Inc.
12	Fitzroy Valley Region	Marra Worra Worra Aboriginal Corporation
13	Halls Creek/Tjurabalan Region	East Kimberley Job Pathways Pty Ltd
14	Derby/Gibb River Region	Winun Ngari Aboriginal Corporation
15	East Kimberley Region	East Kimberley Job Pathways
16	Eyre Region	Complete Personnel
17	Far West Region	Complete Personnel
18	Flinders and Far North Region	Complete Personnel
19	Anangu Pitjantjatjara Yankunytjatjara Lands	Skill Hire WA Pty Ltd
20	South East Alice Region	CatholicCare NT
21	South West Alice Region	Wana Ungkunyntja Pty Ltd
22	West Alice Region	Tjuwanpa Outstation Resource Centre Aboriginal Corp
23	Alice Springs District	Tangentyere Council Incorporated
24	North East Alice Region	EMG Pty Ltd / My Pathway

103 Prime Minister and Cabinet, CDP Regions, available at: <https://www.pmc.gov.au/sites/default/files/publications/cdp-regions.pdf>.

Region map number ^a	CDP region	Provider ^b
25	North West Alice Region	Central Desert Shire Council
26	South East Barkly Region	Julalikari Council Aboriginal Corporation
27	Far West Alice Region	Ngurratjuta-Pmara Ntjarra Aboriginal Corp
28	North Barkly Region	Julalikari Homeland Resource Centre
29	Gulf Region	Gulf Savannah NT Aboriginal Corporation
30	Ngukurr/Numbulwar Region	Roper Gulf Shire Council
31	Katherine Region	Jobfind Centres Australia Pty Ltd trading as RISE Ventures
32	Victoria River Region	Victoria Daly Shire Council
33	Central Arnhem Region	Roper Gulf Shire Council
34	Wadeye Region	Thamarrurr Development Corporation
35	Darwin Daly Region	Ironbark Aboriginal Corporation
36	Tiwi Region	Tiwi Islands Training & Employment Board
37	West Arnhem Region	Jobfind Centres Australia Pty Ltd (trading as RISE Ventures) Yagbani Aboriginal Corporation (for the Warruwi community only)
38	Maningrida Region	Bawinanga Aboriginal Corporation
39	Milingimbi/Ramingining Region	The Arnhem Land Progress Aboriginal Corporation
40	Galiwin'ku Region	The Arnhem Land Progress Aboriginal Corporation
41	Gapuwiyak-Yirrkala Region	Miwatj Employment And Participation Ltd
42	Groote Region	Groote Eylandt Bickerton Island Enterprises Aboriginal Corporation (GEBIE AC)
43	Far West Region	Murdi Paaki Regional Enterprise Corporation Ltd
44	Upper Darling Region	Murdi Paaki Regional Enterprise Corporation Ltd
45	South West Region	Employment Services Queensland Pty Ltd
46	Central West Region	Employment Services Queensland
47	Cloncurry Region	Rainbow Gateway Limited
48	West Isa/Alpurrurulam Region	Rainbow Gateway Limited
49	Doomadgee Region	EMG Pty Ltd / My Pathway
50	Palm Island	Campbell Page Limited
51	Wellesley Islands	Jobfind Centres Australia Pty Ltd trading as RISE Ventures
52	Western Tablelands Region	Jobfind Centres Australia Pty Ltd trading as RISE Ventures

Region map number ^a	CDP region	Provider ^b
53	Carpentaria Region	Bynoe Community Advancement Co-Op Society Ltd
54	Cook Region	EMG Pty Ltd / My Pathway
55	Kowanyama/Pormpuraaw Region	Jobfind Centres Australia Pty Ltd trading as RISE Ventures
56	Central Cape Region	EMG Pty Ltd / My Pathway
57	Western Cape Region	EMG Pty Ltd / My Pathway
58	Northern Peninsula Area	EMG Pty Ltd / My Pathway
59	Torres Strait Islands	EMG Pty Ltd / My Pathway
60	Aurukun/Coen Region	Cape York Employment Pty Ltd

Note a: As shown in Figure 1.1.

Note b: As at 3 April 2017.

Source: PM&C information.

