

The Auditor-General
Auditor-General Report No.45 2019–20
Performance Audit

Management of Agreements for Disability Employment Services

Department of Social Services

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Canberra ACT
24 June 2020

Dear Mr President
Dear Mr Speaker

In accordance with the authority contained in the *Auditor-General Act 1997*, I have undertaken an independent performance audit in the Department of Social Services. The report is titled *Management of Agreements for Disability Employment Services*. 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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Audit snapshot

Auditor-General Report No.45 2019–20

Management of Agreements for Disability Employment Services



Why did we do this audit?

- ▶ Disability Employment Services (DES) have been subject to significant recent reforms to improve employment outcomes for people with disability.
- ▶ Improved employment outcomes would have a considerable impact on the lives of people with disability.
- ▶ The audit addresses the effectiveness of the recent reforms through a focus on the Department of Social Services' (DSS) management of agreements with DES providers.



What did we find?

- ▶ DSS was largely effective in managing agreements for the provision of Disability Employment Services.
- ▶ DSS had appropriate agreements with DES providers and largely effective arrangements to manage risk and monitor provider performance.
- ▶ DSS should better measure the overall success of the DES reforms in improving employment outcomes for people with disability.



What did we recommend?

- ▶ The Auditor-General made five recommendations to DSS.
- ▶ Two recommendations concerned assuring payments to DES providers, two recommendations were about performance evaluation and reporting and one recommendation was about complaints oversight.
- ▶ The department agreed with the recommendations.



Key facts

- ▶ Under the new DES model, providers do not receive their final fee until a participant has been in employment for 52 weeks.
- ▶ DES participation increased 38 per cent from the commencement of the new model in July 2018 to December 2019.

There were

272,320

DES participants as at
December 2019

There were more than

3800

DES locations across Australia
offered by **116** providers as at
November 2019

The government spent

\$863 million

on Disability Employment
Services in 2018–19

Summary and recommendations

Background

1. The Australian Government spends approximately \$800 million annually on Disability Employment Services (DES) to provide open employment¹ opportunities for people with disability. DES provides specialist employment assistance to help people with disability, injury or health conditions find and retain sustainable employment in the open labour market. DES also provides support to employers and has a key role in assisting people in receipt of income support to meet their mutual obligation and participation requirements.

2. DES was introduced in 2010 as part of the consolidation of two previous government programs, Vocational Rehabilitation Services and Disability Employment Network. Despite these reforms, labour force participation rates for people with disability have remained static for the past 20 years at around 53 per cent, compared to 83 per cent for people without disability.

3. In July 2018, following consultation with the disability services sector, a number of significant changes were introduced to the DES program with the aim of:

- increasing choice over the employment services that a job seeker with a disability receives;
- increasing competition and contestability in service delivery; and
- improving incentives for providers to place job seekers in employment.

4. The Department of Social Services (DSS) engages providers to deliver DES services for eligible job seekers with disability. The Community Grants Hub within DSS is responsible for managing risk and compliance of the DES providers with the terms of the DES Grant Agreement. Accordingly, DSS has primary responsibility for managing DES, with assistance from Services Australia in assessing job seekers' eligibility, and the Department of Education, Skills and Employment (Employment) that hosts the DES payment system.

Rationale for undertaking the audit

5. DES is a program with significant government funding (\$800 million annually), and has been subject to changes intended to improve employment outcomes for people with disability. Improved employment outcomes would have a considerable impact on the lives of people with disability. The audit addresses the effectiveness of the recent reforms through a focus on DSS' management of agreements with DES providers.

Audit objective and criteria

6. The audit objective was to assess the effectiveness of the Department of Social Services' arrangements for managing Disability Employment Services provider agreements.

7. The high level criteria are:

- Do DSS' arrangements for contracting with DES providers support the achievement of employment outcomes for people with disability?

1 Open employment means employment in the mainstream workforce as opposed to supported employment.

- Does DSS have effective arrangements for managing DES agreements?
- Is DSS effectively assessing whether agreement outcomes are being achieved?

Conclusion

8. DSS is largely effective in managing Disability Employment Services provider agreements.

9. DSS' arrangements with DES providers were largely appropriate to support the achievement of employment outcomes for people with disability. The department established processes to ensure DES agreements meet legislative and other relevant requirements. It also clearly defined outcomes to be achieved under the new arrangements, albeit without targets, but had not developed a framework to clearly measure the success of the DES reforms.

10. DSS has largely effective arrangements for managing DES agreements. These include largely appropriate processes for managing DES agreement risks, such as risk assessment templates and committee oversight, while the quality of risk reporting could be improved. Partially effective arrangements exist for managing compliance of DES providers, with further work still required to develop a framework for responding to non-compliance. Coordination arrangements are effective with Services Australia and largely effective with Employment.

11. DSS has largely effective processes for assessing and reporting DES outcomes, assuring the accuracy of DES payments, and systems for managing DES complaints. Opportunities for improvement include DSS broadening performance information to better measure success in improving employment outcomes for people with disability, and consolidating DES complaints data to address any systemic issues and improve service delivery.

Supporting findings

Arrangements with Disability Employment Services providers

12. The outcome of improving sustainable employment for people with disability is indicated in the DES reform proposal and implementation plan. The reform principles are well defined, and their intended effects are clear. DSS designed reform strategies that were responsive to the government's reform principles and addressed many of the issues raised during consultation.

13. DSS implemented arrangements to reflect the principles and outcomes of the DES reforms, including through a comprehensive grant agreement. DSS' administrative arrangements included an appropriate performance monitoring regime for DES providers. DSS did not develop an evaluation framework to measure the success of the DES reforms. DSS did not undertake a robust risk analysis and was not prepared for a substantial increase in expenditure.

14. The DES Grant Agreement has a clear legal basis. The new DES arrangements including the selection of the DES Provider Panel are consistent with the *Disability Services Act 1986*, the Commonwealth Grant Rules and Guidelines and other guidance and requirements.

Managing Disability Employment Services agreements

15. DSS has largely appropriate processes for managing DES agreement risks but there is scope to improve the effectiveness of those processes. Largely effective high-level risk arrangements are in place for DES through the Assurance, Risk and Integrity in Employment Services Committee

and established processes for risk assessment. However, the Community Grants Hub could better manage DES agreement risks by ensuring risk assessments are up to date and increasing information, support and training available to Funding Arrangement Managers to better address risks of non-compliance by providers. Appropriate arrangements in place to manage agreement risks include individual provider risk reports, quality assurance checks of those reports and site visits to further assess provider risk.

16. DSS is partially effective in assessing and managing the compliance of DES providers with agreement requirements. The focus of DES compliance activities is on payment assurance, although DSS also reviews complaints and tip-offs, investigates potential fraud, conducts job plan reviews and requires providers to obtain certification against the National Standards for Disability Services. To date, provider education and payment recoveries have been DSS' primary responses to non-compliance. DSS is developing an updated compliance and escalation framework to broaden the range of responses as the program matures. DSS should ensure the framework defines the different levels of non-compliance together with appropriate responses, and also develop a comprehensive approach to recording instances of non-compliance.

17. DSS has implemented effective coordination arrangements with Services Australia and largely effective coordination arrangements with Employment for managing DES Grant Agreements. Well-established processes support the coordination between Services Australia's assessment of job seekers and DSS' management of DES. Employment provides IT systems to support DES agreement management and several other services. These services are governed through agreements and active inter-departmental committees, but there is scope for DSS to gain greater assurance over the effectiveness of system controls.

Disability Employment Services outcomes, provider payments and complaints management

18. DSS has largely effective processes for assessing and reporting outcomes for DES participants and service providers. The department publishes a detailed monthly report on DES caseload and participant employment outcomes. It assesses the relative performance of DES service providers using a regression model that adjusts for differences in client characteristics and local labour market conditions. However, DSS does not have an evaluation framework to effectively measure DES program performance or the success of the DES reforms. There is scope for DSS to strengthen DES performance reporting by including additional indicators of overall employment outcomes for DES participants and explicitly reporting against the three key performance indicators in the DES performance framework that cover efficiency, effectiveness and quality.

19. DSS has largely effective processes for assuring the accuracy of DES payments through assessment of a sample of payment claims. In 2018–19, the average accuracy rate for sampled claims was determined by DSS to be 95.9 per cent, exceeding the benchmark of 95 per cent. DSS would benefit from reviewing the evidentiary requirements supporting outcome claims.

20. DSS has largely effective policies and procedures for handling DES complaints. There is scope for DSS to consolidate and analyse complaints data to enable the department to identify and address any systemic issues arising in the management of DES grants.

Recommendations

Recommendation no.1
Paragraph 2.21 DSS develops an evaluation framework that includes clear, program-level performance metrics to enable evaluation of the DES reforms in achieving their intended purposes.

Department of Social Services' response: *Agreed.*

Recommendation no.2
Paragraph 3.60 DSS strengthens its approach to managing DES provider compliance by:

- (a) enacting strategies to reduce the value of payments for invalid claims, including through targeted compliance activities;
- (b) clarifying processes for reporting, escalating and responding to non-compliance;
- (c) developing an approach to comprehensively record breaches of the DES Grant Agreement; and
- (d) reviewing its arrangement with the Joint Accreditation System of Australia and New Zealand to ensure the consistency of certification audits against the National Standards for Disability Services.

Department of Social Services' response: *Agreed.*

Recommendation no.3
Paragraph 4.9 DSS includes additional information on overall employment outcomes for DES participants in its Portfolio Budget Statements, Corporate Plan and Annual Report to better report on the impact of the DES reforms.

Department of Social Services' response: *Agreed.*

Recommendation no.4
Paragraph 4.43 DSS reviews the evidentiary requirements for DES outcome claims and associated payments.

Department of Social Services' response: *Agreed.*

Recommendation no.5
Paragraph 4.72 To inform DES policy decision-making and identify areas for improvement in service delivery, DSS establishes oversight arrangements for DES complaints, including:

- (a) a process for capturing DES complaints data from all internal and external sources;
- (b) regular analysis to identify complaints trends; and
- (c) reporting on the results of DES complaints analysis to the DSS executive.

Department of Social Services' response: *Agreed.*

Summary of entity response

21. DSS' summary response is provided below. Its full response can be found in Appendix 1.

I agree with the five recommendations. The department's work to implement these recommendations is already underway. The report's insights are timely and provide useful guidance as the department continues to strengthen management and oversight of the program, since the reforms commenced on 1 June 2018, to deliver improved employment results for people with disability efficiently and effectively.

Key messages from this audit for all Australian Government entities

22. Below is a summary of key messages, including instances of good practice, which have been identified in this audit and may be relevant for the operations of other Australian Government entities.

Program design

- Comprehensive stakeholder engagement helps entities to better understand the underlying policy challenges that reform initiatives aim to address. This in turn enables entities to focus on areas of improvement and can lead to more responsive program design.

Performance and impact measurement

- Publishing information on program outputs and outcomes enhances transparency for program participants, other stakeholders and the general public. Keeping stakeholders informed of results supports effective engagement to optimise ongoing program design and delivery.
- Where an existing program undergoes reform, entities should determine from the outset how the impact of that reform will be measured. Evaluating the effectiveness of the reform itself, as well as the overall program, can help to build an evidence base to inform future policy changes.

Governance

- Administrative processes should reflect the intent of policy reforms and satisfy legislative and other relevant requirements, as was the case for the 2018 DES reforms managed by DSS.
- When implementing market-based service reforms, Commonwealth entities should expect that the market will respond quickly to new incentives, which will require commensurately agile responses through compliance and fraud control arrangements.

Audit findings

1. Background

Introduction

1.1 The Australian Government spends approximately \$800 million annually on Disability Employment Services (DES) to provide employment opportunities for people with disability. DES provides specialist employment assistance to help people with disability, injury or health conditions find and retain sustainable employment in the open labour market.² DES also provides support to employers and has a key role in assisting people in receipt of income support to meet their mutual obligation and participation requirements.³

1.2 DES was introduced in 2010 as part of the consolidation and reform of two previous government programs, Vocational Rehabilitation Services and the Disability Employment Network. The DES program changed the fee structure and uncapped the number of participants eligible to receive the services. Labour force participation rates for people with disability have remained static for the past 20 years, at around 53 per cent, compared to 83 per cent for people without disability.⁴ Moreover, Australia's historical employment rates for people with disability are relatively low by international standards.⁵

1.3 In July 2018, following consultation with the disability services sector, a number of significant changes were introduced to the DES program with the aim of:

- improving choice over the employment services that a job seeker with a disability receives;
- engendering competition and contestability in service delivery; and
- improving incentives for providers to place job seekers in employment.

1.4 DES is administered by the Department of Social Services (DSS), assisted by Services Australia that assesses job seekers' eligibility and the Department of Education, Skills and Employment⁶ (Employment) that hosts the DES payment system.

2 Open employment means employment in the mainstream workforce as opposed to supported employment (for example, in Australian Disability Enterprises).

3 Many DES participants have Mutual Obligation Requirements (such as searching and applying for jobs) in return for receiving income support payments. Recipients of Newstart Allowance, Youth Allowance, Parenting Payment (single after youngest child turns six years) and some types of Special Benefit will have mutual obligation or participation requirements. These obligations may also apply to those in receipt of Disability Support Pension who are under the age of 35 years, assessed as being able to work between eight and 14 hours per week and do not have a dependent child younger than six years. Job seekers with mutual obligations participating in DES could get demerits and financial penalties if they are assessed by Services Australia as not meeting their obligations.

4 Australian Government, *Disability Employment Services Reform 2018*, June 2017, p. 5.

5 Organisation for Economic Co-operation and Development, *Sickness, Disability and Work: breaking the barriers*, November 2010, p. 51. Australia ranked 21st of 29 countries.

6 At the time of audit fieldwork, the relevant department was named the Department of Employment, Skills, Small and Family Business. The changes to create the Department of Education, Skills and Employment took effect from 1 February 2020.

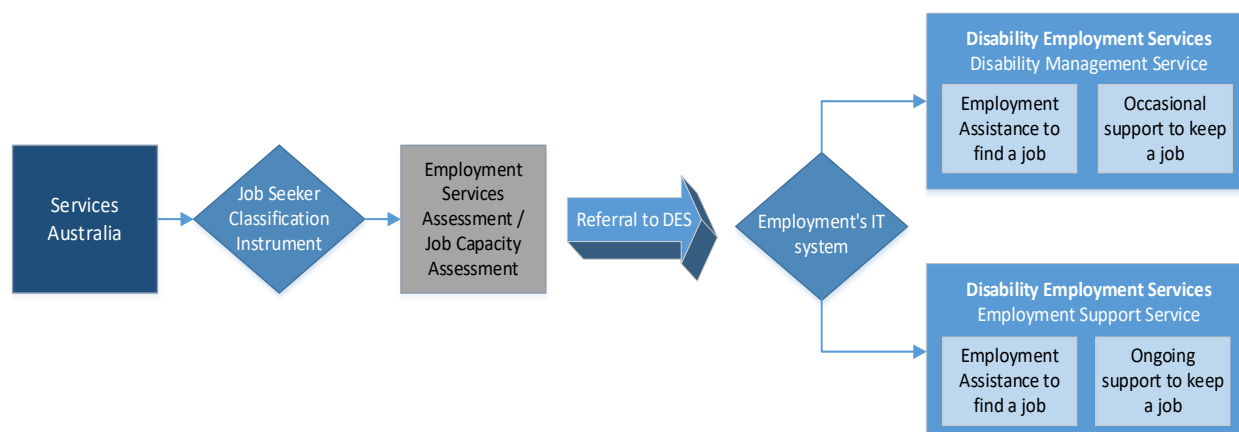
Eligibility for Disability Employment Services

1.5 Services Australia assesses job seekers using a Job Seeker Classification Instrument (JSCI). Job seekers complete the JSCI questionnaire when they register for employment assistance and their responses determine the most appropriate service for them. If the JSCI questionnaire indicates that a job seeker has a disability, injury or health condition, Services Australia may refer the job seeker to either an Employment Services Assessment or a Job Capacity Assessment.⁷ The majority of DES participants access DES through this referral process — 84 per cent in December 2019.⁸ The assessment assigns an employment benchmark of eight, 15, 23 or 30 hours per week, based on a job seeker's capacity for work within two years with intervention assistance.

1.6 There is also a National Panel of Assessors which provides a range of independent assessment services that support DES. These assessments determine eligibility for Ongoing Support, the Supported Wage System and workplace modifications under the Employment Assistance Fund.⁹

1.7 As Figure 1.1 shows, DES comprises two main sub-programs: the Disability Management Service for job seekers with disability, injury or health condition who need assistance to find a job and occasional support in the workplace to keep a job; and Employment Support Service which assists job seekers with permanent disability to find a job and who need regular, ongoing support in the workplace to keep a job.

Figure 1.1: Pathway to Disability Employment Services



Source: ANAO.

7 Employment Services Assessments and Job Capacity Assessments are used to identify a person's barriers to finding and maintaining employment, their work capacity and ongoing support needs. The assessments also recommend the most appropriate employment services assistance and can identify interventions to help a person overcome their identified barriers.

8 As discussed in paragraph 1.8, eligible job seekers may also register directly with a DES provider (15 per cent in December 2019). In addition, a number of final year secondary school students with significant disability can access DES through the Eligible School Leavers program (1.6 per cent). Eligible school leavers have previously been subject to relevant assessments.

9 Ongoing Support is available to certain DES participants who require ongoing assistance to retain and/or maintain their employment. The Supported Wage System is for participants who are not able to work at the same productivity levels as their co-workers, and are therefore awarded a productivity-based wage. Workplace Modifications Assessments recommend equipment, modifications and other support to remove barriers to work.

1.8 The DES provider must refer job seekers for an Employment Services Assessment or Job Capacity Assessment before they commence in the program unless they are in one of five classes of job seekers who do not require one. The classes are: eligible school leavers; job seekers who do not receive income support payments; pre-release prisoners; workers at risk of losing their employment due to injury, disability or health condition; and job seekers who have acquired a disability, injury or illness as a result of notified events such as the Bali or London bomb attacks and the December 2004 tsunami. For these job seekers, the provider must obtain appropriate evidence of their eligibility to receive DES services.

1.9 In December 2019, there were 272,320 participants in the DES program. Table 1.1 shows that most of the job seekers have either a physical or psychiatric disability with over three quarters on Newstart or Youth Allowance. Most DES participants (77 per cent) are subject to participation requirements under Mutual Obligation Requirements.

Table 1.1: DES job seeker characteristics as at December 2019

Job seeker characteristics	Number of DES participants	Percentage of total caseload
Primary Disability		
Physical	112,570	41.3%
Psychiatric	111,714	41.0%
Autism	10,536	3.9%
Intellectual	10,110	3.7%
Neurological	9,994	3.7%
Specific Learning	7,467	2.7%
Hearing	3,166	1.2%
Acquired Brain Injury	2,786	1.1%
Vision	2,924	1.1%
Speech	417	0.2%
Deafblind (Dual Sensory)	198	0.1%
Unknown/Not Stated	398	0.2%
Allowance type		
Newstart Allowance/Youth Allowance	206,749	75.9%
Disability Support Pension	28,667	10.5%
Parenting Payment Partnered/Single	2,804	1.0%
Other Pension or Allowance	2,620	1.0%
Non-Allowee	31,480	11.6%

Source: DSS, DES Monthly Report — December 2019.

Employment services provided by Disability Employment Services

1.10 DSS engages providers to deliver DES services for eligible job seekers with disability. DES providers may operate on a not for profit or commercial basis. DES providers assist job seekers at three stages of the employment cycle, as outlined below.

Box 1: How DES providers assist DES participants in the work cycle

Preparing for work (Employment Assistance)

- Providers can help a participant get ready for work with resumes, interview skills, career advice, referral to further education and training and work experience, and can make direct contact with employers about suitable jobs.
- Providers can help participants and employers access the Employment Assistance Fund^a to help with necessary workplace modifications if needed to do the job, offer wage subsidies to employers as a financial incentive and arrange other support like relocation assistance if needed.

Settling in to work (Post Placement Support)

- When a participant gets a job, the provider will offer support to the participant and their employer (with the participant's consent) for the first year in employment.
- Providers will maintain contact with participants to ensure they get the support they need. Providers can talk to employers about any workplace modifications that may be required, help with job design, offer on-the-job training and provide other supports that may be needed.

Continued assistance (Ongoing Support)

- Participants can also receive extra support after 26 weeks in a job, where required. This Ongoing Support can continue beyond the first 52 weeks of the placement, for as long as needed.
- An Ongoing Support Assessor will recommend that a participant receives Flexible, Moderate or High levels of support. This happens every 12 to 18 months.
- A participant must work, on average, a minimum of at least eight hours per week to continue to receive Ongoing Support.

Note a: The Employment Assistance Fund is a pool of funds available to help people with disability and their employers by providing financial assistance for work-related equipment, modifications and services.

Source: Job Access, *DES Services* [Internet], Job Access, Australian Government, available from <https://www.jobaccess.gov.au/people-with-disability/des-services> [accessed 9 October 2019].

1.11 In November 2019, DES services were offered by 116 providers across approximately 3800 sites. Providers range in size, with between one and 416 sites per provider, 95 per cent of which are non-specialist.¹⁰ Of 116 current providers, 33 providers did not deliver DES under the

¹⁰ As at November 2019, 54 providers have between one and 10 sites, 53 providers have 11-100 sites and nine providers have over 100 sites.

previous funding agreement and 11 also deliver jobactive.¹¹ Over half of the provider sites operate from capital cities and 31 are for profit while 85 are not for profit.

New funding arrangements

1.12 New funding arrangements for DES providers were introduced from 1 July 2018. Under these arrangements DES providers are no longer guaranteed a fixed market share of DES referrals and there are fewer restrictions on job seekers changing providers.

1.13 The funding model was also revised to provide equal weighting of service fees to outcome fees, providing stronger incentives for providers to place job seekers in employment. As part of the new model, DES providers do not receive the final employment outcome payment until job seekers have retained employment for at least 12 months.

1.14 To support the new arrangements, a panel of DES providers was established by DSS through a selection process with new funding agreements in place by 1 July 2018. In addition, Employment was funded to upgrade and align its IT system (ESSWeb) to the new DES funding arrangements. ESSWeb manages access for DES providers to job seekers' information and handles the recording of all payments, referrals, commencements, financial and performance reporting, assurance and audit support for individual transactions under the DES program.

1.15 The Community Grants Hub within DSS is responsible for managing risk and compliance of the DES providers with the terms of the DES Grant Agreement. The Community Grants Hub (Hub) was launched on 1 July 2016 as part of a whole-of-government initiative to streamline grant processes. The Hub provides end-to-end administration services in the design, selection, establishment and management of community, health and individual grants. The 2017–18 Budget provided additional funding of \$23.1 million over two years to transition 52 grants programs across Government into the Hub. Partnership agreements have been signed with six Australian Government entities.

Rationale for undertaking the audit

1.16 DES is a program with significant government funding (\$800 million annually), and has been subject to changes intended to improve employment outcomes for people with disability. Improved employment outcomes would have a considerable impact on the lives of people with disability. The audit addresses the effectiveness of the recent reforms through a focus on DSS' management of agreements with DES providers.

Audit approach

Audit objective, criteria and scope

1.17 The audit objective was to assess the effectiveness of the Department of Social Services' (DSS) arrangements for managing the Disability Employment Services agreements.

11 Jobactive is the Australian Government's mainstream employment services system that supports job seekers and employers.

1.18 The high level criteria were:

- Do DSS' arrangements with DES providers support the achievement of employment outcomes for people with disability?
- Does DSS have effective arrangements for managing DES agreements?
- Is DSS effectively assessing whether agreement outcomes are being achieved?

1.19 The scope of the audit was to assess DSS' implementation of the new arrangements with DES providers, which were effective from 1 July 2018. The focus of the audit's assessment was on the department's monitoring and reporting of risk, agreement compliance and outcomes for the new arrangements under a decentralised service delivery model. The audit also considered the design of the reforms and the DES Grant Agreement. Excluded from the scope of the audit were the processes for assessing disability, such as Employment Services Assessments and Job Capacity Assessments, as well as the National Panel of Assessors.

Audit methodology

1.20 In undertaking the audit, the ANAO:

- reviewed documentation and interviewed departmental staff from the Disability Employment and Carers Group of DSS (responsible for policy design and implementation) and from the Community Grants Hub (responsible for day-to-day management of DES Grant Agreements);
- conducted a survey of Community Grants Hub staff and analysed responses;
- consulted with and analysed submissions from DES provider peak bodies; and
- assessed the current DES Grant Agreement against Commonwealth requirements.

1.21 The audit was conducted in accordance with the ANAO auditing standards at a cost to the ANAO of approximately \$475,000.

1.22 Team members for the audit were Marian Allen, Chiara Edwards, Alicia Vaughan, Irena Korenevski, Ruth Cully and Andrew Morris.

2. Arrangements with Disability Employment Services providers

Areas examined

This chapter examined whether the Department of Social Services' (DSS') arrangements with Disability Employment Services (DES) providers support the achievement of employment outcomes for people with disability. The focus is on DSS' contributions to designing and implementing the DES reforms to improve those employment outcomes.

Conclusion

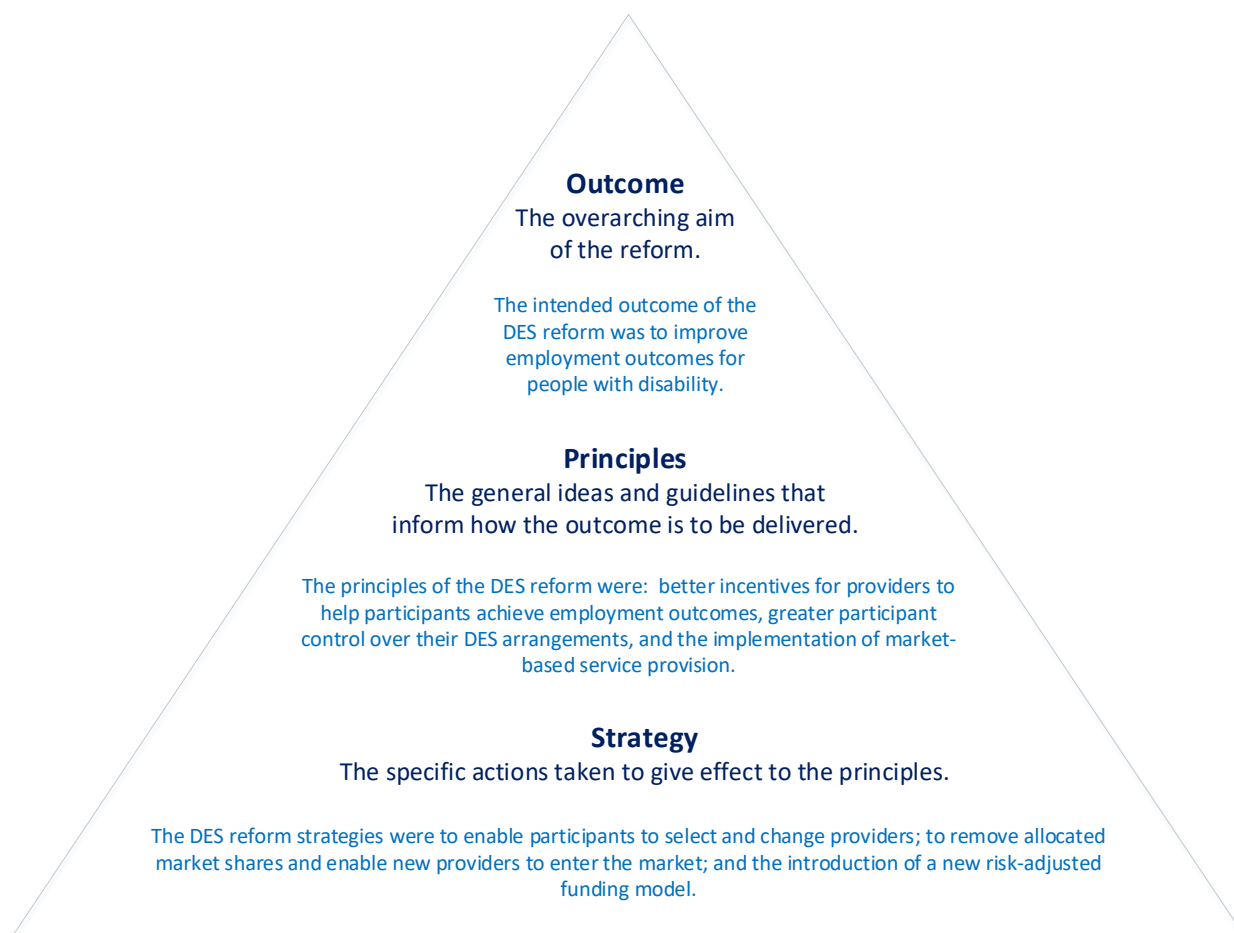
DSS' arrangements with DES providers were largely appropriate to support the achievement of employment outcomes for people with disability. The department established processes to ensure DES agreements meet legislative and other relevant requirements. It also clearly defined outcomes to be achieved under the new arrangements, albeit without targets, but had not developed a framework to clearly measure the success of the DES reforms.

Areas for improvement

The chapter includes a recommendation that DSS develops a DES evaluation framework (paragraph 2.21). The chapter also includes suggestions that DSS: continues to monitor DES expenditure (paragraph 2.31); and assesses offsets associated with the increased DES expenditures (paragraph 2.32).

2.1 The intended outcome of the DES reform was to improve employment opportunities for Australians with disability. This outcome was supported by reform principles and strategies to achieve them. Figure 2.1 shows these three components.

Figure 2.1: DES reform components



Source: ANAO.

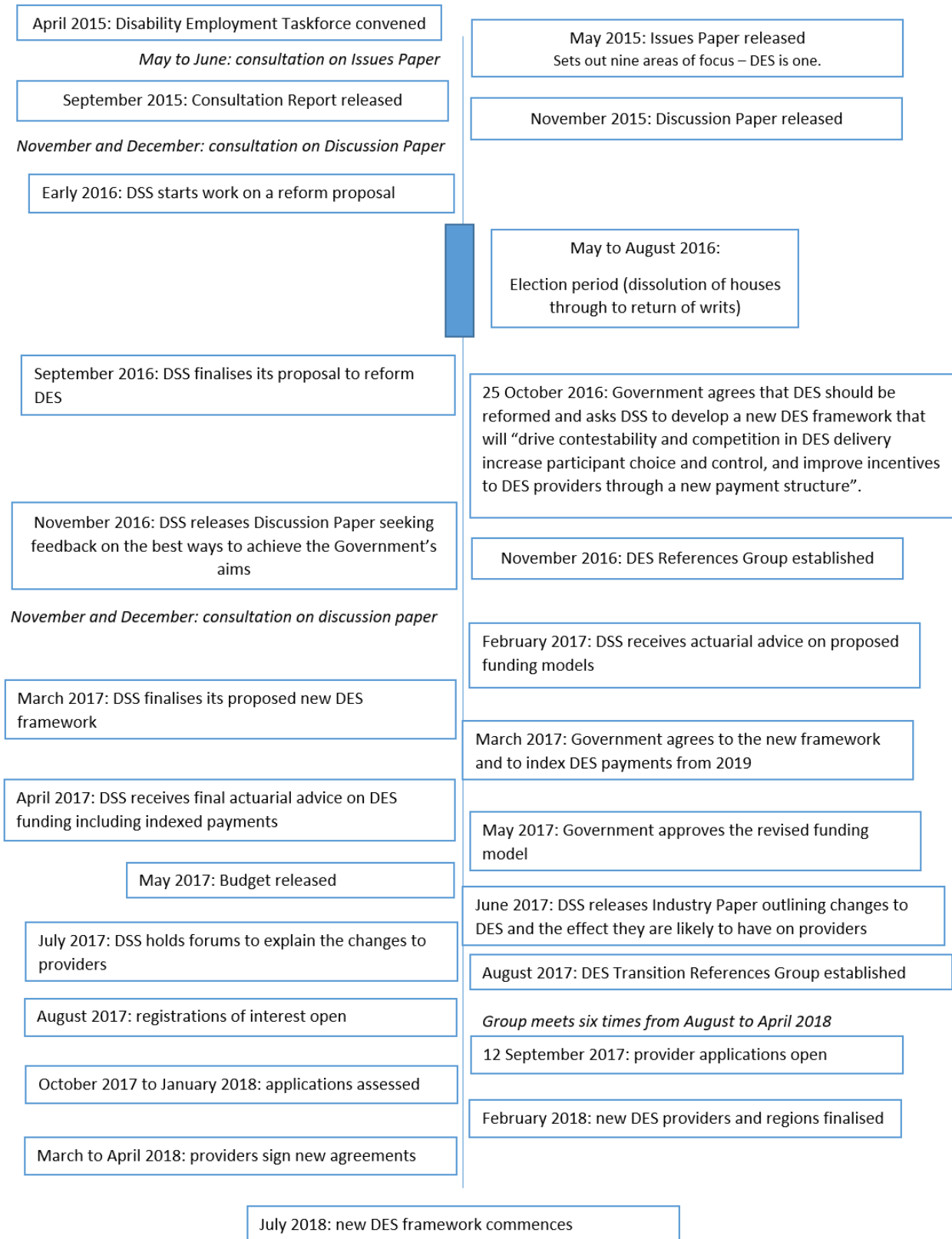
2.2 It is important that the new DES framework reflects the reform strategies and principles, and that these support the achievement of the outcome. It is also important that the new arrangements comply with legislative and other requirements to ensure the integrity and validity of the DES program.

Are the outcomes to be achieved under the new arrangements clearly defined?

The outcome of improving sustainable employment for people with disability is indicated in the DES reform proposal and implementation plan. The reform principles are well defined, and their intended effects are clear. DSS designed reform strategies that were responsive to the government’s reform principles and addressed many of the issues raised during consultation.

Background

Figure 2.2: DES reform timeline



Source: ANAO analysis of DSS information.

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Management of Agreements for Disability Employment Services

2.3 In early 2015, the Minister for Social Services convened a Disability Employment Taskforce (the Taskforce) to consider the strengths and weaknesses of Australia's disability employment framework and identify possible areas of reform. DES was among the Taskforce's nine specific areas of focus. Over several months, the Taskforce: undertook three consultation rounds; released two discussion papers and one issues paper¹²; convened a disability employment reference group; held an employer engagement forum; and participated in industry conferences and other disability forums.

2.4 The Taskforce's final consultation report identified a number of perceived strengths and weaknesses of the existing DES program. The strengths identified by stakeholders included provision of ongoing support to participants and employers (not just at the application stage); high quality advice and information; the 'Job in Jeopardy' program for people at risk of losing their job; and some specific funding mechanisms (Employment Assistance Fund and wage subsidies). The weaknesses included inflexible program rules, a focus on short-term placements rather than long-term outcomes and a general lack of improvement in employment outcomes for people with disability. In particular, the report noted that the existing DES funding structure and outcomes framework did not always provide incentives for providers to act in the best interests of their clients, especially those with higher needs and/or facing greater barriers to employment.

2.5 By 2015, overall workforce participation rates for people with disability had remained static at around 53 per cent for over 20 years. DES outcomes declined after peaking in 2013 but despite this, DES expenditure had remained steady. This was largely due to participants staying in the program longer without securing employment. For providers, ongoing service fees made it financially viable to operate with declining employment outcomes.

Developing a new Disability Employment Services model

2.6 In October 2016, the Government decided that DES should be reformed as part of the 2017–18 Budget and tasked DSS with developing a reform proposal that would better incentivise providers to help participants achieve employment outcomes, give participants greater control over their DES arrangements and implement market-based service provision. The Government specified that the proposal was to be budget neutral: DES expenditure would not significantly increase or decrease due to the reforms.

2.7 DSS undertook further consultation to inform the specific policy changes that would be required to achieve the reform objectives. In November 2016, DSS released a Discussion Paper outlining potential areas of improvement and containing 20 discussion points about which it sought public submissions. DSS established a DES References Group with members representing service providers, employers and people with disability. DSS also consulted directly with Services Australia and the Department of Employment, Skills, Small and Family Business.¹³

2.8 DSS engaged a consultant actuary to construct detailed statistical models of DES participation and outcomes. This information was used to develop a funding approach that would better reflect the risk that any given DES participant does not achieve a satisfactory employment outcome (known as a 'risk-adjusted' funding model).

12 These papers, as well as other consultation materials, were available in both standard and easy English and were accompanied by audio transcripts.

13 Now the Department of Education, Skills and Employment.

2.9 Ahead of the 2017–18 Budget, DSS provided the Government with a proposal to reform DES. In order to address the shortcomings of the existing DES program, the proposal was designed to:

- make it easier for participants to select and change providers, with their funding transferred accordingly;
- provide more regular opportunities for new providers to enter the market and for existing providers to expand; and
- introduce a new funding structure with better recognition of individual participants' barriers to employment and a greater emphasis on long-term outcomes.

2.10 The Government agreed to the proposal and the DES reforms were announced as part of the 2017–18 Budget. The Government also agreed to extend existing DES contracts, which had been due to terminate in March 2018, until the end of June 2018 to reduce implementation risk and give the sector more time to prepare. The new DES arrangements came into effect on 1 July 2018. A summary of the key changes is provided in Table 2.1.

Table 2.1: Summary of key changes to DES

2010–2018	From 1 July 2018
Changes to funding arrangements	
Similar funding levels for all participants	A risk-adjusted funding model that takes into account a wider range of factors that affect individual employment outcomes, including local labour market data, disability type and demographic characteristics
1 funding band in DMS ^a 2 funding bands in ESS ^a	5 funding bands in DMS 5 funding bands in ESS
Placement fee paid after 2 weeks in employment	Placement fee paid after 4 weeks in employment
Outcome fees paid after 13 weeks and 26 weeks in employment	Outcome fees paid after 13 weeks, 26 weeks and 52 weeks in employment
Each participant's funding comprises 60 per cent service fees and 40 per cent outcome fees	Each participant's funding comprises 50 per cent service fees and 50 per cent outcome fees
Payments not subject to indexation	Payments indexed ^b annually from 1 July 2019
Changes for participants	
Participants must use a provider in their local area	No restrictions on location, provided the participant is able to attend their first appointment in person
Participants must attend all appointments in person	Only the first appointment must be in person
Participants may only change providers in certain circumstances, with approval required	Participants may change providers for any reason up to 5 times every 2 years

2010–2018	From 1 July 2018
Changes for providers	
Providers bid for a share of DES referrals	Providers apply to join the DES Provider Panel and nominate the regions they will serve
All providers have a guaranteed allocated market share	Providers have no allocated market share
Separate processes and contracts for DMS and ESS	Single agreement for both services

Note a: Chapter 1 describes the DES programs Disability Management Service (DMS) and Employment Support Service (ESS).

Note b: Using Wage Cost Index 2.

Source: ANAO analysis.

Disability Employment Services reform outcomes and principles

2.11 The DES reform proposal made reference to an aim of approximately 40 per cent of DES participants being in employment three months after having participated in DES, but did not identify this as a specific target to be achieved under the new model. The overarching policy principles of the reforms were well defined and the proposal clearly articulated the relationship between each of the changes and the Government's principles of increased participant choice, market-based service provision and a new funding structure.

Communicating with providers, participants and other stakeholders

2.12 Consultation on possible changes to DES first began in early 2015 (see paragraph 2.3). The DES reforms were announced in May 2017, giving participants and providers over a year to understand and prepare for the changes. In June 2017, DSS released an industry paper explaining the changes to DES and outlining how providers would be selected. DSS also established a DES Reform Transition References Group, which met six times between August 2017 and June 2018.

2.13 DSS developed a DES reform communication strategy setting out how, when and to whom it would communicate about the reforms. The strategy included a plan to manage communication risks. DSS used a range of communication activities to support transition milestones and tailored its messages to different audiences. For example, soon after the reforms were announced, DSS contacted DES participants and used official social media channels to announce that 'changes are coming soon'. For providers, DSS held information sessions to further explain the DES Provider Panel and the new fee structure. Information was also published on government websites (including the DSS and JobAccess websites).