Appendix 3 Community Development Programme and the Remote Jobs and Communities Program payment models

Table A.2 provides an overview of the Community Development Programme payment model.

Table A.2: Community Development Programme payment model

Payment type	Amount (GST exclusive)		Basis of payment	Restrictions on payment
Service payments	Monthly payment ^a	Maximum annual payment		
Basic Services payment ^b	\$333.33	\$4 000.00	Paid per jobseeker, based on total number of 'Basic Recipients' recorded in the IT System.	<ul style="list-style-type: none"> • Payments are not available if: <ul style="list-style-type: none"> – Job Plan not signed; – Jobseeker was not allocated to sufficient specified activities to meet mutual obligations;
Work for the Dole payment ^c	\$1 037.50	\$12 450.00	Paid for per jobseeker for actual jobseeker attendance at Work for the Dole activities, as recorded in the Activity Diary on the IT system.	<ul style="list-style-type: none"> • For Work for the Dole, jobseeker attendance not recorded in Activity Diary; and • For Work for the Dole fee, jobseeker did not attend Work for the Dole activity as required, with no valid reason & the provider: <ul style="list-style-type: none"> – took no compliance action; or – took compliance action but jobseeker did not re-attend within 14 days.
Outcome payments	At 13 weeks	At 26 weeks		
Employment Outcome payments—Part-time. ^d	\$1 125.00	\$2 625.00 (total \$3 750.00)	Automatically paid to providers where IT system records show jobseeker still employed after 13 and 26 consecutive weeks (with allowable break).	Each 13 and 26 week payment was only payable once per jobseeker, per job.
Employment Outcome payments—Full-time. ^d	\$2 250.00	\$5 250.00 (total \$7 500.00)		Payment not available for a jobseeker's pre-existing employment, unless provider supported increase from part-time to full-time hours

Payment type	Amount (GST exclusive)		Basis of payment	Restrictions on payment
Employer Incentive Funding Payment—Part-time. ^e	n/a	\$3 750.00	Providers manually claim amount and pay the equivalent to employers.	<ul style="list-style-type: none"> • A one-off payment per jobseeker, per job. • Not payable in respect of jobseekers directly employed by CDP providers or Governments. • Not payable if employer received an outcome payment from another Government program.
Employer Incentive Funding Payment—Full-time. ^e	n/a	\$7 500.00		
Other Payments				
Ancillary payments	As determined by PM&C.		Not specified in the Funding Agreement or other guidance.	None specified in the Funding Agreement or other guidance.
Funding to strengthen organisational governance		\$10 000.00	Based on provider changing incorporation status in accordance with the Funding Agreement and providing proof of incorporation status.	A one-off payment only.

Note a: Providers receive payments monthly for delivering both Basic Services and Work for the Dole activities. Providers are paid in arrears, following PM&C scheduled reviews of IT system data.

Note b: Basic Services are paid in a range of circumstances, including when a jobseeker, for example, took approved leave or had a payment suspension in place.

Note c: If a jobseeker who was not required but volunteers to participate in Work for the Dole, the provider will receive the Work for the Dole payment based on the jobseeker's attendance, rather than the Basic Services payment.

Note d: A full-time Employment Outcome occurred where the jobseeker was off income support or fully met their hours based requirements. A part-time Employment Outcome occurred where a jobseeker worked sufficient hours to reduce their Income Support by at least 60 per cent or partially met their hours based requirements. The payment was intended for where the provider places a jobseeker (not where jobseeker obtains & retains employment independently).

Note e: The processing of Employer Incentive Fund payments was not automatic through the Activity Outcome Report, with providers required to make a manual claim to claim the payment. There was no time limit to claim. However, providers that receive the payment must pay an equivalent amount to the Employer within 10 business days of the funding being received, and must ensure an employer is only paid once for each jobseeker.

Source: ANAO analysis of PM&C documentation.

Table A.3 provides an overview of the Remote Jobs and Communities Program (RJCP) provider payment model.