2.14 Feedback from industry peak bodies indicated that the sector was largely satisfied with communication in the lead up to the changes. Feedback from bodies representing people with disability was less positive, particularly in relation to DES participants with intellectual and cognitive disabilities, with low literacy or English as a second language and with limited access to technology.

Are the reform principles and outcomes reflected in the new Disability Employment Services arrangements, with an appropriate performance monitoring regime?

DSS implemented arrangements to reflect the principles and outcomes of the DES reforms, including through a comprehensive grant agreement. DSS' administrative arrangements included an appropriate performance monitoring regime for DES providers. DSS did not develop an evaluation framework to measure the success of the DES reforms. DSS did not undertake a robust risk analysis and was not prepared for a substantial increase in expenditure.

Implementing the Disability Employment Services reforms

2.15 To give effect to the agreed reforms to DES, DSS undertook a range of activities including establishing a DES Provider Panel, drafting a new grant agreement and revising DES program guidance (summarised at Table 2.2).

Table 2.2: Summary of mechanisms to implement DES reforms

Reform strategy	Mechanism(s)	Change
Allow participants to select and change their DES provider	<ul style="list-style-type: none"> DES Grant Agreement DES program guidance^a DES assessment and referral processes^b 	<p>The grant agreement enables participant-initiated transfers and provides for service fees to be transferred accordingly.</p> <p>DES program guidance was updated to account for participants' ability to select their own provider and transfer providers for any reason.</p> <p>DES referral processes now allow participants to select their own provider upon commencement.</p>
Provide more regular opportunities for new providers to enter the market and enable existing providers to expand	<ul style="list-style-type: none"> Establishment of the DES Provider Panel 	<p>The DES Provider Panel was established through a grant application process open to new and existing DES providers.</p>
Implement market-based service provision	<ul style="list-style-type: none"> DES assessment and referral processes Establishment of the DES Provider Panel 	<p>DES referrals are no longer made according to providers' allocated market share.</p> <p>Service provision is contested by all members of the DES Provider Panel in a given service area.</p>
Introduce a new risk-adjusted funding model	<ul style="list-style-type: none"> DES assessment and referral processes DES Grant Agreement 	<p>DES assessment processes now place participants in 1 of 5 funding bands for each of DMS and ESS.</p> <p>The payment arrangements under the DES Grant Agreement also reflect the new funding bands.</p>
Introduce a new payment design, including indexation	<ul style="list-style-type: none"> DES Grant Agreement DES program guidance 	<p>The DES Grant Agreement sets out revised payment milestones and provides for indexation from 1 July 2019.</p> <p>DES program guidance was updated to reflect the new payment structure.</p>

Note a: This includes published DES Guidelines and internal DSS program rules and guidance.

Note b: These processes do not form part of DES as they occur prior to participants entering the program.

Source: ANAO analysis.

2.16 The DES Provider Panel and DES Grant Agreement are discussed further at paragraphs 2.35 and 2.39 to 2.42 respectively.

Monitoring provider performance

2.17 Existing provider monitoring and evaluation mechanisms, including DES Star Ratings, were retained under the new DES model. The DES Grant Agreement provides that DSS will ‘monitor, measure and evaluate’ provider performance against three key performance indicators (efficiency, effectiveness and quality). It further provides that the DES Star Ratings system will be used to measure the relative success of providers in effectively achieving outcomes for DES participants. Under the terms of the DES Grant Agreement, providers must co-operate and assist with all evaluation activities. Provider monitoring and compliance is discussed further in Chapters 3 and 4. These chapters found that DSS had largely appropriate arrangements for managing provider compliance and monitoring provider performance, with some scope for improvement.

Establishing arrangements to measure the success of the Disability Employment Services reforms

2.18 While the policy principles of the reforms were well defined, they were not supported by clear performance measures. As discussed at paragraph 2.11, the DES reform proposal referred to an aim of approximately 40 per cent of DES participants being in employment three months after having participated in DES, but did not include targets. It also did not contain performance indicators or an evaluation framework setting out how DES performance would be measured or assessed.

2.19 The implementation plan that accompanied the DES reform proposal stated that key performance indicators (KPIs) would be finalised prior to the commencement of the new arrangements. Accordingly, in May 2018 DSS developed a DES Performance Framework with three KPIs. However, the framework is largely focused on the performance of DES providers and not the program itself. In the absence of relevant performance indicators, it is not clear how the effect of the reforms will be measured.

2.20 As noted in Chapter 4, DSS has access to large volumes of data that would enable assessment of DES results against expected benchmarks. A DES evaluation framework would provide DSS with better oversight of the performance of the new DES model throughout its early operation. In addition, it would assist stakeholders, the public and the Government in understanding the impact of the reforms.

Recommendation no.1

2.21 DSS develops an evaluation framework that includes clear, program-level performance metrics to enable evaluation of the DES reforms in achieving their intended purposes.

Department of Social Services response: *Agreed.*

2.22 *The department commenced a mid-term review of the DES program in May 2020 to evaluate whether the intent of the program reforms are being achieved.*

2.23 *There are performance metrics already in place to monitor the performance of the program. The mid-term review will include consideration of additional measures that may be required to evaluate the extent to which the reforms are achieving their intended purpose. The mid-term review will be completed, and advice provided to government in the second half of 2020.*

Program expenditure

2.24 To estimate DES expenditure for 2018–19 onwards, the external actuarial consultant developed a forecasting model using data from prior years. The estimated expenditure is shown at Table 2.3.

Table 2.3: Estimated DES grant expenditure (\$ million)

2018–19	2019–20	2020–21	2021–22
807.35	801.52	816.10	794.24

Source: DSS.

2.25 As required by the Government, the estimated funding profile was in line with DES expenditure prior to the reforms. The risk-adjusted funding model was designed to maintain approximately the same program expenditure despite an expected increase in the overall DES caseload as a result of the reforms.

2.26 Total DES expenditure in 2018–19 was \$863.0 million.¹⁴ Expenditure was relatively even across the financial year. As at 30 October 2019, total DES grant expenditure for the 2019–20 financial year was \$380.1 million, or 50.5 per cent of the full year budget. DSS estimated that full year expenditure could be as high as \$1.23 billion in 2019–20.¹⁵

2.27 As DES is an uncapped, demand-driven program, expenditure fluctuates in response to caseload. As at December 2019, the total DES caseload had increased by 38 per cent since the introduction of the reforms in July 2018. In addition, the risk-adjusted model is more sensitive to shifting job seeker demographics, changes in participant and provider behaviour and wider labour market trends.

2.28 DSS identified three causes of the increase in expenditure in 2019–20. The primary cause is overall growth in DES caseload, as well as more participants in employment receiving ongoing support and an increase in education payments, especially for participants in higher funding bands. DSS identified the main drivers of the increase in caseload as:

¹⁴ Includes DES, ongoing support assessments and Job Access.

¹⁵ This increased expenditure is consistent with other market-based service reforms, including VET FEE-HELP (see Auditor-General Report No.31 2016–17, [Administration of the VET FEE-HELP Scheme](#)).

- more referrals from Newstart and Youth Allowance cohorts;
- an increase in the number of DES participants with no mutual obligations; and
- slower exits due to participants remaining in the program until the 52 week outcome.

2.29 As part of the reform proposal, DSS assessed possible risks to implementation and administration of the reforms and devised strategies to mitigate those risks. However, DSS did not consider the risks posed by the reforms themselves to the ongoing effectiveness of the DES program. In particular, DSS did not consider the ways in which the new funding structure might alter participant and provider behaviour. DSS did not attempt to quantify the expected increase in caseload.

2.30 DSS would have been better prepared to manage the increased program demand had it undertaken more robust risk assessment prior to the commencement of the DES reforms. In particular, the 52 week outcome payment is a specific design feature of the DES reforms and was accounted for in the actuarial modelling, so should have been more explicitly factored into risk assessments.

2.31 While DSS cannot control the volume of DES participation, it has some influence over DES expenditure through its own activities, including by modifying certain variables used in the risk-adjusted funding model and increasing oversight of provider claims. DSS should continue to monitor DES expenditure and consider whether further action is required. In September 2019, DSS undertook to develop a strategy for managing the overall increase in education outcomes.

2.32 Given that a significant majority of DES participants receive income support, an increase in DES expenditure may be offset by reductions elsewhere in the social services portfolio. For example, DSS has previously estimated that that the Commonwealth may save up to \$270 per person per fortnight for every DES participant who achieves a 26 week employment outcome. DSS should assess the value of offsets associated with the increased DES expenditures.

Are processes in place to ensure Disability Employment Services agreements meet legislative and other relevant requirements and appropriately adopt Finance guidelines?

The DES Grant Agreement has a clear legal basis. The new DES arrangements, including the selection of the DES Provider Panel are consistent with the *Disability Services Act 1986*, the Commonwealth Grant Rules and Guidelines and other guidance and requirements.

Reclassification of Disability Employment Services expenditure

2.33 Concurrent with the other changes to DES, DSS reclassified DES expenditure from supplier expense to grant effective from 1 July 2018.

2.34 It would be possible, under the Commonwealth Grant Rules and Guidelines (CGRGs) and Commonwealth Procurement Rules, to deliver DES as either a grant or a procurement. In reclassifying DES as a grant, DSS gave particular consideration to the purposes of DES provider organisations and determined that DES funding enables those organisations to accomplish their own

goals while also meeting the Commonwealth's policy principles. DSS noted that the *Disability Services Act 1986* (the DS Act) explicitly describes the Employment Support Service (ESS) as a grant.¹⁶

Disability Employment Services arrangements

Selection of the DES Provider Panel

2.35 Members of the DES Provider Panel were selected using a two stage process: an open registration of interest, followed by a restricted non-competitive grant opportunity. Existing high-performing DES providers were directly invited to participate in the grant opportunity. DSS prepared grant opportunity guidelines for both stages of the selection process and the selection process was conducted in accordance with those guidelines.

Legal basis of the DES Grant Agreement

2.36 The DS Act enables the Secretary of DSS to make grants of financial assistance for the provision of employment services and to enter into arrangements for rehabilitation services if doing so would further the objectives of the DS Act. One objective of the DS Act is the promotion of services that assist people with disability to achieve positive outcomes such as employment opportunities.

2.37 The Secretary also has power under the *Public Governance, Performance and Accountability Act 2013* to approve the commitment of funding. The *Financial Framework (Supplementary Powers) Act 1997* allows the Secretary to commit DES funding beyond the forward estimates.

Development of the DES Grant Agreement

2.38 DSS has a centralised Legal Services Branch responsible for legal advice and drafting, including developing the DES Grant Agreement. Given the complexity and commercial significance of the DES Grant Agreement, DSS also engaged external legal advisors to assist in drafting the DES Grant Agreement. DSS provided drafting instructions setting out the changes that would be required. DSS also sought legal advice on the compliance of the DES Grant Agreement and grant process with the CGRGs.

Compliance of the DES Grant Agreement with the Commonwealth Grant Rules and Guidelines

2.39 The DES Grant Agreement sets out the roles and responsibilities of DSS and providers in delivering DMS and ESS to DES participants. The full DES Grant Agreement is publicly available on the DSS website.¹⁷ For each provider, the DES Grant Agreement includes a schedule that sets out information specific to that provider: which services (DMS, ESS or both) will be provided, in which locations and at what times, whether the services are directed at a particular population, and the provider's corporate information. The DES Grant Agreement is also accompanied by a Charter of Agreement Management, which provides additional guidance on how the Grant Agreement will be administered by DSS.

¹⁶ The Act is silent on DMS.



¹⁷ See <https://www.dss.gov.au/freedom-of-information-operational-information-disability-employment-and-carers-group/des-grant-agreement>.

2.40 The CGRGs describe grant agreements as ‘an opportunity to clearly document the expectations of all parties in relation to the grant’.¹⁸ Based on the principles outlined in the CGRGs, the ANAO has identified the following key elements as necessary requirements for effective grants management. A summary of the key elements of the DES Grant Agreement, including the schedule, is shown at Table 2.4.

Table 2.4: Key elements of the DES Grant Agreement and schedule

Element	Grant Agreement	Schedule	Comments
Clear objective	●	N/A	The DES Grant Agreement defines the overarching objective of DES as being ‘to improve the nation’s productive capacity by employment participation of people with disability’. It further describes the objective of DMS and ESS services as being ‘to help individuals with disability ... to secure and maintain sustainable employment in the open labour market’.
Defined roles and responsibilities of parties	●	●	The DES Grant Agreement clearly defines the roles, responsibilities, obligations and rights of both DSS and DES providers. The schedule provides additional detail about the specific services the provider will offer.
Appropriate term (length of agreement)	●	●	The duration of the DES Grant Agreement reflects the expectation that DES services will be provided over a number of years.
Appropriate sign off	N/A	●	Sign off was completed in the individual provider schedules appended to the DES Grant Agreement. All schedules were signed at the appropriate level by both parties.
Sound payment design	◐	N/A	The DES Grant Agreement comprehensively details the DES payment structure and process, including payment milestones and evidence requirements. ^a The payment design was not informed by robust risk analysis.
Appropriate performance measures	◐	N/A	The DES Grant Agreement sets out three key performance indicators for DES providers, how they will be measured and the nature and timing of DSS evaluation activities. For the key performance indicator of efficiency, there is no direct measurement. The DES Grant Agreement enables DSS to take action following poor performance assessment but obliges DSS to act reasonably and in good faith in doing so. The DES Grant Agreement allows DSS to publish DES provider ratings.

18 Section 12.8.

Element	Grant Agreement	Schedule	Comments
Reporting processes		N/A	The DES Grant Agreement clearly outlines the financial reporting required of DES providers. The DES Grant Agreement enables DSS to take action for late or unsatisfactory reporting.
Dispute resolution		N/A	The DES Grant Agreement contains a comprehensive dispute resolution clause.

Key:

N/A Not applicable

 Met

 Largely met

 Partially met

Note a: However, see Chapter 4 regarding the use of file notes as evidence.

Source: ANAO analysis.

2.41 The DES Grant Agreement contains the elements necessary to manage the operation of DES, including the relationship between DSS and DES providers. DSS has effectively fulfilled the principles of grants administration described by the CGRGs.

2.42 Examination of a sample of 39 of the 116 DES provider schedules¹⁹ did not identify any substantial defects in format or execution. All schedules were accurate, complete and consistent. All schedules were signed and witnessed by providers, but three of the 39 had not been dated by providers. All schedules were signed, witnessed and dated by the Commonwealth.

Certification under the National Standards for Disability Services

2.43 Under the DS Act, DES providers must hold an accredited certification of compliance with the National Standards for Disability Services. This requirement was included in the DES Grant Agreement and all grant applicants were required to provide evidence of certification. For a number of new providers without existing certification, offers were conditional on the provider receiving certification within 12 months. Certification is discussed further in Chapter 3.

¹⁹ Including novation and amendments, where relevant.

3. Managing Disability Employment Services agreements

Areas examined

This chapter examined whether the Department of Social Services (DSS) has effective arrangements for managing Disability Employment Services (DES) agreements.

Conclusion

DSS has largely effective arrangements for managing DES agreements. These include largely appropriate processes for managing DES agreement risks, such as risk assessment templates and committee oversight, while the quality of risk reporting could be improved. Partially effective arrangements exist for managing compliance of DES providers, with further work still required to develop a framework for responding to non-compliance. Coordination arrangements are effective with Services Australia and largely effective with the Department of Education, Skills and Employment (Employment).

Areas for improvement

The chapter includes a recommendation for DSS to strengthen its management of DES provider compliance (paragraph 3.60). The chapter also includes suggestions that DSS: ensures provider risk assessments are up to date (paragraph 3.12); strengthens training for staff delivering DES (paragraph 3.29); and gains assurance that DES systems are compliant with relevant IT security requirements (paragraph 3.73).

3.1 To ensure that providers meet their obligations under the DES Grant Agreement, DSS needs to manage DES agreement risks, monitor and assess compliance with agreement requirements, and take appropriate action to address and deter non-compliance. In managing DES agreements, DSS also needs effective coordination arrangements with Services Australia and Employment.

Does the Department of Social Services appropriately manage Disability Employment Services agreement risks?

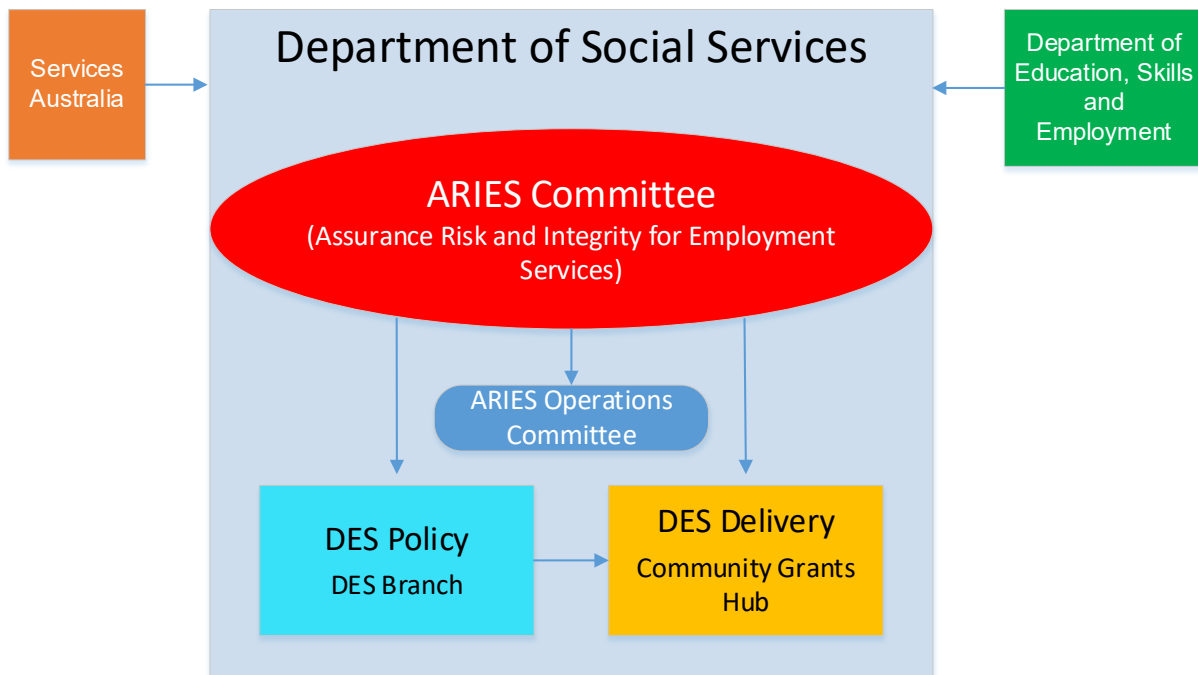
DSS has largely appropriate processes for managing DES agreement risks but there is scope to improve the effectiveness of those processes. Largely effective high-level risk arrangements are in place for DES through the Assurance, Risk and Integrity in Employment Services Committee and established processes for risk assessment. However, the Community Grants Hub could better manage DES agreement risks by ensuring risk assessments are up to date and increasing information, support and training available to Funding Arrangement Managers to better address risks of non-compliance by providers. Appropriate arrangements in place to manage agreement risks include individual provider risk reports, quality assurance checks of those reports and site visits to further assess provider risk.

Organisational structures and processes to support Disability Employment Services risk management

3.2 Figure 3.1 provides an overview of the management structure for DES. DSS manages DES Grant Agreements through a decentralised arrangement, with the Assurance, Risk and Integrity for Employment Services (ARIES) Committee providing oversight. ARIES is a high-level forum to support

the performance and integrity of DES, and is responsible for providing strategic direction for DES risk management arrangements and program assurance.

Figure 3.1: Management structure for Disability Employment Services



Source: ANAO.

Assurance, Risk and Integrity for Employment Services Committee

3.3 ARIES is the primary governance committee for DES, and is responsible for managing and advising the DSS Executive on DES risk, monitoring and assessing risk and assurance activities, communicating the risk approach to the Community Grants Hub (the Hub), and considering resource impacts. The committee meets quarterly and is chaired by the Group Manager of the Disability, Employment and Carers Group. Membership includes the DES Branch, the Hub and DSS' Audit and Assurance Branch, with Employment having observer status.

3.4 The committee receives extensive reporting on DES provider risks and payment compliance. Since July 2018, ARIES has reviewed:

- reports against the DES Program Risk Register;
- DES provider risk reports;
- details of DES provider tip-offs and investigations;
- DES Assurance Program results;
- site visit strategies and outcomes; and
- DES program expenditure and performance.

ARIES also monitored the implementation of DES program risk treatments, provided advice on approaches to improve payment compliance and agreed to additional assurance activities to

target possible sharp practice²⁰ and non-compliance. ARIES regularly refers matters to the ARIES Operations Committee for further investigation.²¹

3.5 There is scope to strengthen ARIES' monitoring of implementation activities affecting DES. For example, in July 2018, ARIES agreed to three recommendations aimed at improving fraud prevention in DES. However, there is no evidence that ARIES monitored the implementation of these recommendations, which were only partly completed.

Community Grants Hub

3.6 The Hub has been central to the appropriate management of DES agreement risks since March 2018, when it was first used to manage the risk and compliance of DES providers with the terms of their agreements. Between December 2017 and March 2018 this function was undertaken by the DSS Service Delivery Network.

3.7 Figure 3.2 outlines the functions undertaken by the DES Branch and the Hub. DES management by the Hub is undertaken by three specialist areas: the Centres of Expertise; Performance; and Delivery Lead. Day-to-day management of DES agreements is conducted by Performance officers, who are either Funding Arrangement Managers (the primary staff responsible for managing providers) or Relationship Managers (appointed to some providers to manage the strategic relationship).²² The DES Delivery Lead oversees the administration of DES by the Hub and coordinates with the DES Branch, including on strategic matters.²³ There is no formal agreement between the DES Branch and the Hub regarding the grants management services that the Hub must provide.

3.8 DES 'client agency meetings' between the Hub and the DES Branch provide an opportunity to identify and address risks. The meetings cover topics such as systems issues, updates to guidelines and procedures, and clarification of responsibilities. The meetings commenced in January 2018 and are held every four to six weeks. In addition, the ARIES Operations Committee meets every two months and includes DES Policy Leads from each state or territory office of the Hub.

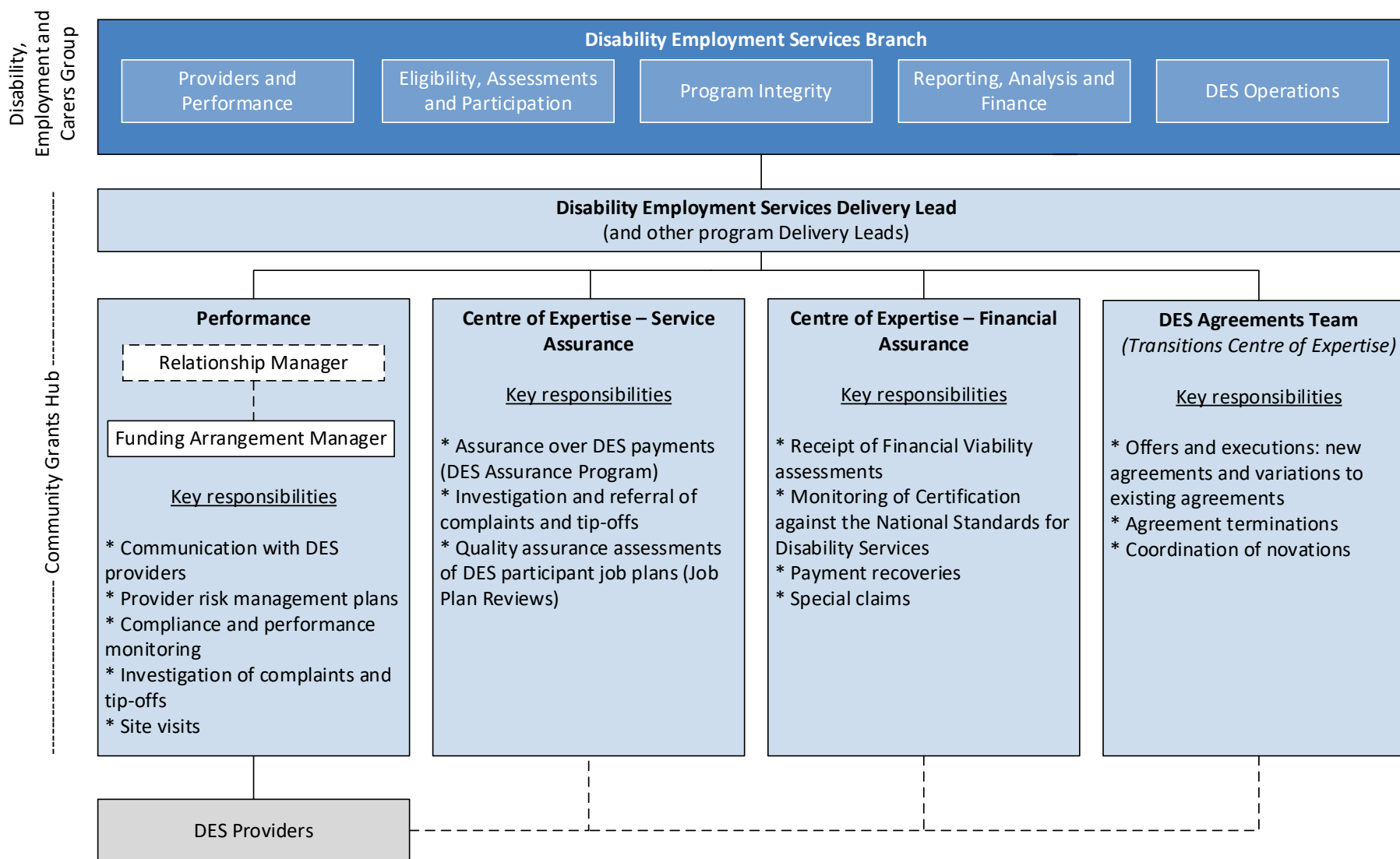
20 Sharp practice is any activity that falls within the rules but is contrary to their intent and designed to achieve dishonest gains.

21 The ARIES Operations Committee was established to support the ARIES Committee, including by implementing relevant decisions of ARIES and providing advice and implementation support. The ARIES Operations Committee meets approximately six times a year.

22 There are also Lead Funding Arrangement Managers who are appointed to some providers that operate across multiple regions or jurisdictions. However, DSS has advised that Funding Arrangement Managers and Lead Funding Arrangement Managers perform largely the same role in the context of DES. The term 'Funding Arrangement Manager' therefore refers to both within this report.

23 The total number of staff in the Hub is just under 1000. DSS advised that as at mid to late 2019, approximately 105 staff or 80 full-time equivalent staff in the Hub had a focus on DES. Approximately 46 of these staff were Funding Arrangement Managers and 12 were Relationship Managers. In a survey issued by the ANAO to these 105 Hub staff, two-thirds (68 per cent) of Funding Arrangement Managers who responded estimated that they spend half their time or less on DES.

Figure 3.2: Structure for the delivery of Disability Employment Services



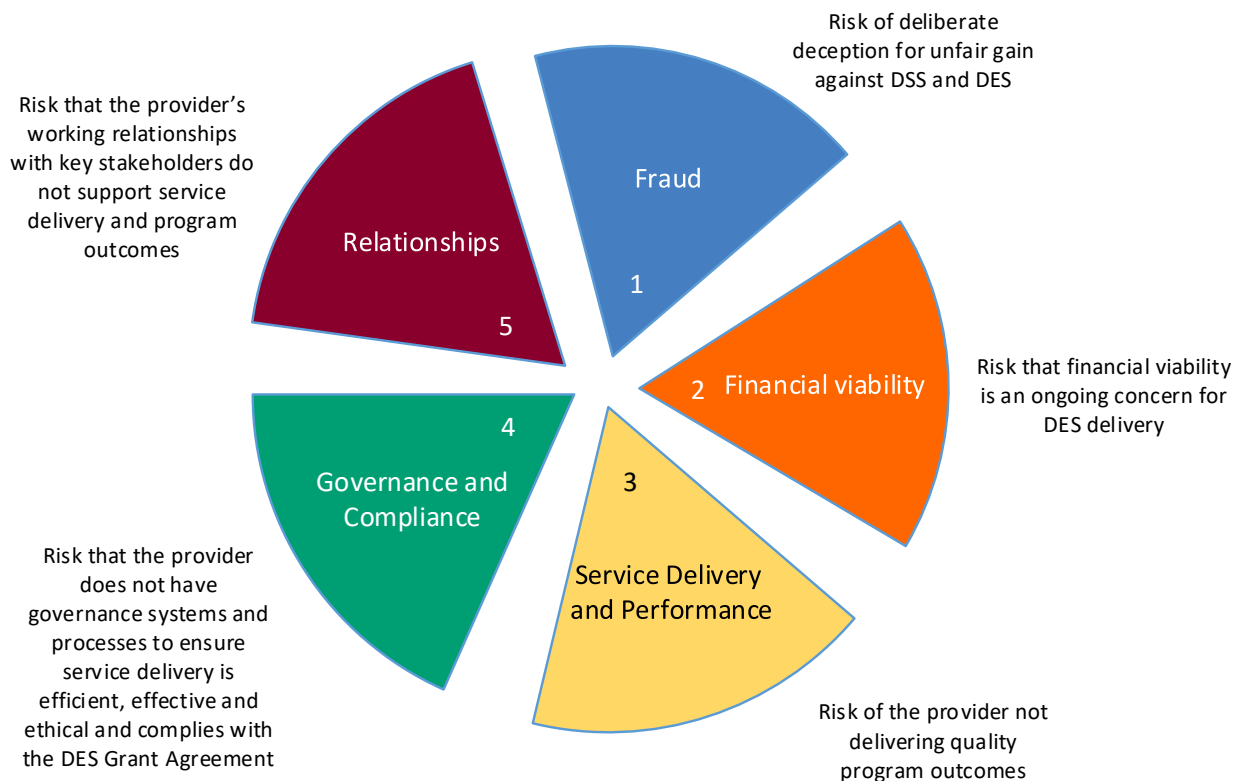
Source: ANAO.

Assessment of provider risks

3.9 Funding Arrangement Managers conduct a risk assessment for all DES providers and assign a risk rating ranging from ‘low’ to ‘extreme’, where low risk can be managed by routine procedures and extreme risk requires a ‘detailed action/plan’. The purpose of the provider risk assessment is to identify risks that may impact the program’s ability to achieve sustainable employment outcomes for people with disability while maintaining payment integrity. For pre-existing DES providers that continued as part of the new DES Provider Panel (refer to Chapter 2), their 2017–18 risk ratings were carried across under the new agreement. For new providers, their risk assessments were established with a risk rating of ‘low’ in acknowledgement that these providers had been through a recent selection assessment process. This is despite new providers potentially posing higher risks related to their inexperience.

3.10 In August 2018, DSS developed a DES Provider Risk Management Guide to assist Funding Arrangement Managers in completing provider risk assessments. Risk assessments are structured according to five domains, as shown in Figure 3.3. The guide provides examples of low, medium and high risk in each domain.

Figure 3.3: Provider risk domains



Source: ANAO summary of DES Provider Risk Management Guide.

3.11 The Provider 360 reporting tool records provider risk reports, comprising risk assessments and any planned actions, through an embedded template. Provider 360 is used by DES Funding Arrangement Managers and Relationship Managers to document or view the risk rating, supporting comments and actions. A number of information sources are available to support a manager in assessing provider risk for each domain, as outlined in Table 3.1.

Table 3.1: Key information informing provider risk assessments

Type of information	Source	Frequency	Risk domain
Complaints and tip-offs (discussed in paragraphs 3.40 to 3.42 and 4.45 to 4.72)	Received from DES participants and employees of DES providers. Investigated by DSS or Employment.	As received	1,3,4,5
Certification audits against the National Standards for Disability Services (discussed in paragraphs 3.46 to 3.49)	Independent certification bodies accredited by the Joint Accreditation System of Australia and New Zealand. Audits are largely based on participant interviews and file review.	Annually	1,3,4,5
Star ratings (discussed in paragraphs 4.13 to 4.16)	Provider caseload and outcomes data recorded in ESSWeb.	Quarterly	3
Site visits (discussed in paragraphs 3.20 to 3.22)	Funding Arrangement Managers.	50 per year	1,2,3,4,5
Desktop review (for example provider publications and media attention)	Funding Arrangement Managers.	As required	1,2,3,4,5
DES Assurance Program (discussed in paragraphs 3.34 to 3.36 and 4.27 to 4.43)	Assessments by DSS Service Assurance — Centre of Expertise.	Quarterly	3,4
Job Plan assessments (discussed in paragraphs 3.44 to 3.45)	Assessments by DSS Service Assurance — Centre of Expertise.	Quarterly	3
Financial viability assessments (discussed in paragraphs 3.68 to 3.69)	Department of Education, Skills and Employment provides assessments to DSS Financial Assurance — Centre of Expertise.	Annually	2,4

Source: ANAO analysis of DES Provider Risk Guide and other DSS documentation.

3.12 The ANAO identified information gaps in provider risk assessments that DSS should rectify, particularly in relation to the ‘Governance and Compliance’ domain. Assessment of ‘Governance and Compliance’ is based on the validity of payment claims for the delivery of services and outcomes (as assessed under the DES Assurance Program) and the provider’s ability to demonstrate effective governance structures. As at September 2019, at least 53 of 117 risk assessments (45 per cent) had not been updated to include information about the provider’s DES Assurance Program results in this domain. This included a provider with invalid payments estimated by DSS to be over \$1 million, which was not documented in the risk plan. In addition, 50 of these risk assessments had not been updated with the providers’ 2018 certification status against the National Standards for Disability Services (NSDS).

3.13 In response to this audit, DSS advised that the Hub has tasked experienced Funding Arrangement Managers with addressing information gaps in provider risk assessments. DSS also advised that risk will be included as a topic for discussion at meetings between DSS and Hub staff.

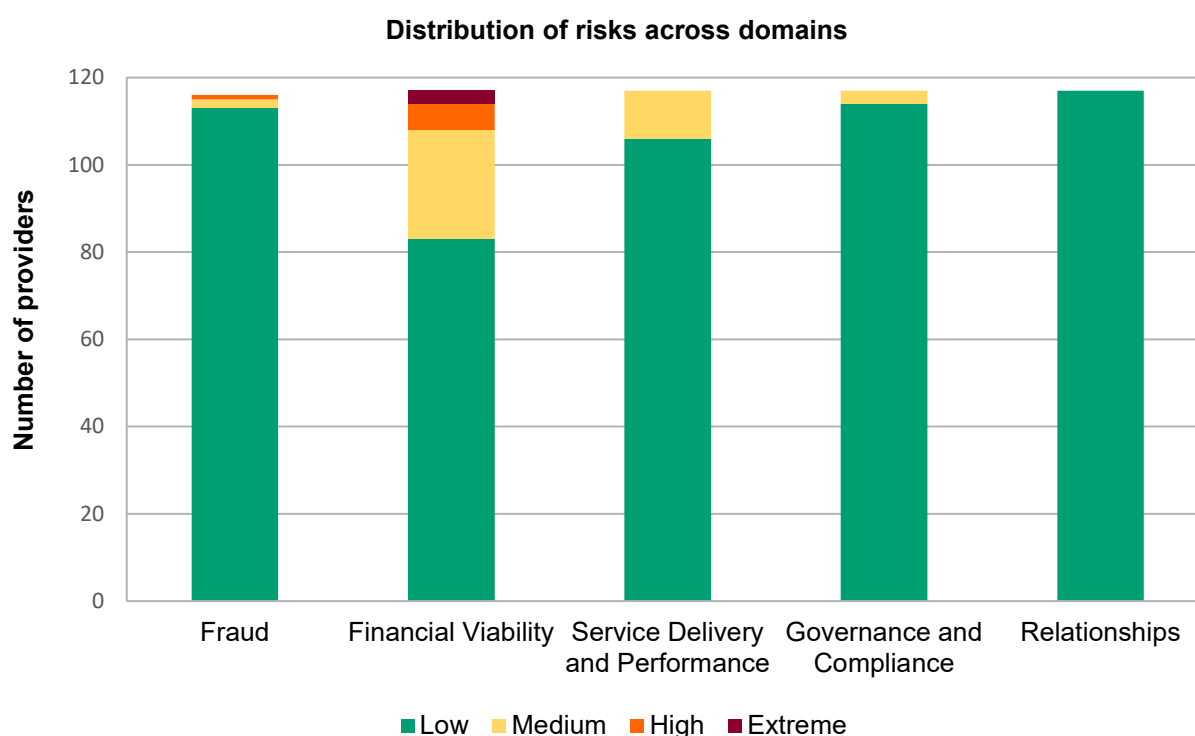
Risk assessment ratings and processes for high-risk providers

3.14 The overall risk rating of a provider is determined by the Funding Arrangement Managers, taking into account the individual risk ratings in each domain as well as factors such as the provider’s

caseload and the number of Employment Service Areas in which they deliver DES. The Funding Arrangement Manager makes an overall judgment as to the rating.

3.15 As at September 2019, the assessed risk rating for most providers was low across the risk domains, as shown in Figure 3.4. However, given the risk assessments did not reflect the latest information available in the ‘Governance and Compliance’ domain, the risk ratings assigned may not represent the providers’ true risk levels for that domain. At that date, three providers were rated ‘high’ risk and one was rated ‘extreme’ risk overall. In all four cases, the high or extreme risk rating was due to low financial viability.

Figure 3.4: Distribution of risks across domains



Source: ANAO analysis of DSS provider risk assessments.

3.16 Funding Arrangement Managers are required to establish risk actions for ‘high’ and ‘extreme’ risk providers. These were in place for the four providers rated ‘high’ or ‘extreme’ as at September 2019, which involved monitoring the provider’s performance either via desktop review (two providers), a site visit (one provider) or both (one provider). One risk report also included an action whereby additional financial reporting would be required from the provider. A further eight risk reports rated ‘medium’ and two risk reports rated ‘low’ included actions.²⁴

Processes relating to ‘high’ and ‘extreme’ risk providers

3.17 There is scope to strengthen some processes relating to ‘high’ and ‘extreme’ risk providers. The DES Provider Risk Management Guide could be enhanced to detail the types of actions that might be considered, depending on the type and level of risk.

²⁴ There were 26 actions in total, of which 20 were due by December 2019. Of these 20 actions, 18 were reported as closed as at December 2019.

3.18 The completion of actions is to be monitored by the same Funding Arrangement Managers who establish the actions. Risk reports are approved by the Relationship Manager, however the Relationship Manager does not necessarily monitor the implementation of actions. DSS could consider processes to ensure risk assessments are appropriately actioned and escalated, including for DES.

3.19 ARIES has oversight of provider risk, however this could be improved. While four DES providers were rated high or extreme risk in September 2019, only one provider was reported to ARIES as high risk (with zero extreme risks) at its September meeting. At this meeting, ARIES was provided with risk ratings as at 23 July 2019. To ensure ARIES has visibility of key risks, the committee would benefit from reporting on current risk ratings rather than quarterly ratings which may no longer be valid.

Provider site visits

3.20 Site visits are a key mechanism through which DSS assesses provider risk and compliance across the 3841²⁵ DES sites. In 2018–19, 140 ‘new site visits’ were conducted to ensure sites established under the 2018 DES Agreement were operating adequately. In addition, 51 ‘strategic site visits’ were undertaken to assess how the DES reforms were being implemented by new providers, existing providers with significant growth and selected other providers.

3.21 The Hub’s review of site visit results found that the ‘majority of providers detailed strong governance procedures and policies’. Issues were identified, however, with potential non-compliant practices and sites not being open as required.