Table A.3: Remote Jobs and Communities Program payment model, 2013–2014

Payment Type	Amount (GST exclusive)	When payment can be claimed
Service payments		
Activity Payment ^a <ul style="list-style-type: none"> • First 12 months • Second 12 months and thereafter 	\$687.50 \$550.00	On commencement of relevant twelve months and every quarter thereafter.
Youth Corps (in addition to Activity Payment) ^b	\$7700.00	50 per cent on commencement and 50 per cent at the 20 week mark.
Community Development and Employment Projects (CDEP) wages management (in addition to Activity Payment)	\$495.00	Annual fee paid quarterly in advance for a CDEP wage recipient participating in activities.
Job Placement payment^c		
Job placement <ul style="list-style-type: none"> • Partial capacity^d • All other jobseekers 	\$385.00 \$550.00	Over no more than ten business days: <ul style="list-style-type: none"> • a partial capacity jobseeker works between 15–49 hours. • Other jobseeker works at least 50 hours.
Full Employment Outcome payments^e		
7 Week <ul style="list-style-type: none"> • Partial capacity • All other jobseekers 	\$1100.00 \$825.00	When a jobseeker works seven weeks over a maximum of 14 consecutive weeks.
13 Week <ul style="list-style-type: none"> • Partial capacity • All other jobseekers 	\$3300.00 \$2475.00	When a jobseeker works 13 weeks over a maximum of 26 consecutive weeks.
26 Week <ul style="list-style-type: none"> • Partial capacity • All other jobseekers 	\$3300.00 \$2475.00	When a jobseeker works 26 weeks over a maximum of 52 consecutive weeks.
Pathway Employment Outcome payments^f		
13 Week	\$550.00	When a jobseeker works 13 weeks over a maximum of 26 consecutive weeks.
26 Week	\$1100.00	When a jobseeker works 26 weeks over a maximum of 52 consecutive weeks.
Education Outcome payments		
Commencement	\$275.00	When a jobseeker commences a Certificate I level (or higher) qualifying course, or recommences in school.

Payment Type	Amount (GST exclusive)	When payment can be claimed
Completion	\$2750.00	When a jobseeker has completed Certificate II or higher, one school semester with provider assistance or one semester of an Education programme.
Participation Outcome payment^g		
Completion	\$385.00	As required to complete a non-vocational intervention.
Participation Account credits^h		
Initial credit		On commencement of RJCP.
<ul style="list-style-type: none"> • Partial capacity • All other jobseekers 	<ul style="list-style-type: none"> \$3300.00 \$2750.00 	
12 months of activity credit	\$2200.00	Once the jobseeker has participated in 12 months of RJCP Activities conducted by the RJCP Funding Recipient

Note a: Activity payments were paid in advance each quarter.

Note b: The Remote Youth Leadership and Development Corps (Youth Corps) was delivered by RJCP providers (either directly or through a subcontracting arrangement) and aimed to provide young aged jobseekers 24 years and under in remote communities a clear pathway into employment. The Youth Corps had 12 000 places and was allocated \$89 million over five years.

Note c: Job placement payments were payable for each jobseekers or CDEP wage recipient assisted into a job by the provider, for a maximum of four payments per jobseekers or CDEP wage recipient each financial year. These payments were not available when a jobseeker or CDEP wage recipient found their own job.

Note d: Includes Principal Carers.

Note e: Full employment outcome payments were paid where a jobseeker, jobseekers or CDEP wage recipient achieved sustainable employment that resulted in the cessation, or a substantial reduction of income support, or achieving minimum hours of work per week. The outcome payment requirements varied depending on the jobseeker's or CDEP wage recipient's individual participation requirements and assessed work capacity.

Note f: The pathway employment outcome payments were to recognise a jobseeker's or CDEP wage recipient's progress towards reducing income support dependency or progress to full participation through sustainable employment (such as part-time work). The requirements were less than those for a full employment outcome payment.

Note g: The participation outcome payments were paid when jobseekers or CDEP wage recipients completed an intervention to overcome a non-vocational barrier to employment (for example, drug and alcohol addiction program). Only one participation outcome payment was payable per jobseeker per 12 months of RJCP participation.

Note h: The Participation Account was a flexible pool of funds held by the Department of the Prime Minister and Cabinet which providers could access to help pay for activities and interventions purchased for jobseekers.

Source: ANAO analysis of departmental documentation.

Appendix 4 Government reviews and reforms relevant to Indigenous employment and income support policy, 2013 to 2015

Table A.4 provides an overview of Government reviews and reforms relevant to Indigenous employment and income support policy, 2013 to 2015.

Table A.4: Government reviews and reforms relevant to Indigenous employment and income support policy, 2013 to 2015

Reform or review	Timeframe	Aim	Relevant key findings or outcomes
Review of Indigenous Training and Employment (Forrest Review)	October 2013—commenced December 2013—interim report provided to the Prime Minister. August 2014—final report published.	To consider ways that training and employment services can better link to the commitment of employers to provide further sustainable employment opportunities for Indigenous people and finally end the cycle of entrenched Indigenous disadvantage.	The review contained 27 recommendations aimed at creating parity between Indigenous and other Australians. A key conclusion in the report was that only employment and access to education would end the disparity.
Review of Welfare Reform (McClure Review)	December 2013—commenced. June 2014—interim report released. February 2015—final report released.	To identify how to make Australia's welfare system fairer, more effective, coherent and sustainable, and encourage people to work.	A key conclusion in the report was that the welfare system needed to have a much greater focus on employment. Further, that people who can work should work to their capacity and rates of payment should reflect different capacities to work and support a transition to work. The review proposed four pillars of reform: Simpler and sustainable income support system; Strengthening individual and family capability; Engaging with employers; and Building community capacity.

Reform or review	Timeframe	Aim	Relevant key findings or outcomes
<i>The Stronger Participation for Job-seekers under 30</i> Budget measure.	<p>Announced in the 2014–15 Budget.</p> <p>January 2015—planned implementation for all new claimants.</p> <p>July 2015—planned implementation for all existing recipients.</p> <p>This measure was not implemented as its proposed enabling legislation lapsed following the dissolution of Parliament in May 2016.</p>	To encourage young people with full work capacity to be earning, learning or participating in Work for the Dole.	Newstart Allowance and Youth Allowance (Other) recipients who are under 30 years of age be required to demonstrate appropriate job search and participation in employment services support for six months before receiving payments. After six months, recipients be required to participate in 25 hours per week Work for the Dole to receive income support, and following this may continue to access employment services for a further six month period, including access to a wage subsidy in lieu of income support.
2015 Employment Services Model (jobactive).	<p>July 2014—Announcement of new employment services model and release of exposure draft purchasing arrangements.</p> <p>October 2014—Request for Tender opened.</p> <p>July 2015—implementation of new model (jobactive).</p>	To promote stronger workforce participation by people of working age and help more jobseekers move from welfare to work.	<p>The model incorporated the 2014–15 Budget measures:</p> <ul style="list-style-type: none"> • <i>Stronger Participation Incentives for Job-seekers under 30</i>; and • <i>Restart – boosting the wage subsidy for mature age jobseekers.</i> <p>Most jobseekers required to look for up to 20 jobs per month, and most jobseekers under 50 years of age required to participate in Work for the Dole for either 15 or 25 hours per week for six months each year, depending on their age.</p>

Source: ANAO analysis.

Appendix 5 Comparison of participation requirements in approved activities between the Community Development Programme and other Government employment programs

Table A.5 provides a comparison of participation requirements in approved activities between the Remote Jobs and Communities Program, jobactive, and the Community Development Programme. An individual's participation requirements in approved activities will be based on their assessed capacity.

Table A.5: Comparison of participation requirements in approved activities between the Remote Jobs and Communities Program, jobactive, and the Community Development Programme