3.22 In 2019–20, 50 DES providers are expected to receive ‘strategic monitoring’ site visits. This represents over 40 per cent of the 116 service providers and 1.3 per cent of sites (as at January 2020). As at 12 March 2020, DSS had recorded 44 site visits. Providers were selected in accordance with the 2019–20 DES Site Visit Strategy agreed by ARIES in September 2019. Strategic monitoring visits are intended to ‘explore DES providers’ internal quality assurance controls’, including: provider fraud control plans; internal complaints handling processes; how providers train staff to understand their responsibilities as Commonwealth officers; and privacy awareness.

Community Grants Hub operating arrangements

3.23 To effectively assess risk, Funding Arrangement Managers require ready access to information about providers. There should also be adequate training and support to enable Funding Arrangement Managers to appropriately address areas of high risk and non-compliance. Improvements are required to operating arrangements to enable staff to adequately manage DES provider risks.

3.24 The incorporation of DES into the Hub resulted in the centralisation of various roles that were previously performed by DES agreement managers. For example, prior to December 2017, agreement managers were responsible for conducting DES Assurance Program assessments (discussed further in Chapter 4), processing special claims²⁶ and managing complaints for their

25 As at January 2020.

26 Special claims may be lodged for service fees where an override is required or for outcome fees where verification through Centrelink data returns an unexpected result.

provider. With the establishment of the centralised delivery model, such activities were moved into specialised areas in the Centres of Expertise, to realise efficiencies and consolidate skills.

3.25 In a survey issued by the ANAO to DES staff in the Hub in October 2019, 27 of the 65 respondents (42 per cent) identified issues with the Hub's operating model affecting DES grants management, particularly regarding coordination and communication. Of the 22 Funding Arrangement Managers who responded, 10 (45 per cent) were satisfied on average with their access to key information required for risk assessment, while eight (36 per cent) were dissatisfied.²⁷ In November 2019, DSS indicated that it was reviewing the Hub operating model in relation to DES. DSS has also recognised the need to improve coordination between the DES Branch and the Hub to ensure DES program risk is mitigated.

3.26 In June 2018, an internal audit of the *Reformed Disability Employment Services* identified a high-priority recommendation relating to the observation that:

DSS may not be able to effectively monitor providers' performance from 1 July 2018 due to:

- Provider Monitoring Framework being in development and is not yet finalised and documented; and
- appointment of staff members to the Funding Arrangement Manager, Lead Funding Arrangement Manager and Relationship Manager roles have yet to be finalised, nor have the appointed staff members been trained to perform the monitoring activities as part of their roles.

3.27 DES provider performance monitoring, as conducted by the Hub, is intended to include processes for monitoring provider compliance and risk (see Figure 3.2). The Hub's response to these internal audit findings noted that existing management processes would remain in place during the transition so there would be 'no increased risk of exposure and there [was] still monitoring of provider performance.' The Hub also noted that 'staff training in functions across Performance, and in the detailed Disability Employment Services process, to assist any staff in new roles' would be completed by October 2018. DSS advised the ANAO that staff training was undertaken by state and territory offices according to the capabilities of Funding Arrangement Managers. The audit was not included in the Audit and Assurance Committee's quarterly monitoring of internal audit recommendations.

3.28 The provider monitoring framework is intended to be captured in the Hub's Standard Operating Procedures — referred to as the 'Program Delivery Model' — which apply to all grants programs managed by the Hub. While the procedures include practical guidance for monitoring providers, there is insufficient detail to effectively support monitoring against the complex requirements of the DES Grant Agreements. The ANAO survey of Funding Arrangement Managers determined that satisfaction with access to and the quality of guidance materials, such as guidelines, task cards and procedures, was relatively low.²⁸

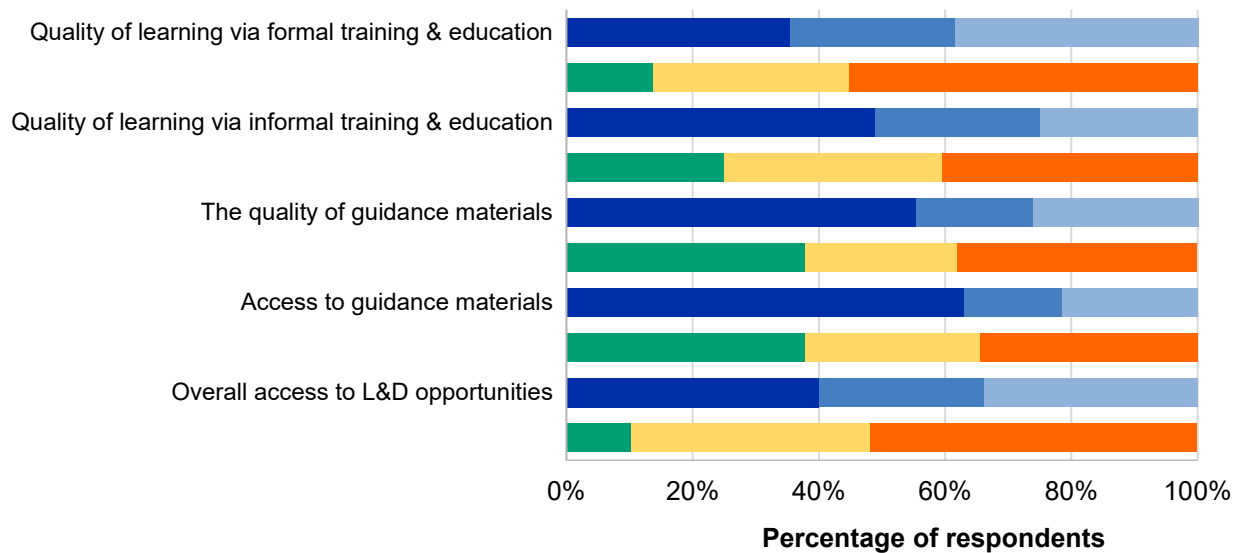
3.29 Figure 3.5 outlines satisfaction levels of Hub staff with training and support, including guidance, to support their role in managing DES Grant Agreements. While 26 respondents to the

27 Funding Arrangement Managers were asked to rate their satisfaction with access to: quarterly results under the DES Assurance Program; complaints; tip-offs; financial viability assessments; star ratings; and certification reports against the National Standards for Disability Services.

28 Thirty-eight per cent of Funding Arrangement Managers were satisfied with their access to guidance materials while 34 per cent were dissatisfied.

ANAO’s survey (40 per cent) indicated that they were satisfied with their overall access to learning and development opportunities to support their role in DES, 22 respondents (34 per cent), including half of all Funding Arrangement Managers, were dissatisfied. Comments from respondents identified issues with over-reliance on experienced staff and the risk of losing specialist program knowledge. Accordingly, DSS should consider strengthening training arrangements. This could include establishing a formal dedicated training program for Hub staff delivering DES as well as a knowledge management strategy.

Figure 3.5: Hub staff satisfaction with training and support for their role in DES



All respondents	Funding Arrangement Managers
■ Satisfied ■ Neutral (including N/A) ■ Dissatisfied	■ Satisfied ■ Neutral (including N/A) ■ Dissatisfied

Source: ANAO survey of Community Grants Hub staff involved in DES. The survey received 65 responses, 29 of which were from Funding Arrangement Managers (note that the response rate to other survey questions varied).

Does the Department of Social Services effectively assess and manage provider compliance in relation to agreement requirements, and address non-compliance?

DSS is partially effective in assessing and managing the compliance of DES providers with agreement requirements. The focus of DES compliance activities is on payment assurance, although DSS also reviews complaints and tip-offs, investigates potential fraud, conducts job plan reviews and requires providers to obtain certification against the National Standards for Disability Services. To date, provider education and payment recoveries have been DSS’ primary responses to non-compliance. DSS is developing an updated compliance and escalation framework to broaden the range of responses as the program matures. DSS should ensure the framework defines the different levels of non-compliance together with appropriate responses, and also develop a comprehensive approach to recording instances of non-compliance.

3.30 The DES Compliance Framework (June 2018) defines compliance as ‘the outcome derived when providers meet their legislative, regulatory, contractual and other obligations under DSS programs.’ The purpose of the DES Compliance Framework is to:

- provide a suitable level of confidence over the integrity of payments made to providers; and
- support improvements in provider compliance and quality of service.

In view of this purpose, the DES Compliance Framework outlines various activities to monitor and promote compliance, and clearly identifies roles and responsibilities.

3.31 The DES Compliance Framework is consistent with the DSS Enterprise Compliance Framework and the DSS Risk Management Framework, and is designed to help address the five key compliance risks identified in the DES Program Risk Register.²⁹ A number of controls for these risks are administered through the DES Compliance Framework, including coordinating and actioning tip-offs and performing DES Assurance Program reviews.

3.32 DES compliance processes are closely linked to DES provider risk management. Sources of information used to assess provider compliance, as well as risk, are outlined in Table 3.1. In September 2019, DSS developed a DES Annual Compliance Work Plan for 2019–20, which lists a number of compliance activities including:

- the DES Assurance Program;
- tip-offs and fraud investigations;
- targeted compliance activities;
- job plan reviews; and
- provider site visits.³⁰

3.33 Certification audits against the NSDS are another key compliance activity. These are undertaken by external audit bodies (see paragraph 3.47) and are not included in the compliance plan.

Management of compliance

DES Assurance Program

3.34 Payments to providers for the delivery of DES are released automatically to the provider by the DES IT system³¹ once certain criteria in the system are met. To meet these criteria, the provider must lodge a claim declaring relevant details of the service or outcome, and must also upload evidence for outcome claims.

29 These risks are: Payments made to providers for services and outcomes that were not delivered / achieved (rated ‘high’); The documentary evidence submitted by the provider does not support the claim the provider has made (rated ‘high’); Providers adopt sharp practices (rated ‘high’); Services offered by providers do not support Participant employment outcomes (rated ‘medium’); and Participants are placed into a Service not suitable for their needs (rated ‘medium’).

30 These were discussed at paragraphs 3.20 to 3.22.

31 This system is known as ESSWeb and is managed by the Department of Education, Skills and Employment (see paragraph 1.14).

3.35 Payment claims are the primary focus of the DES Compliance Framework and are monitored through the DES Assurance Program, which is discussed further in Chapter 4. Under the DES Assurance Program, the quarterly validity rate for sampled claims since July 2017, when the program commenced in full, has typically exceeded the 95 per cent benchmark.³²

3.36 DSS recovers nearly all invalid payments from those providers identified in the DES Assurance Program sample through offsets against future payments. However, DSS generally does not recover invalid payments from the remainder of the population that has not been sampled (some 98.8 per cent each quarter). In January 2020, DSS estimated that payment leakage³³ for 2018–19 could be approximately \$31.6 million.³⁴

Provider education

3.37 DSS' other main strategy to address payment non-compliance is provider education through direct correspondence or other communication avenues. The department sends quarterly communiqués to providers advising of their DES Assurance Program results and highlighting key issues. In addition, DSS sent letters to six continuing DES providers in July 2018 that had consistently achieved below 90 per cent claim validity. Following this, five of the providers improved their claim validity to over 95 per cent for 2018–19 and the remaining provider novated its contract.

3.38 If a claim is not assessed to warrant recovery but still requires improvements to reach full compliance, it is assessed as 'valid, education'.³⁵ The number of 'valid, education' findings under the DES Assurance Program has almost tripled over 2018–19, while the number of 'invalid' findings has remained relatively steady. DSS has not developed a strategy to manage providers with high 'valid, education' findings.

3.39 There are various avenues for providers to raise issues or seek information from the DES Branch, including the Question Manager system and the DES Technical and Administrative mailbox.³⁶ The DES Branch also posts guidance, updates and news items on the DES Provider Portal to assist providers in understanding their obligations.

Tip-offs and fraud investigations

3.40 Complaints and tip-offs are also used to inform DES provider risk and compliance management. Complaints are primarily received from DES participants and are discussed further in Chapter 4. Tip-offs are primarily received from employees or former employees of DES providers. Employment receives tip-offs through the National Customer Service Line, which it then refers to the DES Branch in DSS. The DES Branch in turn assigns tip-offs to the Hub via a shared mailbox for

32 DSS calculated that the average claim validity rates for 2017–18 and 2018–19 were 94.9 per cent and 95.9 per cent respectively.

33 'Payment leakage' refers to invalid payments that are not recovered. Estimated payment leakage is extrapolated from actual results determined under the DES Assurance Program, which covers about 1.2 per cent of claims.

34 This figure varies between different records held by DSS. The amount of \$31.6 million was stated in a brief to ARIES in January 2020.

35 As described in Chapter 4, a review outcome of 'valid, education' occurs when there is sufficient evidence to verify that the provider is eligible to claim the fee, but an administrative error has been detected.

36 The DES Technical and Administrative Team was established in September 2018 to address individual operational queries from DES providers and Funding Arrangement Managers. Question Manager is a system that has been in place for years and is intended for providers and Funding Arrangement Managers to submit operational queries as well as policy queries relating to the DES Grant Agreement and guidelines.

review. If potential fraud is suspected, the tip-off must be referred to DSS' central Investigations area. As at August 2019, 10 fraud investigations and two fraud assessments were underway.

3.41 ARIES receives quarterly reporting on DES tip-offs and fraud investigations. The reports outline decisions and actions taken in response to tip-offs and/or potential fraud. Detailed background information is also included for those providers that are under investigation for potential fraud. Table 3.2 shows the outcomes of tip-offs received in the past two financial years.

Table 3.2: DES tip-offs about potential provider non-compliance

	2017–18	2018–19
Received	22	16
Referred to Investigations	3	5
Recovery action	1	0
Unable to be substantiated ^a	19	8

Note a: Tip-offs that are unable to be substantiated are closed without further action.

Source: DSS data.

3.42 While there are sound processes for fraud investigations originating from tip-offs, an internal audit of DSS' Fraud Control Framework in March 2019 identified potential opportunities to improve reporting to inform or detect trends in DES fraud. The audit also identified 'limited information sharing across the department including data gathering for Fraud Analytics.'³⁷ The results of the audit were presented to DSS audit committee in May 2019.

Targeted compliance activities

3.43 DSS has advised that it commenced work in July 2019 on targeted compliance activities, which will involve using data-matching techniques to identify claims that are likely to be invalid. In addition to claim types with low validity rates, targeted compliance activities could also focus on high-risk providers and sites.

Job plan reviews

3.44 Another area of compliance assessment within DES relates to job plans that are designed to help participants prepare for work. These are developed by providers and are required to set out each participant's Mutual Obligation Requirements to support monitoring under Employment's Targeted Compliance Framework.³⁸ The Hub aims to conduct random reviews of 2400 job plans every six months. From January to June 2019, 2003 job plan assessments were completed, followed by 2241 assessments from July to December 2019.

3.45 Job plan compliance is assessed against three broad criteria, which include considerations such as whether the job plan includes assistance and activities that are specifically tailored to the participant's individual circumstances and whether there are regular future appointments contained in the job plan. Of the 4244 job plans assessed in 2018–19, 56.0 per cent met all three

37 The audit concluded that DSS' Fraud Control Framework is fit for purpose and working partially effectively for managing fraud risks with some identified improvement opportunities.

38 The Targeted Compliance Framework, distinct from DSS' 'targeted compliance activities', was introduced by the Australian Government on 1 July 2018 to encourage job seekers to take responsibility for their Mutual Obligation Requirements.

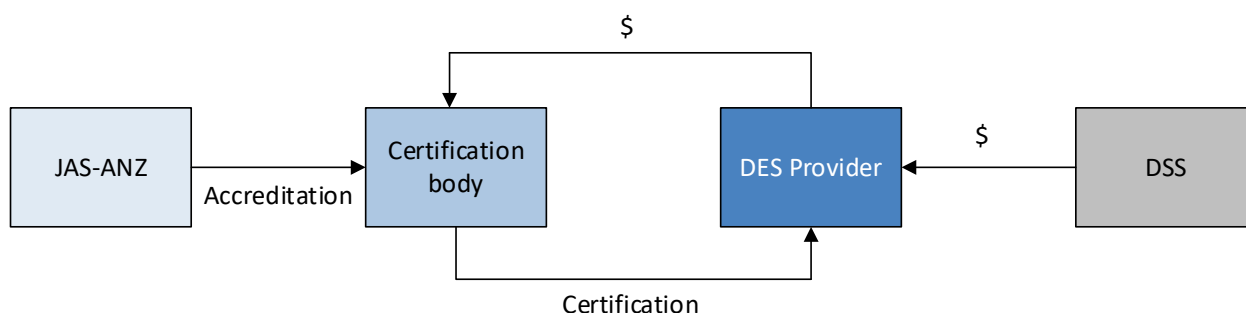
criteria. In January 2020, ARIES was advised that due to ‘resourcing constraints’, job plan compliance had been suspended. In addition to provider compliance, the results of job plan reviews were intended to inform assessments against DES KPI 3 Quality, as discussed further in Chapter 4.³⁹

Compliance with National Standards for Disability Services

3.46 Certification against the NSDS is a key compliance requirement for DES providers, and also informs assessment of provider quality against DES KPI 3 Quality. Under the *Disability Services Act 1986*, and as reflected in the DES Grant Agreement, DES providers were required to be certified against the NSDS by 30 June 2019. The six standards are: Rights; Participation and Inclusion; Individual Outcomes; Feedback and Complaints; Service Access; and Service Management.⁴⁰

3.47 To obtain certification against the NSDS, DES providers are required to undergo an independent audit on an annual basis, comprised of an initial certification or a re-certification audit every three years, followed by two annual maintenance audits. As shown in Figure 3.6, the audits are conducted by external certification bodies that are accredited by the Joint Accreditation System of Australia and New Zealand (JAS-ANZ). JAS-ANZ is an independent third party that aims to improve efficiency and reliability in the certification of service providers by standardising requirements. JAS-ANZ determines the rules for auditing procedures and accredits certification bodies to conduct the audits. DSS reimburses providers for audit costs up to a certain amount. JAS-ANZ’s obligations under this accreditation system are set out in a Memorandum of Understanding (MoU) with DSS that has not been updated since it was established in 2007.

Figure 3.6: Process for certification of DES Providers against the National Standards for Disability Services



Source: ANAO.

3.48 Each Standard of the NSDS specifies between five and nine indicators of practice, against which the Standard can be assessed. For example, under ‘Rights’: ‘the service, its staff and its volunteers treat individuals with dignity and respect.’ The general nature of the criteria allows for various interpretations and levels of evidence to be used to demonstrate compliance. For example, to demonstrate that providers met the requirement: ‘The service keeps personal information confidential and private’, different factors were considered in different audits, including: staff

39 While job plan reviews are intended to inform KPI 3 Quality under the performance framework, a failure to achieve sufficient quality is considered a breach under the DES Grant Agreement.

40 The National Standards for Disability Services were adopted by the Australian Government on 1 January 2014 to promote and drive a nationally consistent approach to improving the quality of services. Full details of the National Standards for Disability Services can be found at <https://www.dss.gov.au/our-responsibilities/disability-and-carers/standards-and-quality-assurance/national-standards-for-disability-services>.

training, the existence of authority/consent forms, password/antivirus protection, the identification of any privacy breaches and participants' perceptions of how their privacy was protected. However, audits are not specifically required to consider any or all of these aspects, leaving scope for selective testing against the NSDS. Advice from disability peak bodies also indicates that there is an opportunity to improve the consistency of the certification audits. This could include the provision of further guidance to certification bodies, to ensure audits consider the same levels and types of evidence in similar circumstances.

3.49 In July 2019, ARIES was advised of two providers that had not achieved certification against the NSDS and actions taken in response. Of these two, one attained certification and one ceased providing DES services. As at September 2019, DSS advised the ANAO that all DES providers were certified against the NSDS.

Framework for reporting, escalating and responding to non-compliance

3.50 The DES Branch defines non-compliance as 'the outcome derived when providers fail to meet their obligations under the DES Grant Agreement'. By definition, non-compliance includes a failure to meet requirements for payment claims, job plans, the NSDS and other requirements under the DES Grant Agreement. Where non-compliance is identified, the DES Grant Agreement allows for a range of responses, including suspending referrals, imposing additional conditions or requirements, reducing payments or withdrawing the provider's entitlement to deliver services in an Employment Services Area. As previously discussed, DSS' main strategies to date for addressing non-compliance in DES have been claim recoveries and provider education.

3.51 As at November 2019, DSS has not removed any providers from the DES panel or required them to pay liquidated damages. However, the DES Grant Agreement enables DSS to do so in certain circumstances, for example if a provider submits more than 100 invalid claims in a 12-month period.

3.52 The DES Compliance Framework provides a general model for reporting and escalating non-compliance. The model is risk-based, differentiating between low, medium, high and extreme non-compliance. The framework also includes a general model for responding to non-compliance and a list of the types of responses that may be considered, depending on the seriousness of non-compliance.

3.53 The models for reporting, escalating and responding to non-compliance could be refined to clarify the levels of non-compliance, particularly where the consequences cannot be quantified in financial terms (that is, payment recoveries). The response model is based on the 'seriousness' of non-compliance. However, it does not identify the different levels of 'seriousness', to support a judgement of which responses are most appropriate. While the escalation model identifies four compliance levels, it does not define these other than in terms of financial recoveries where relevant. For example, the model states that 'high non-compliance and recoveries over \$200,000 are to be brought to the attention of and monitored by [the] Group Manager', without specifying what constitutes 'high non-compliance'.

3.54 There is limited staff training and guidance on how to respond proportionately to potential or actual non-compliance. Funding Arrangement Managers do not receive formal dedicated training on managing provider compliance. However, some general guidance materials are available on the Hub SharePoint site. Training and guidance on responding to non-compliance in DES should be

improved, including for less serious forms of non-compliance where the action or escalation pathway is more discretionary.

3.55 At its meeting in February 2019, ARIES discussed the role of Funding Arrangement Managers and their ability under the DES Grant Agreement to apply fines and suspensions. An action was agreed to ‘come up with suggestions on what the sanctions/assurance/regulatory framework should look like, what should the escalation process be for providers who have over \$1 [million] in recoveries.’ In response to this action, DES Branch commenced work on a DES Compliance and Escalation Framework, which remained in progress as at February 2020.

Recording non-compliance

3.56 As discussed earlier, the ARIES Committee receives reporting on DES provider payment compliance, provider tip-offs, fraud investigations and provider certification against the NSDS. However, the committee receives limited information on instances or trends in non-financial breaches. For example, the outcomes of job plan reviews, non-conformities identified in NSDS audits or other specific issues identified in desktop reviews and site visits are not reported to ARIES.

3.57 The DES Compliance Framework notes that ‘instances of non-compliance are to be recorded in the system’. In practice, there is no central system for comprehensively recording instances of non-compliance. Outcomes of DES Assurance Program assessments and job plan reviews are stored in ESSWeb, an IT system hosted by Employment, and tip-offs are recorded in a SharePoint database and DSS’ records management system, known as Arc. DSS has advised that certificates of compliance against the NSDS are captured in the GovGPS grant management system.

3.58 DSS does not have a suitable system to record breaches of the DES Grant Agreement that are identified and managed at the Funding Arrangement Manager or Relationship Manager level, for example during site visits or desktop monitoring. While details of such breaches are expected to be recorded in Arc, this is not fit-for-purpose as a compliance monitoring system as it does not readily enable identification of instances, trends and recurrence of non-compliance.

3.59 DSS should develop an approach to comprehensively capture breaches of the DES Grant Agreement, including non-financial breaches detected outside of routine monitoring activities, as well as actions taken in response to notified breaches. This would help meet the DES Compliance Framework’s purpose to ‘support improvements in provider compliance and quality of service’, by providing assurance that all identified instances of non-compliance against the Grant Agreement are being documented and addressed.

Recommendation no.2

3.60 DSS strengthens its approach to managing DES provider compliance by:

- (a) enacting strategies to reduce the value of payments for invalid claims, including through targeted compliance activities;
- (b) clarifying processes for reporting, escalating and responding to non-compliance;
- (c) developing an approach to comprehensively record breaches of the DES Grant Agreement; and
- (d) reviewing its arrangement with the Joint Accreditation System of Australia and New Zealand to ensure the consistency of certification audits against the National Standards for Disability Services.

Department of Social Services response: *Agreed.*

3.61 *The department has in place a compliance program to ensure the validity of provider claims. This includes a quarterly assurance program for service fees and targeted compliance for Ongoing Support Fees and Wage Subsidies. The department recovers moneys from providers where invalid claims are identified.*

3.62 *A strengthened Compliance Escalation Framework will commence on 1 July 2020. It builds on existing processes for reporting, escalating and responding to non-compliance. In addition, a new Fraud Control Plan Guideline for providers will come into effect from 1 July 2020, which provides a minimum standard for provider Fraud Control Plans. This will be used to inform additional targeted compliance activities.*

3.63 *A record of breaches of the DES Grant Agreement is held in departmental files. Procedures are in place to record breaches in a consistent manner so the information can be systematically used to inform provider education and engagement activities as well as targeted compliance actions and associated remedies where breaches occur.*

3.64 *The department will engage with the Joint Accreditation System of Australia to implement a consistent approach for National Standards for Disability Services certification audits from 2021.*

Has the Department of Social Services implemented effective coordination arrangements with Employment and Services Australia, for managing Disability Employment Services agreements?

DSS has implemented effective coordination arrangements with Services Australia and largely effective coordination arrangements with Employment for managing DES Grant Agreements. Well-established processes support the coordination between Services Australia's assessment of job seekers and DSS' management of DES. Employment provides IT systems to support DES agreement management and several other services. These services are governed through agreements and active inter-departmental committees, but there is scope for DSS to gain greater assurance over the effectiveness of system controls.

3.65 While the policy and operational responsibility for DES are owned by DSS, a number of administrative services are performed on DSS' behalf by Employment and Services Australia. Services Australia conducts Employment Services Assessments and Job Capacity Assessments, which are used to determine a participant's eligibility for DES, as well as the appropriate funding level for that participant.⁴¹ Employment hosts the IT system ESSWeb, which is used to support the management of DES agreements, as well as the data warehouse where DES data is stored. Other key DES services delivered by Employment are financial viability assessments, post-program monitoring, data preparation and analysis for star ratings, and complaints management.

Employment

3.66 At a program-wide level, DSS engages with Employment through ARIES, as well as Employment's Program Integrity Sub Committee for Employment Services (PISCES) — a high-level forum providing support and advice on risk and program integrity for all contracted Employment services. These committees provide a platform for both departments to share information and better practice in relation to employment services.⁴²

3.67 At a service level, Employment's input into DES is governed through two MoUs:

- Shared Services MoU (2014 to 2017); and
- 'Systems MoU'⁴³ (2015): Implementation of the Administrative Arrangements Order to transfer the administrative responsibility for Disability Employment Services, Employment Services Assessments and income support functions.

Shared services

3.68 Financial viability assessment services are provided by Employment to DSS under the Shared Services MoU. This MoU ceased in June 2017 with the abolition of the Corporate Shared Services Centre. DSS and Employment have agreed to continue servicing in line with the expired agreement.

3.69 DSS receives monthly reporting from Employment on Employment's performance against the agreed service level standards. However, financial viability assessments are not included in these reports. Instead, these assessments are provided separately in conjunction with Employment's invoicing cycle. DSS should monitor financial viability assessments by Employment.

Systems

3.70 The Systems MoU outlines services to be provided in relation to the general management of Employment Service Applications which apply to ESSWeb. Also included in the MoU are provisions for the handling of complaints and tip-offs by Employment. In addition, data preparation and analysis for star ratings, and post-program monitoring are delivered under the 'Systems MoU'.

41 The objective of Employment Services Assessments is to ensure that disadvantaged job seekers are referred to the most appropriate employment service, based on identified barriers and/or medical conditions impacting on their capacity to work. Employment Services Assessments may refer a job seeker to DES if their disability is determined to be their main barrier to employment. Alternatively, the job seeker can be referred to Job Active services administered through Employment, or to the Community Development Program managed by the National Indigenous Australians Agency.

42 Until September 2013, DES was managed by the Department of Employment alongside Job Active, the Government's mainstream employment service, until September 2013.

43 The 'Systems MoU' was established when responsibility for DES was transferred from Employment to DSS. While the MoU covers a variety of service offers, DSS refers to it as the 'Systems MoU'.

Post-program monitoring surveys are issued by Employment with some results reported to DSS on a quarterly basis. Star ratings and post-program monitoring are discussed further in Chapter 4. There is scope for both DSS and Employment to review and clarify their coordination structures to ensure there is a clear process for issues resolution.

3.71 DSS does not systematically monitor Employment's overall performance under the Systems MoU and has advised that performance against the service standards is to be monitored by exception rather than on a routine basis. The ANAO's review of Information Technology Steering Committee meeting minutes for August 2018 to October 2019 did not identify any significant performance issues impacting on DES that were raised with the committee in relation to the Systems MoU. However, at monthly meetings, a list of 'defects' is provided which includes details of DES IT issues and planned release dates for their resolution. In addition, DSS maintains a separate DES IT issues register for its own internal monitoring purposes. As at September 2019, six of the 29 issues documented since July 2018, had been reported as closed.

MoU coverage

3.72 Several areas are not addressed in DSS' MoU arrangements with Employment. The DES program risk register includes the risks that: 'The confidentiality, integrity, and availability of ICT systems used to deliver and manage the DES program is lost or compromised' and 'Misuse, unauthorised access, release or destruction of sensitive information by Commonwealth employees or Providers'; both rated as medium. Employment is responsible for the IT systems and data warehouse where DES participant data is managed and stored. DSS should therefore obtain assurance from Employment that IT security controls are in place over these systems and data, and that these are being monitored. The Systems MoU does not specify requirements for Employment to provide reporting on relevant IT controls. It is suggested that the MoU be strengthened to include such reporting, to assure the security of DES participant data.

3.73 In particular, DSS should gain assurance that DES providers, third-party IT providers and third-party systems are compliant with the IT security requirements outlined in the DES Grant Agreement. For example, DES providers are required to ensure that third-party IT systems do not negatively impact the performance, availability or data integrity of the department's IT systems. Employment advised that it has accreditation programs to gain assurance about provider IT security requirements. However, DSS does not have visibility over third-party systems and does not receive any direct reporting on these from Employment. More generally, DSS does not actively monitor provider compliance with IT security requirements.

3.74 In addition, a number of program services administered by Employment are also available to DES participants to support their progress through DES. These include Work for the Dole and the National Work Experience Program. The DES Grant Agreement includes various requirements for providers in relation to these programs, such as the requirement that prior to the participant's commencement in the program the provider must:

- satisfy itself that there is a safe system of work in place;
- undertake a risk assessment; and
- undertake any actions identified in the risk assessment.

3.75 While DSS has issued DES guidelines to support these requirements, it does not monitor providers' fulfilment of these requirements.

Services Australia

3.76 DSS maintains effective arrangements with Services Australia to ensure Employment Services Assessments (ESAs) and Job Capacity Assessments (JCAs) are conducted in a timely manner, and job seekers are referred to DES or the most appropriate employment service.

3.77 DSS' relationship with Services Australia is managed through a Bilateral Management Arrangement. The focus of the arrangement is on systems, data and payments provided by Services Australia under other programs. The only service that is relevant to DES is management of ESAs and JCAs. The DES Service Arrangement sets out the agreement for ESAs. Three ESAT performance measures are reported in a quarterly Performance Assurance Report to DSS, focussing on timeliness. Since July 2018, Services Australia has achieved above benchmark for ESAT timeliness. That is, at least 80 per cent of ESAT appointments were conducted within 10 days of referral (or 15 days for remote ESAs), and at least 80 per cent of ESAT reports were submitted within four days of the appointment.

3.78 In addition to timeliness, DSS has also examined the reliability, validity, utility and efficiency of Services Australia's ESAs through an external review that reported in July 2019. The review concluded that reliability and validity are present in the current ESAT process, while there is scope to improve the effective use of information in ESAT reports to support the delivery of services for job seekers with disability.

3.79 The Bilateral Management Arrangement is overseen by three committees: the Bilateral Management Committee, the Strategic Business Discussion Committee and the Systems Access Management Information Committee. While no issues with DES or ESAs have been raised through these committees in recent times, the Bilateral Management Committee and Strategic Business Discussion Committee review the quarterly Performance Assurance Report. In addition, the Bilateral Management Committee's terms of reference include the responsibility to provide guidance and decision-making on operational issues and ensure outcomes are achieved against the Performance Assurance Report.

4. Disability Employment Services outcomes, provider payments and complaints management

Areas examined

This chapter examines the Department of Social Services' (DSS') assessment and reporting of Disability Employment Services (DES) outcomes, assurance processes over the issuing of DES payments, and systems for managing complaints about DES.

Conclusion

DSS has largely effective processes for assessing and reporting DES outcomes, assuring the accuracy of DES payments, and systems for managing DES complaints. Opportunities for improvement include DSS broadening performance information to better measure success in improving employment outcomes for people with disability, and consolidating DES complaints data to address any systemic issues and improve service delivery.

Areas for improvement

The chapter made three recommendations directed at DSS, to better inform the assessment of DES outcomes (paragraph 4.9), strengthen payment assurance processes (paragraph 4.43), and establish oversight arrangements for DES complaints (paragraph 4.72). The chapter also suggests that DSS implements indicators for the DES performance framework that can be measured and reported against (paragraph 4.21), and clarifies process for handling DES complaints through the National Customer Service Line (paragraph 4.59).

4.1 DSS' assessment and reporting of DES outcomes is critical in providing transparency about its performance in managing the DES Agreements to achieve the objectives of the DES program and recent reforms. DSS' assurance processes for DES payments aim to ensure accurate payments and performance reporting. DSS' management of complaints is also important to help improve the DES program, in addition to addressing the concerns of individual participants.

Does the Department of Social Services have effective processes for assessing and reporting Disability Employment Services program and agreement outcomes?

DSS has largely effective processes for assessing and reporting outcomes for DES participants and service providers. The department publishes a detailed monthly report on DES caseload and participant employment outcomes. It assesses the relative performance of DES service providers using a regression model that adjusts for differences in client characteristics and local labour market conditions. However, DSS does not have an evaluation framework to effectively measure DES program performance or the success of the DES reforms. There is scope for DSS to strengthen DES performance reporting by including additional indicators of overall employment outcomes for DES participants and explicitly reporting against the three key performance indicators in the DES performance framework that cover efficiency, effectiveness and quality.

Assessing and reporting Disability Employment Services outcomes

4.2 The Australian Government's performance framework (Commonwealth Performance Framework) defines an outcome as 'the result of a purpose or activity'.⁴⁴ The purpose of the 2018 DES reforms was to increase the employment of people with disability, reflecting the purpose of the DES program, which is to help people with disability find and retain employment in the open labour market.

4.3 Under the DES Grant Agreement, participant outcomes include meeting criteria for working a minimum number of hours for a specified time period (relating to finding and retaining employment), passing a particular course of study, or a combination of both.

4.4 DSS identified and/or reported these outcomes and other information relating to the DES program in:

- public performance reporting (Portfolio Budget Statements (PBS), Corporate Plan and Annual Report);
- the DES performance framework and DES agreements,
- DSS quarterly and monthly reports; and
- advice to ministers regarding the intended outcomes of the proposed 2018 DES reforms.

DSS public performance reporting of DES outcomes

4.5 DSS' 2018–19 PBS defines an outcome as 'the intended result, consequence or impact of government actions on the Australian community'.⁴⁵ Under the Commonwealth Performance Framework, DSS must outline high-level performance information for its programs in its PBS. DSS is also required to set out the results it expects to achieve and how its performance will be measured and assessed in its Corporate Plan. Finally, DSS is required to report actual performance against these measures in its Annual Report.

4.6 DSS outlined outcomes and performance information relating to the DES program in its 2018–19 PBS and Corporate Plan. The DES program is a component of Program 3.1 'Disability, Mental Health and Carers', which is one of three programs under DSS Outcome 3 'Disability and Carers'. There is a clear correspondence between DES performance information in DSS' 2018–19 PBS and 2018–19 Corporate Plan.⁴⁶

4.7 DSS reported actual DES program performance in its 2018–19 Annual Report, as shown in Table 4.1. DSS reported DES performance information consistently for the last three years (from 2016–17 to 2018–19) in its 2018–19 Annual Report. Where there were changes in performance metrics due to the 2018 DES reforms (for example, the change from two-week job placement outcomes to four-week outcomes), DSS identified these changes, and presented both sets of metrics.

44 Department of Finance, *Resource Management Guide No.131: Developing Good Performance Information*, April 2015, p. 49.

45 DSS Portfolio Budget Statements 2018–19, Budget Related Paper No. 1.15, p. 185.

46 Both documents included the outcome indicators 'Number of organisations contracted or receiving grant funding to deliver services', 'Number of individuals assisted' and 'Administered outlays'. The 2018–19 DSS Corporate Plan also included the indicator 'Number of people supported to achieve at least six months employment at their work capacity in Disability Employment Services'.

Table 4.1: Performance relating to DES outcomes, 2016–17 to 2018–19

Outcome performance measure	2018–19	2017–18	2016–17
1. Number of people supported to achieve at least 6 months employment at their work capacity in Disability Employment Services			
Total for Disability Employment Services ^a	33,319	35,251	33,546
2. Number of individuals assisted			
Number of commencements	115,824	90,521	86,764
Total number of DES participants who achieved 4-week outcomes	41,147	-	-
Total number of DES participants who achieved 2-week job placements ^b	-	49,328	52,219
3. Number of organisations contracted or receiving grant funding to deliver services			
Disability Employment Services ^c	119	117	118
4. Administered outlays (cost of DES program)			
Disability Employment Services ^d	\$862.98m	\$765.45m	\$753.59m

Note a: New performance measure for 2018–19. For 2018–19 reporting, data on 26-week outcomes replaced the 3-month Post Placement Monitoring data. The data on 26-week outcomes for 2016–17 and 2017–18 are included for comparison purposes.

Note b: Under the DES reforms introduced on 1 July 2018, data on 4-week outcomes replaced data on 2-week outcomes, resulting in a break in series.

Note c: Distinct counts of DES providers as at 30 June in 2017, 2018 and 2019.

Note d: Includes DES, ongoing support assessments and Job Access.

Source: ANAO analysis of *DSS Annual Report 2018–19*. The annual report also disaggregated the DES reporting to the Disability Management Service and Employment Support Service for the first two indicators.

4.8 While DSS performance information indicates the scale of disability employment services provided it does not fully capture the outcomes achieved. It would be enhanced by providing information about overall employment outcomes for people with disability, such as their labour force participation rate and their employment rate.⁴⁷ This information would inform an assessment of the extent to which the DES program is achieving its intended outcome of helping people with disability find and retain employment in the open labour market and the extent to which the 2018 DES reforms have achieved their intended outcome of increasing the employment of people with disability.

47 During 2019-20, DSS has undertaken work to strengthen reporting on employment outcomes of DES participants, including length of employment and reduction of reliance on income support payments. It is also assessing scope for additional reporting.

Recommendation no.3

4.9 DSS includes additional information on overall employment outcomes for DES participants in its Portfolio Budget Statements, Corporate Plan and Annual Report to better report on the impact of the DES reforms.

Department of Social Services response: *Agreed.*

4.10 *The department commissioned a report in September 2019 on options for expanding key performance indicators (KPIs) to improve performance measurement. A more comprehensive suite of measures is now being used to monitor performance. This includes a dashboard to provide regular advice on DES performance, which is used to keep both internal and external stakeholders updated.*

4.11 *The department has also developed a report that monitors key metrics related to DES including referrals, outcomes and claims approved for payment. This is currently being used to monitor the impact of COVID-19 on providers and participants, but will also be used on an ongoing basis to assess program performance.*

DES Performance Framework and DES agreements

4.12 Under the DES Grant Agreement, participant outcomes are defined as participation in work or education for specified hours and time periods. The DES Performance Framework establishes performance measures and weightings for participants' outcomes at 13 weeks, 26 weeks and 52 weeks, as shown in Table 4.2.