Program	Participation requirements for jobseeker
Remote Jobs and Communities Program	<p>Based on their assessed capacity, jobseekers were required to participate in up to 50 hours per fortnight on an ongoing basis. The level of fortnightly participation that was typically expected of jobseekers was as follows:</p> <ul style="list-style-type: none"> • <i>Full-time activity tested jobseekers</i>: activities of around 40 hours per fortnight (and, as appropriate, job search). • <i>Principal carer parents</i>: activities of around 20 hours per fortnight (and, as appropriate, job search). • <i>Partial capacity or temporary reduced work capacity jobseekers of at least 15 hours per week</i>: activities of around 20 hours per fortnight or to their capacity (and as appropriate, job search). • <i>Jobseekers on Disability Support Pension under the age of 35 with a work capacity of 8 hours or more per week with compulsory participation requirements</i>: work-focused activities of around 16 hours or more per fortnight. <p>Some Remote Youth Leadership and Development Corps will have specific hour's requirements.</p> <p>Grandfathered Community Development and Employment Projects (CDEP) Scheme Participants participate for sufficient hours to earn or be paid the applicable CDEP Wage Rate.^a</p>
jobactive^{b c}	<p>Between 18 to 29 years required to complete 25 hours per week of Work for the Dole or another approved activity for six months each year.</p> <p>Between 30 to 49 years required to complete 15 hours per week of Work for the Dole or another approved activity for six months each year.</p> <p>Between 50 to 59 years required to complete 15 hours per week of an approved activity for six months each year, which can include volunteering for Work for the Dole.</p> <p>60 years of age or over can volunteer for Work for the Dole.</p>

Program	Participation requirements for jobseeker
Community Development Programme^d	<p>Between 18–49 years required to participate in activities for up to 25 hours per week, 5 days a week, 52 weeks a year.^d</p> <p>Under 18 years old and over 49 years cannot be compelled to participate in activities but can volunteer.</p> <p>Jobseekers participating in Work for the Dole activities were eligible for a break of up to six weeks off over a 12 month period from activities, but not from their mutual obligations.^d</p> <p>Jobseekers could also have an allowable break^e of up to 13 weeks per year from meeting their mutual obligation requirements for cultural business as allowed under the <i>Social Security Act</i> (as approved by the Department of Human Services).</p>

Note a: The CDEP Wage Rate at 1 July 2013 was \$217.71 (GST exclusive) per week for a CDEP Youth Participant and \$287.57 (GST exclusive) for all other CDEP Scheme Participants.

Note b: Based on full-time activity tested jobseekers with full rate of Income Support. For those jobseekers who are principal carers or have reduced work capacity (either permanently or temporarily), their participation requirements were lower.

Note c: jobactive is the mainstream employment services program. The program was introduced on the 1 July 2015 and replaced the Job Services Australia model.

Note d: This means that the jobseeker will still be required to attend appointments with their provider, complete job search requirements (if applicable) and other activities as required. Time-off can be due to, for example, caring responsibilities during school holidays or during normal business shut-down periods and public holidays. Any time-off from activities beyond the allowed six weeks is to be approved by PM&C Regional Manager.

Note e: Indigenous cultural business refers to the cultural practices of Indigenous Australians not related to deaths and funerals. Leave can be granted for a period of up to 13 weeks and where necessary this period can be extended. The period of exemption should be limited to what is required in individual circumstances and local information should be sourced wherever possible to assist in determining the length of time that may be required for an individual jobseeker.

Source: ANAO analysis of departmental documentation.

Appendix 6 Types of provider compliance reports

Table A.6 outlines the types of compliance reports Community Development Programme (CDP) providers are required to initiate, including the triggers and effects for the jobseeker.