Table 4.2: DES performance framework 2018 performance measures and weightings

Performance Measure		DMS Weighting	ESS Weighting
2.1	13 Week Full Outcomes^a Proportion of Participants who achieve a 13 Week Full Outcome	25%	20%
2.2	26 Week Outcomes	45%	40%
2.2.1	26 Week Full Outcomes Proportion of Participants who achieve a 26 Week Full Outcome	(35%)	(30%)
2.2.2	26 Week Pathway Outcomes^b Proportion of Participants who achieve a 26 Week Pathway Outcome	(5%)	(5%)
2.2.3	26 Week Bonus Outcomes/Work Assist Proportion of placements that convert to a paid 26 Week Bonus Outcome or a 26 Week Full or Pathway Outcome for Indigenous Participants and the proportion of Work Assist placements which convert to a Work Assist outcome	(5%)	(5%)

Performance Measure		DMS Weighting	ESS Weighting
2.3	52 Week Outcomes^c	30%	25%
2.3.1	52 Week Full Outcomes Proportion of Participants who achieve a 52 Week Full Outcome	(25%)	(20%)
2.3.2	52 Week Pathway Outcomes Proportion of Participants who achieve a 52 Week Pathway Outcome	(5%)	(5%)
2.4	Ongoing Support Proportion of Ongoing Support Participants who remain in employment or exit ongoing support as an Independent Worker and have their employment verified	–	15%

Note a: Full Outcome means that for the specified period, the participant was in employment, including apprenticeships and traineeships, for at least the number of hours specified in their employment benchmark. It may also be achieved through study.

Note b: Pathway Outcome means that for the specified period, the participant was in employment, including apprenticeships and traineeships, for a specified minimum number of hours, but fewer than their employment benchmark. It may also be achieved through study.

Note c: 52 Week Outcomes will not form part of the Star Ratings calculations until December 2019. This will ensure a minimum of six months of performance data is included in the calculations.

Source: DSS DES 2018 Performance Framework.

4.13 DSS uses service providers' data on participant outcomes to derive a Star Rating for each provider.⁴⁸ Star Ratings do not measure the overall performance of the DES program, but rather how well each service provider performs relative to other providers.

4.14 DES Star Ratings are calculated using a statistical model and have been in operation for over 10 years. DSS re-developed the Star Rating system to support the 2018 DES reforms in consultation with the disability sector and based on actuarial advice.

- Star Rating calculations adjust for factors outside a service provider's control, such as client characteristics and local labour market factors, using statistical regression models. This approach allows a standardised comparison of service providers servicing different clients in different regions across Australia.
- The regression model, which takes into account over 100 different factors including medical conditions and non-medical barriers to employment, calculates an expected performance rating given a provider's client characteristics and local labour market conditions. The more a provider's actual performance exceeds expected performance, the higher their Star Ratings.

4.15 Star Ratings are integral to the effective and efficient operation of the DES program because they are used to inform job seeker and employer choice, give timely and accurate feedback to providers about their level of performance and inform Government purchasing of employment services.

48 Under the Systems MoU, Employment performs data preparation and analysis work for the production of star ratings.

4.16 The DES Star Rating system is a measure of the relative performance of DES service providers, which is presented in a form that is accessible to participants and employers.

4.17 The 2018 DES performance framework centres on the three DES key performance indicators (KPIs) outlined in the DES Grant Agreement:

- Efficiency⁴⁹: with the aim of minimising the average times taken by providers to achieve employment outcomes for their Participants;
- Effectiveness: with the aim of maximising the numbers of outcomes achieved by Participants, as well as the number of Participants maintained in employment where assistance is required; and
- Quality: with the aim of maximising the delivery of high quality, individualised Employment Services.

4.18 DSS does not report performance directly against these three KPIs; however, the Star Rating system captures elements of the first two KPIs in its calculation of the provider's Star Rating. For example, DSS advised that Star Ratings incorporate efficiency by comparing the actual time taken to achieve a participant outcome, with the average time taken to achieve an outcome for that class of participants. If actual time to achieve an outcome is less than average, it increases the service provider's Star Rating. Conversely, if actual time to achieve an outcome is greater than average, it reduces the service provider's Star Rating.

4.19 In regard to KPI 3 (quality), the DES performance framework states that the quality of providers' services is 'underpinned in the requirements of the grant agreement, the Service Guarantee, and the Code of Practice, including through feedback from participants and employers'.⁵⁰ Job plan assessments also contribute to provider quality, however as noted in paragraph 3.45, these had been suspended as at January 2020. DES service providers are required to be certified against the National Standards for Disability Services (NSDS), which provides some assurance over the quality of their services. In addition, the Employment Service Outcomes Report includes information on the quality of provider services, as discussed in the section below.

4.20 Nevertheless, DSS does not explicitly measure or report against the three KPIs. DSS should determine an approach for measuring the KPIs in the DES performance framework, and the mechanisms for reporting the results.

4.21 In response to this audit, DSS advised that work is ongoing to develop KPIs that apply to DES providers, DES participants and the DES program. These will be used in conjunction with existing assurance results to develop a 'performance dashboard' for DES. If it is not possible to report against these KPIs as standalone indicators, DSS should develop KPIs for the DES performance framework that can be measured and reported against.

49 Efficiency is a measure of the optimal use of inputs (resources) to achieve a given output (result). Timeliness can be an element of efficiency, but the indicator of DES efficiency is incomplete as outputs are not being measured against all inputs.

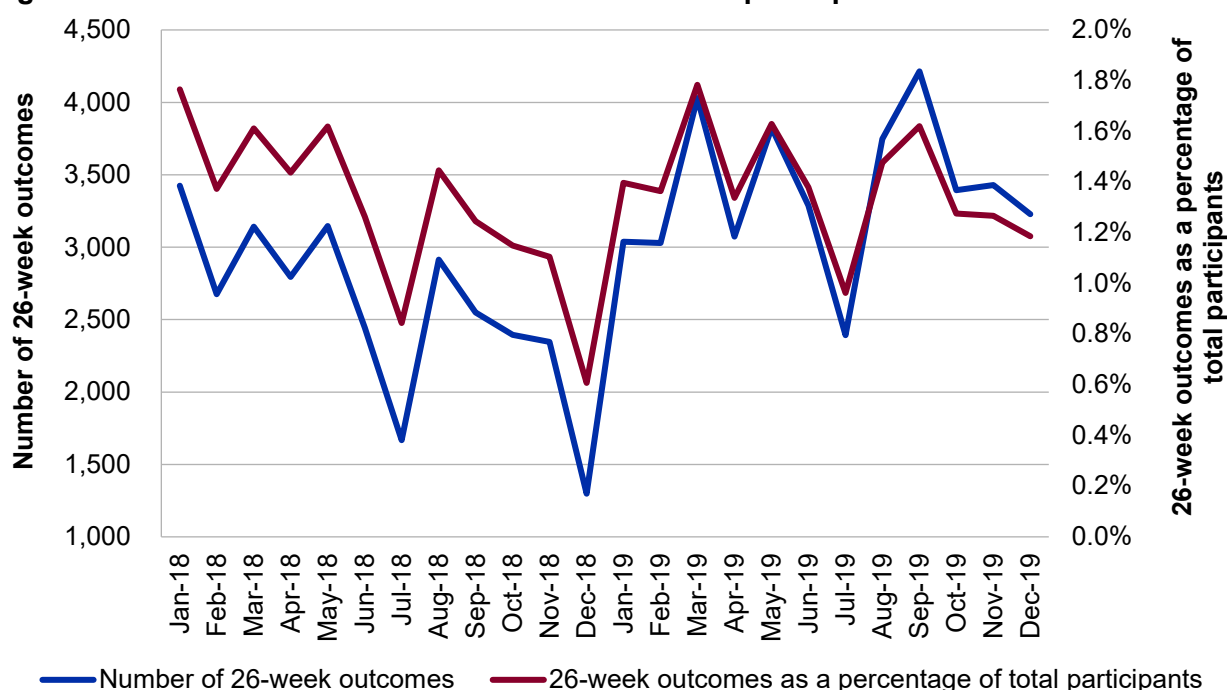
50 Disability Employment Services Branch, *Disability Employment Services 2018 Performance Framework* [Internet], Department of Social Services, 15 May 2018, available from <https://www.dss.gov.au/disability-and-carers/programs-services/disability-employment-services/disability-employment-services-2018-performance-framework> [accessed 20 April 2020].

DES participant outcomes — quarterly and monthly reports

4.22 DSS publishes a detailed DES monthly report on the Australian Labour Market Information Portal.⁵¹ This report contains information on the DES caseload disaggregated by: gender; age; job seeker type; allowance type; disability type; participant outcome (4/13/26/52 week or path internship); status (referred/commenced/suspended); and phase (employment assistance/post-placement/ongoing support).

4.23 Analysis of this data for the audit indicates that trends in outcomes for DES participants have been in line with trends in participant numbers immediately prior to and following the DES reforms that commenced in July 2018 (Figure 4.1).⁵²

Figure 4.1: Trend in 26-week DES outcomes versus participation



Note: Due to the time taken for an outcome to be recognised in the system, historical data can vary between reports. For example, the total 26-week outcomes for November 2019 is reported as 3,368 in the November 2019 DES monthly report and 3,426 in the December 2019 report. The data underpinning the above graph is therefore subject to change.

Source: DSS, DES monthly report, December 2019.

4.24 The Department of Education, Skills and Employment (Employment) also reports on DES. Employment conducts quarterly post-program monitoring surveys to determine the labour market and education status of job seekers who participated in government employment services, including DES. Employment reports aggregated results to DSS using variables previously agreed with DSS. Employment also hosts the IT system used to process DES service providers’ claims, which records details of DES commencements, job placements and outcomes. Employment draws on these two data sources to produce quarterly Employment Services Outcomes Reports for DES.

51 See <http://lmip.gov.au/default.aspx?LMIP/Downloads/DisabilityEmploymentServicesData/MonthlyData>

52 It should be noted that the graph does not reflect the proportion of registered participants that achieve outcomes but rather, the number of 26-week outcomes achieved at a given point in time as a proportion of total participants at that same point in time. It is also possible for a single participant to achieve more than one 26-week outcome over the two-year period, if they work for different employers.

These reports, which are published online, provide information about labour market and education outcomes for DES participants, as well as the level of job seeker satisfaction with DES providers. See Appendix 2 for a summary of results.

4.25 The public reporting of employment outcomes for people with disability in DSS' DES monthly report and Employment's quarterly Employment Services Outcomes Report provides transparency about DSS' management of the DES program and DES Grant Agreements.

DES evaluations

4.26 As noted at paragraph 2.18, DSS does not have an evaluation framework to measure DES performance or the success of the DES reforms. DSS has scheduled an evaluation to measure the effect of the changes made to the DES program and evaluate whether the intended outcomes have been achieved. DSS advised that it plans to engage an external consultant to assess 'whether the current DES model is appropriate from a participant, employer and provider perspective, and whether the current model provides value for money for the government'.

Does the Department of Social Services have effective assurance processes for Disability Employment Services payments?

DSS has largely effective processes for assuring the accuracy of DES payments through assessment of a sample of payment claims. In 2018–19, the average accuracy rate for sampled claims was determined by DSS to be 95.9 per cent, exceeding the benchmark of 95 per cent. DSS would benefit from reviewing the evidentiary requirements supporting outcome claims.

4.27 To receive payments for the services and outcomes delivered, providers must lodge a claim in Employment's IT system (ESSWeb). Payments are released automatically once the provider has entered details of the service or outcome and uploaded evidence for the claim. DSS has established an assurance program over these payment claims, which is used to interrogate and retest a sample of claims, including assessment of the evidence uploaded. The assurance program also calculates the estimated program leakage rate.⁵³ Program leakage is defined as money paid to providers for services that were not adequately delivered or money that would trigger recovery action.

4.28 Under the DES Assurance Program, the Community Grants Hub (Hub) examines a quarterly random sample of 2500 claims (approximately 1.2 per cent of all claims). The sampling methodology was developed by consultant actuaries in 2015–16, and assessed as being fit for purpose in October 2018.⁵⁴ The sample covers claim types comprising 99 per cent of total DES payments.⁵⁵ With the increasing DES caseload discussed in Chapter 1, DSS should continue to review the sampling methodology regularly to ensure coverage is sufficiently representative. In response to this audit, DSS advised that additional sampling approaches will be presented to the Assurance, Risk and Integrity for Employment Services (ARIES) Committee for consideration.

53 The DES Assurance Program was established in response to findings by the ANAO Financial Statements Audit Period Ending 30 June 2015, in which the ANAO identified a lack of a documented rationale for the sampling methodology used to select claims for review.

54 A consulting firm (Taylor Fry) assessed the DES Assurance Program in 2018, due to the introduction of the DES reforms from 1 July 2018.

55 As at October 2018, the sample size provided a margin of error of approximately ± 1 per cent in relation to the estimation of program leakage.

4.29 The DES Assurance Program is conducted via a questionnaire that is used by assessors to evaluate the evidence supporting a claim. Different questionnaires are used for different claim types — for example, outcome fees and service fees. Examples of questions that assessors must respond to include:

- Did the participant have a job plan at the time of the claim?
- Did the evidence confirm the person was employed for the full outcome period?
- Does the evidence show the hourly rate and gross weekly or fortnightly income?

4.30 The questionnaire weights responses to each question from zero to five, where zero represents full compliance ('valid, no further action') and five represents 'invalid'. A response from one to four generates a result of 'valid, education'. This outcome occurs when there is sufficient evidence to verify the provider is eligible to claim the fee, but an administrative error has been detected.⁵⁶

4.31 Once responses to the questionnaire add up to five⁵⁷, the claim is deemed to be invalid. Results are communicated to providers, who have 10 days to submit any additional evidence and request a right of review.

4.32 In addition to the Hub, the DES Branch of DSS assesses 125 (five per cent) of the claims in the assurance program sample through its own Assurance Validation Program. The average consistency rate between the two assurance programs in 2018–19 was 90 per cent.

4.33 ARIES receives quarterly reports on DES Assurance Program and Assurance Validation Program results, which include a breakdown of the claim validity rate and recoveries for each provider and reports on low-performing providers. DSS sets a benchmark of 95 per cent claim validity.⁵⁸ During 2018–19, the average claim validity determined by DSS exceeded this benchmark, at 95.9 per cent. Over the year, claim validity declined from 97.0 to 93.7 per cent with estimated program leakage increasing by about \$7.7 million to \$13.6 million (see Table 4.3). New DES providers were included in the sample from the second quarter.⁵⁹

56 Administrative errors can include: insufficient documentary evidence received to assess the claim; documentary evidence provided was incomplete or incorrect; documentary evidence did not fully match verification sources but could still be verified; or documentary evidence provided did not fully comply with aspects of the Documentary Evidence Guidelines. If there are significant or multiple instances of administrative error then the claim should be considered invalid and recovery undertaken.

57 There is no documented basis for the weighting given to different questions.

58 DSS has not explained the rationale for the 95 per cent benchmark and how it was determined.

59 The Quarter 4 DES Assurance Program report to ARIES estimates that payment leakage in 2018–19 was approximately \$31.6 million or 4.5 per cent of total payments for the year. This is in addition to the \$1 million that was recovered in 2018–19 through the DES Assurance Program, some of which was collected from providers that chose not to renew their contracts after July 2018.

Table 4.3: Results of the DES Assurance Program in 2018–19

Time period	Claim validity rate	Confidence interval	Estimated leakage
Quarter 1	97.05%	±0.8	\$5,894,346
Quarter 2	96.79%	±0.93	\$5,606,182
Quarter 3	96.34%	±1.82	\$6,833,644
Quarter 4	93.68%	±2	\$13,288,893

Source: DSS.

4.34 While the average claim validity was above the benchmark of 95 per cent validity in 2018–19, three claim types fell below this benchmark: 7th and 8th service fees⁶⁰; ongoing support fees⁶¹; and wage subsidy.⁶² Claims for 7th and 8th service fees and wage subsidies also failed to meet the 95 per cent benchmark in 2017–18.

4.35 DSS has recognised the need to undertake further assurance and compliance activities to improve results for these claim types. For example, as part of its 2018–19 data analytics plan, the department scheduled a review of 7th and 8th service fee compliance. However, in February 2019, ARIES was advised that the data analytics pilot program was behind schedule and would be postponed until 2019–20. In the same month, the ARIES Operations Committee undertook to ‘consider and report back to ARIES on action to be taken to improve the results for 7th and 8th service fees and wage subsidies.’ As at September 2019, this action remained to be completed and ARIES was advised that compliance activities still needed to be undertaken for 7th and 8th service fees, Ongoing Support and Wage Subsidy.

Documentary evidence

4.36 DES providers are required to upload evidence to support their outcome claims, unless those claims can be verified through Services Australia data. Evidence may be in the form of a pay slip or a written statement from a training institution. File notes are also accepted by DSS as a form of evidence when submitting outcome claims.⁶³

4.37 DSS defines a file note as a record made by a DES provider that contains the evidence necessary to substantiate a payment claim. For example, as an alternative to a payslip from an employer or statement of attainment from an educational institution, a provider may instead submit a note stating the details of the employment or education outcome. DSS was unable to identify the proportion of claims that rely on file notes for validation.

60 The 7th and 8th service fees are the final two quarterly service fee payments to providers which follow the 18 month review. The main reason was ‘participant was not referred to DHS for a Review Employment Services Assessment’. This means there was no evidence that the participant was still eligible to be receiving DES services beyond 18 months.

61 The reason was ‘job plan does not include Ongoing Support assistance’. This means that the participant may have been eligible to receive Ongoing Support assistance, however the requirement for such assistance was not documented in their job plan.

62 The main reason was ‘participant did not work an average of 8 hours per week for the claim period.’ This means the participant did not meet the minimum requirements to be eligible for a wage subsidy.

63 Department of Social Services, *DES Documentary Evidence for Claims for Payment Guidelines*, December 2018, accessed 4 March 2019, available from <https://www.dss.gov.au/freedom-of-information-operational-information-disability-employment-and-carers-group/des-documentary-evidence-for-claims-for-payment-guidelines>.

4.38 In July 2018, a report to ARIES on ‘lessons learned from the investigation and conviction of an employment consultant for fraudulent claims’ noted:

File notes were not considered a reliable source of evidence as they were often found to contain false information. The Documentary Evidence Guidelines still include file notes as a primary source of evidence and while there is some discussion that file notes need to be supported by other information such as income reported on the Centrelink mainframe [this] is not explicit in the Guidelines [and] is not being applied when claims are reviewed.

4.39 The report made several recommendations to which ARIES agreed, including:

- Investigating options for future systems changes to:
 - require providers to upload all supporting documentary evidence for all claim types; and
 - record the type of documentary evidence attached to each claim (e.g. pay slip, diary entry, file note); and
- Explore the policy on the use of file notes and tightening their appropriateness as acceptable form of documentary evidence.

4.40 Although providers were required to upload all supporting documentary evidence for outcome claims from July 2018, the recommendation to record the evidence type for each claim had not been implemented as at March 2020.⁶⁴ DSS has not further considered the policy on file notes and ARIES has not followed up.

4.41 DES providers have raised concerns about the administrative burden that extra evidentiary requirements could place on providers and employers if file notes were abolished for DES. Some providers suggested that such requirements could impact on employers’ ability to hire people with disability. DSS has acknowledged the need to balance this risk with maintaining the viability of provider and employer organisations.

4.42 In accordance with the internal report recommendation (paragraph 4.39), DSS should review its arrangements for accepting file notes as evidence to support outcome payments, including by establishing the proportion of claims that rely on file notes and the payment leakage associated with this form of evidence. In light of the escalating expenditure on DES⁶⁵, alternative evidence sources could be considered.

64 DSS advised that this was because ESSWeb does not have a field to record evidence type.

65 As discussed in Chapter 2 (Table 2.3 and paragraph 2.26), DES expenditure was approximately \$56 million higher than estimated for 2018-19.

Recommendation no.4

4.43 DSS reviews the evidentiary requirements for DES outcome claims and associated payments.

Department of Social Services response: *Agreed.*

4.44 *The department is strengthening the evidentiary requirements for DES outcome claims and associated payments from 1 July 2020 based on monitored trends and targeted audit work. In particular, the DES guidelines will be strengthened to restrict the use of file notes as evidence and limiting the additional information accepted as part of an assurance review. Providers will be required to submit evidence at the point of claim. Provider behaviour in response to these changes will be monitored and further changes implemented as required. These changes will be supported by a system change to enable the department to methodically analyse the use of file notes.*

Does the Department of Social Services have effective policies and procedures for managing Disability Employment Services complaints?