Table A.6: Provider compliance reports—triggers and effects^a

CDP provider report	Jobseeker compliance failure [compliance report code]	Effect on income support payment
Provider appointment failure	<p>Missed provider appointment:</p> <ul style="list-style-type: none"> • Non-Attendance Report (NAR) • Provider Appointment Report (PAR) [optional—may be used if reason for missed appointment unsatisfactory]. 	<ul style="list-style-type: none"> • NAR—payment suspended until jobseeker re-engaged. • PAR—potential financial penalty of loss of 1/10th of fortnightly income support for each day until re-engaged.
Participation Report (PR)—Connection failures	Missed appointment with Human Services or other organisation (not provider) [CFAO PR].	Payment suspended. Human Services set reconnection requirement—penalty if appointment missed.
	Failed to enter or change a job plan when asked [CFEP PR].	New appointment set to agree job plan. Income support may have been cancelled if failure repeated.
	Did not meet job search requirements [CFJR PR].	Jobseeker may have had to complete Diary for up to 12 weeks.
PR—No Show, No Pay (NSNP) failures	<p>Missed compulsory activity (for example, Work for the Dole [NFAA PR]).</p> <p>Select 'disengagement' indicator [optional—may use if jobseeker absent for multiple days/activities].</p>	<ul style="list-style-type: none"> • Where any No Show No Pay Failure was applied, the jobseeker would lose a business day's income support payment for each day. • NFAA PR—financial penalty of loss of 1/10th of fortnightly income support for each day. • Disengagement indicator—payment suspended until re-engaged.
	<p>Behaved inappropriately at compulsory activity, e.g. Work for the Dole [NFBA PR].</p> <p>Failed to attend job interview [NFJI PR].</p> <p>Behaved inappropriately at job interview [NFIJ PR].</p>	Potential financial penalty of loss of 1/10th of fortnightly income support for each day until re-engaged.
PR—Serious Failure	Failed to accept suitable job [SFAJ PR].	Potential 8 week non-payment penalty—no income support paid.
	Failed to commence in suitable job [SFCJ PR].	
PR—Unemployment Non-Payment Period	Voluntarily left a suitable job [UEVJ PR]	No income support payment for 8 weeks.
	Dismissed from suitable job for misconduct [UEDJ PR].	

CDP provider report	Jobseeker compliance failure [compliance report code]	Effect on income support payment
Comprehensive Compliance Assessment (CCA)	Continually missed activities and appointments (Human Services could choose to assess or provider could manually request CCA).	Human Services assessed any barriers to jobseekers meeting requirements—potential serious failure penalty of no income support for 8 weeks. ^b

Note a: Jobseekers with a valid reason (given in advance) or a reasonable excuse (provided afterwards) for failing to meet a mutual obligation requirement were not treated as non-compliant. Providers could exercise discretion to not take formal compliance action if they did not consider it the most effective way to re-engage a jobseeker, but if they did so, they received no service payment for the activities missed. Providers could not take compliance action where a jobseeker had commenced work but did turn up for a day or for part of a day or chose to work fewer hours.

Note b: Human Services could choose to waive the 8-week penalty where jobseeker agreed to compliance activity for 8 weeks.

Source: ANAO, based on departmental documentation.

Appendix 7 Timeline of the provision of the 2016–17 ancillary payments

Table A.7 outlines the provision of the 2016–17 ancillary payments.

Table A.7: Timeline of the 2016–17 ancillary payments^a

Date	Event
29 April 2016	PM&C sought Ministerial approval to make ancillary payments to selected providers.
May 2016	The Minister for Indigenous Affairs agreed to: <ul style="list-style-type: none"> • allocate \$5.5 million from 2015–16 Jobs, Land and the Economy Programme funding to 22 providers that were rated as "good" or better under PM&C's PPR 1 process; and • delegate authority to PM&C to provide up to \$250 000 per provider to each of the providers for practical and measurable activities to improve performance.
6 May 2016	PM&C invited the selected providers to submit application for payment with initial proposals and budget details. Providers were advised payment was conditional on development of an operational plan setting out actions to build performance over the next 12 months.
20 May 2016	Closing date for provider applications for funding.
10 June 2016	PM&C approved 13 projects proposed by providers and signed an approval to commit relevant money. A further 49 projects were approved between 10 June and 21 December 2016.
15 June 2016	PM&C notified all providers, including those whose projects were not yet approved, that they would receive funding subject to returning a signed notice to PM&C by 20 June. Providers were required to acknowledge that they could not use the payment ahead of project approval.
20 June 2017	Closing date for provider notices of acceptance of funding.
22 June 2016	Payments of \$250 000 per provider were made to 22 providers.
19 July 2016	PM&C wrote to providers approving applications to use a portion of the performance payment for development of an operational plan.
2 September 2016	Closing date for providers to resubmit proposals not previously approved for use of performance payments.
30 September 2016	Extended closing date for providers to resubmit proposals not previously approved for use of performance payment.
21 December 2016	PM&C approved final project proposed by providers.
5 April 2017	First project acquittal report received.

Note a: Although payment was initially made to all 22 providers, one provider's proposed projects were ultimately declined and the provider repaid the amount in full on 18 January 2017.

Source: ANAO analysis.