DSS has largely effective policies and procedures for handling DES complaints. There is scope for DSS to consolidate and analyse complaints data to enable the department to identify and address any systemic issues arising in the management of DES grants.

4.45 The DES complaints management system is a decentralised model primarily involving three separate complaint handling systems that progressively emerged with the transfer of responsibility for the management of DES through Machinery of Government changes. These complaint systems are outlined below:

- **The Complaints Resolution and Referral Service** was established in 2002 to enable people with disabilities to raise complaints in relation to the quality of Commonwealth funded disability services as assessed against the NSDS. This service has been outsourced by DSS to WorkFocus Australia Pty Ltd since 2016, with the current contract due to expire in 2020.
- **The National Customer Service Line** was established by Employment to manage job seeker complaints in relation to Commonwealth funded employment services. In 2005, Employment's complaint handling service was expanded to include DES complaints when the DES program was transferred to Employment.
- **The DSS Feedback and Complaints Team** became available to service providers and DES participants in 2013 when the DES program was transferred to DSS.

Table 4.4: Number of DES complaints received by system^a

System ^b	2017–18 total ^c	2018–19 total ^c
Complaints Resolution and Referral Service	1207	1111
National Customer Service Line	3221	3169
DSS Feedback and Complaints Team	24	26
Commencements ^d	90,521	115,824

Note a: ANAO analysis indicated inconsistencies within various sources of information — complaints registers, briefing papers and reporting in DSS' annual report — on the number of complaints received by the three services.

Note b: Lodging a complaint is not limited to DES participants. Complaints may be lodged anonymously and by family members or concerned persons. Complaints may also be lodged by past DES clients.

Note c: As participants may lodge a complaint with more than one complaint system, some complaints may be represented more than once.

Note d: Commencements are the number of individuals assisted under DES as reported in *DSS Annual Report 2018–19*.

Source: ANAO analysis of complaint systems' data.

4.46 DES complaints may also be lodged with the Commonwealth Ombudsman, although complainants are encouraged to resolve complaints with the relevant agency first. The Commonwealth Ombudsman considers complaints and may decide to investigate the matter. In 2018–19, seven Commonwealth Ombudsman investigations commenced in relation to DES.

4.47 DES complaints may also be submitted to the Minister's Office, in which case the department's DES Branch will be involved in responding to the matter. Complaints may also be submitted through media channels and the DSS Communication area has responsibility for responding to issues raised, although the complaint may be referred to the DES Branch for resolution if necessary.

4.48 The standard DES Grant Agreements require DES providers to have an established process for resolving complaints. Service provider complaint handling processes are audited by independent auditing bodies as part of the certification process. Services are required to be certified against the NSDS to receive funding under the program.

The Complaints Resolution and Referral Service

4.49 The Complaints Resolution and Referral Service (CRRS) was established by government to provide an impartial and nationally accessible service to people with disability, who are clients of services funded by either DSS or Employment under the *Disability Services Act 1986*.⁶⁶

4.50 The current contract arrangements require CRRS to provide quarterly annual reports to DSS outlining:

- the number, location and nature of complaints/notifications, referrals and resolution outcomes; and
- analysis of emerging trends in relation to the number, location and nature of complaints/notifications and their outcomes.

4.51 The July 2019 quarterly report provides a summary of the complaints received and action taken. There were 1136 complaints received by the CRRS over 12 months, with 1111 complaints

⁶⁶ The CRRS operates in conjunction with the National Disability Abuse and Neglect Hotline (the Hotline). From 1 July 2016, the CRRS and the Hotline were integrated into the Job Access program.

(98 per cent) concerning DES services. The CRRS offers a range of options for resolving complaints, from supporting the complainant to raise the complaint directly with the service provider to conducting investigations into allegations of non-compliance with the NSDS.

4.52 The CRRS has established policies and procedures for managing the complaints process that reflect the Commonwealth Ombudsman's *Better Practice Guide to Complaint Handling*.⁶⁷ CRRS staff must acknowledge the receipt of complaints within a set timeframe and assess the issues raised by the complainant in order to select an option for resolution. If an investigation of the complaint is required, the CRRS guidance includes instructions on preparing an investigation plan and conducting the investigation. Where applicable, CRRS staff must provide complainants with a response, and complainants have access to both internal and external reviews of the CRRS decision. The CRRS aims to have 80 per cent of issues resolved within 20 working days of receiving the complainant's written consent. According to the July 2019 quarterly report, just over 93 per cent of issues were resolved within 20 business days over the past 12 months.

4.53 In July 2019, an independent evaluation of the Job Access Service concluded that although CRRS was valued by its clients, complainants raised concerns with the overall management of their complaint, the investigation of their complaint and the response to their complaint.⁶⁸ The evaluation also noted a perception that the CRRS does not have the authority to ensure DES providers make permanent changes as a result of CRRS investigations into complaints.

4.54 CRRS provides quarterly reports to DSS at summary level. This does not include information such as complaints against DES providers. CRRS complaint data that identifies issues in relation to specific service providers would be useful for the department in identifying systemic issues across the sector. Although provision of this level of data is not a requirement of the current contract, it is a reporting requirement that should be considered by DSS in any future contracts.

The National Customer Service Line

4.55 The National Customer Service Line (NCSL) receives the most complaints in relation to DES — in 2018–19, it received 3169 DES complaints.⁶⁹ Employment manages the NCSL including responding to DES complaints through a Memorandum of Understanding with DSS (discussed in paragraph 3.66).

4.56 DES clients may contact the NCSL to express dissatisfaction with the quality of service received from providers and to seek a resolution. The NCSL offers four options for resolving complaints, from encouraging clients to firstly resolve the complaint directly with the provider to a formal complaint referral to the provider. As part of a formal complaint referral, the provider is required to directly respond to the complainant within five business days and report to the NCSL on how the complaint was resolved. The NCSL generally manages all complaints, however may refer

67 Commonwealth Ombudsman, *Better Practice Guide to Complaint Handling* [Internet], Canberra, 2009, available from <http://www.ombudsman.gov.au> [accessed 19 November 2019].

68 The evaluation reported mixed levels of satisfaction with the overall management of the complaint by CRRS — 38 per cent were dissatisfied, 23 per cent were neutral and 38 per cent were satisfied. The evaluation report acknowledged that these results were drawn from a limited sample because of the difficulty in extracting de-identified unit record data from multiple systems.

69 The NCSL also receives complaints relating to the Community Development Program and to employment services providers who have a contract with Employment.

complaints to the Centre of Expertise within the Hub. The NCSL aims to have 98 per cent of feedback actioned and finalised within 20 working days from the receipt of the complaint.

4.57 The NCSL handbook outlines the policies and procedures for managing the complaints process, and reflects the Commonwealth Ombudsman's *Better Practice Guide to Complaint Handling*.⁷⁰ NCSL staff acknowledge the receipt of complaints, assess the issues raised by the complainant and offer options for resolution. Where the NCSL has taken action to facilitate a resolution, noting that the NCSL does not investigate complaints, the complainant is provided with a response on the outcome of their complaint. If the complainant is dissatisfied with the outcome, there is an internal review process available and complainants may also be advised to contact the Commonwealth Ombudsman as an external review option.

4.58 The NCSL uses the Employment Services Feedback System to record and monitor complaints. The system records data such as the complainant's details, the provider or providers involved, the status of the complaint and dates for when the complaint was received and resolved. The system also allows for the extraction of data for the purposes of reporting.

4.59 NCSL staff advised the ANAO that they do not monitor DES complaints that are referred to DSS for resolution and that these complaints are formally closed off in the NCSL system. However, Centre of Expertise staff advised that when they receive DES complaints from NCSL staff, the Centre of Expertise only provides a response to the agency that initially referred the complaint and does not have a role in responding directly to complainants. This is supported by the Centre of Expertise documented procedures. This discrepancy suggests a lack of clarity in roles and responsibilities between the two departments for handling DES complaints through the NCSL system, or that there is a gap in the system where some DES complaints may not be monitored and addressed. Both departments should review this issue. In response to this audit, DSS advised that DSS staff with access to relevant Employment systems will begin running their own reports and reporting trends to ARIES.

4.60 The NCSL reports to Employment's Program Integrity Sub Committee for Employment Services (PISCES) on the number and type of complaints received, outcomes and analysis of trends. This analysis is important in identifying emerging issues and opportunities for systemic improvement. The ANAO noted that while the September 2019 report to PISCES included summary information on the number of DES complaints received and the proportion referred to DSS for resolution, there was no further analysis of DES complaint data as DES is no longer Employment's responsibility. NCSL advised the ANAO that as at 10 October 2019, 73 staff from DSS had access to the Employment Services Feedback System and could run their own reports for analysis. The ANAO found no evidence that DSS routinely conducted this analysis or reported on trends to the ARIES Committee within DSS.

The Department of Social Services Feedback and Complaints Team

4.61 The DSS Feedback and Complaints Team (DSS FCT) is an internal branch within DSS, designated as the initial point of contact to receive all DSS complaints. It coordinates with the relevant internal DSS line area to resolve the complaint. The DSS FCT received 26 DES complaints in 2018–19, and generally receives half of one per cent of all known DES complaints each year.

⁷⁰ Commonwealth Ombudsman, *Better Practice Guide to Complaint Handling* [Internet], Canberra, 2009, available from <http://www.ombudsman.gov.au> [accessed 19 November 2019].

4.62 Depending on the nature of the complaint, the DSS FCT may refer a DES complaint to DES Branch or to the Centre of Expertise. A response is to be provided to the DSS FCT within 28 days, and the DSS FCT is responsible for communicating the outcome to the complainant.

4.63 The DSS FCT has established policies and process maps which detail the complaint management process. The DSS FCT guidance mostly reflects the Commonwealth Ombudsman's *Better Practice Guide to Complaint Handling*.⁷¹ DSS FCT staff assess the issues raised by the complainant to ensure that DSS is able to respond. Noting that the DSS FCT's role is to facilitate a response to the complaint and it does not investigate complaints, the DSS FCT must provide the complainant with a response on the complaint outcome. If the complainant is dissatisfied with the outcome, the DSS FCT guidance notes the Commonwealth Ombudsman as an external review option but does not include an internal review option.

4.64 The DSS FCT records all feedback received, including DES complaints. These records capture data such as the status of the complaint, when the complaint was received and then resolved and details on the complainant and the provider or providers involved. The FCT uses this information to produce fortnightly reports that show workload and trends for all complaints, including those relating to DES.

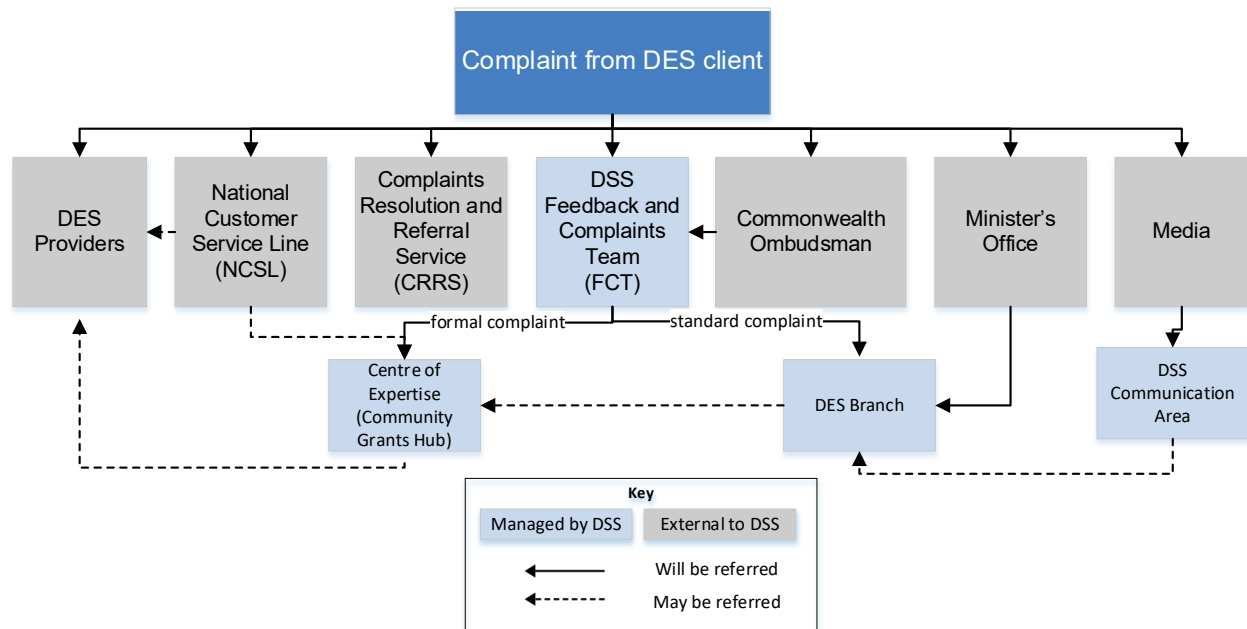
Capture and analysis of Disability Employment Services complaint data

4.65 Complaints data is a useful source of information. Regular analysis of complaints data may identify recurrent themes and trends, which may be used to inform the implementation of improved practices and service delivery.

4.66 As Figure 4.2 shows, there are many avenues available to DES clients to submit complaints. DSS does not have a dedicated team responsible for consolidating and analysing DES complaints information from all these sources. Feedback from bodies representing people with disability suggests that the DES complaints process, including the fact that DSS has ultimate oversight of the program, is not always clear to participants.

71 Commonwealth Ombudsman, *Better Practice Guide to Complaint Handling* [Internet], Canberra, 2009, available from <http://www.ombudsman.gov.au> [accessed 19 November 2019].

Figure 4.2: Avenues for complaints in relation to DES



Source: ANAO analysis.

4.67 DSS has limited visibility over external complaints services. Although DSS staff have access to the NCSL complaints database, and are able to extract data and reports on DES complaints, the ANAO did not find evidence that DSS conducted regular and systematic analysis of DES complaint data or reported trends to the executive. Moreover, it is not clear whether DSS was monitoring the DES complaints that are referred by the NCSL to DSS for resolution and recording the final outcomes in the system (refer to paragraph 4.59).

4.68 Quarterly CRRS reports provided to DSS do not identify the DES providers that are the subject of complaints nor the particular details, limiting the ability of DSS to identify quality issues in relation to specific service providers and across the sector more generally.

4.69 DSS has visibility over the DES complaints that it receives through the DSS FCT, although this is less than one per cent of all known DES complaints. The DSS FCT is also responsible for reporting statistical information for the annual report, however advised that it only reports on DES complaints received directly by DSS. According to data in DSS' annual reports, 17 DES complaints were received in 2016–17, 31 DES complaints were received in 2017–18, and there was no reporting on DES complaints in the annual report for 2018–19.⁷²

4.70 As discussed in Chapter 3, the ARIES Committee is responsible for managing DES risk and the DES compliance framework. Across the seven ARIES Committee meetings held in the period between July 2017 and June 2019, there was no evidence of reporting on DES complaints.

4.71 DSS has not established oversight arrangements to capture DES complaints received and resolved across all the complaints services. There is currently no established process within DSS to collect this data in a complete and timely manner, nor supporting documented policies and procedures.

72 These figures are not consistent with data extracted from complaint systems (see Table 4.4).

Recommendation no.5

4.72 To inform DES policy decision-making and identify areas for improvement in service delivery, DSS establishes oversight arrangements for DES complaints, including:

- (a) a process for capturing DES complaints data from all internal and external sources;
- (b) regular analysis to identify complaints trends; and
- (c) reporting on the results of DES complaints analysis to the DSS executive.

Department of Social Services response: *Agreed.*

4.73 *The department has commenced a new complaint handling project, focused on the DES program, to further improve policy development and program administration. The project will be completed by 31 December 2020 and include an enhanced IT system and reporting capability.*

4.74 *A second project is also in train to provide oversight within the DES Program of all types of complaints and related issues from all sources. This will enable the department to understand patterns and trends in a more comprehensive way and to address systemic issues at both the program and provider level. The project is scheduled for completion by 31 December 2020.*

4.75 *These projects will inform strengthened governance arrangements, including regular reporting to the appropriate departmental governance committees on DES complaints analysis and trends.*



Grant Hehir
Auditor-General

Canberra ACT
24 June 2020

Appendices

Appendix 1 Entity response



Australian Government
Department of Social Services

Kathryn Campbell AO CSC
Secretary

Ref: EC20-000932

Mr Grant Hehir
Auditor-General of Australia
Australian National Audit Office
19 National Circuit
BARTON ACT 2600

Dear Mr Hehir

**Response to the Australian National Audit Office (ANAO) Proposed Audit Report
on the *Management of Agreements for Disability Employment Services***

Thank you for providing the Department of Social Services (the department) with the opportunity to comment on the ANAO proposed report on the *Management of Agreements for Disability Employment Services (DES)*.

I agree with the five recommendations. The department's work to implement these recommendations is already underway. The report's insights are timely and provide useful guidance as the department continues to strengthen management and oversight of the program, since the reforms commenced on 1 June 2018, to deliver improved employment results for people with disability efficiently and effectively.

Attachment A to this letter includes the overall response to the proposed report and the response to the ANAO's recommendations. If you would like further information on the department's response, please do not hesitate to contact Mr George Sotiropoulos, Group Manager, Disability, Employment and Carers, on (02) 6146 0501, or by email at george.sotiropoulos@dss.gov.au.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'K Campbell'.

2 June 2020

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Appendix 2 Summary of results from Employment Services Outcomes Report 2018

DES job seeker results reported by the Department of Education, Skills and Employment

Topic	Key results ^a	Source
DES job seeker satisfaction	<ul style="list-style-type: none"> 67.9 per cent of participants in Employment Assistance and/or Post Placement Support (EA/PPS)^b and 77.6 per cent of Ongoing Support participants, were satisfied with the overall quality of service. 62.7 per cent of EA/PPS participants, and 74.4 per cent of Ongoing Support participants, were satisfied with the help suited to their circumstances. 64.0 per cent of EA/PPS participants, and 76.2 per cent of Ongoing Support participants, were satisfied with provider consideration of individual needs. 79.4 per cent of EA/PPS participants, and 87.3 per cent of Ongoing Support participants, were satisfied with the overall quality of service. 	Post Programme Monitoring Survey ^c
Job seeker employment outcomes	<ul style="list-style-type: none"> The employment outcome rate for participants in DES Employment Assistance/Post Placement Support (EA/PPS) fell by 2.2 percentage points in the 12 months to 31 December 2018 compared to the previous year.^d 29.5 per cent of DES EA/PPS participants and 64.1 per cent of Ongoing Support participants were employed three months following assistance. 39.6 per cent of DES EA/PPS participants and 69.2 per cent of Ongoing Support participants were in either education or employment or both, three months following assistance. There was a slight increase in part-time employment outcomes. 	Administrative data sourced from ESSWeb

Note a: Job seekers can potentially be counted more than once, for example if they reached 12 months participation in DES and also exited DES in the same period. Data is obtained from a stratified sample with one-in-three selection — the *Employment Services Outcomes report* does not specify whether this selection approach is applied to the survey, administrative data, or both.

Note b: Employment Assistance is the initial period of DES participation when job seekers are assisted to find, and prepare for, sustainable employment. Post Placement Support occurs for up to six months following the placement of a job seeker in employment.

Note c: Employment conducts quarterly post-program monitoring surveys to determine the labour market and education status of job seekers who participated in government employment services, including DES.

Note d: The drop in job seeker employment outcomes should be considered against the backdrop of the DES reforms, which may have disrupted the continuity of services to some job seekers.

Source: Department of Education, Skills and Employment's *Employment Services Outcomes report: Disability Employment Services, January 2018 — December 2018* (published October 2019), available from <https://docs.employment.gov.au/documents/employment-services-outcomes-report-january-2018-december-2018-disability-employment>.