

The Auditor-General  
Audit Report No.41 2006-07  
Performance Audit

# **Administration of the Work for the Dole Programme**

**Department of Employment and Workplace Relations**

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of Australia 2007

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Canberra ACT  
31 May 2007

Dear Mr President  
Dear Mr Speaker

The Australian National Audit Office has undertaken a performance audit in the Department of Employment and Workplace Relations in accordance with the authority contained in the *Auditor-General Act 1997*. I present the report of this audit and the accompanying brochure to the Parliament. The report is titled *Administration of the Work for the Dole Programme*.

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

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ian McPhee'.

Ian McPhee  
Auditor-General

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

## AUDITING FOR AUSTRALIA

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

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# Abbreviations

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ANAO	Australian National Audit Office
APM	Active Participation Model
APS	Australian Public Service
AWT	Australians Working Together
CMB	Contract Management Branch
CMP	Contract Managers Portal
CWC	Community Work Coordinator
CWCSC	Community Work Coordinator Services Contract
DEWR	Department of Employment and Workplace Relations
EA2000APM	Employment Assistant 2000 SmartClient
EA3000	Employment Assistant 3000 SmartClient
ESA	Employment Service Area
ESC	Employment Services Contract
ESN	Employment Services Network
ESQIS	Employment Services Quality Information System
ESWR	Employment Services Weekly Reports
GCV	General Contract Variation
IES	Integrated Employment Systems
JNM	Job Network Member
KPI	Key Performance Indicator
LMR	Labour Market Region
NCMF	National Contract Management Framework
NPCH	National Policy Clearing House
OH&S	Occupational Health and Safety

PAGES	Providers of Australian Government Employment Services
PARMS	Programme Assurance and Risk Management Subcommittee
PBS	Portfolio Budget Statements
PWA	Preparing for Work Agreement
RMM	Risk Management Module
VLТУ	Very Long-Term Unemployed
WEF	Work Experience Funding
WfD	Work for the Dole



# Summary and Recommendations



# Summary

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## Work for the Dole (WfD)

1. The Department of Employment and Workplace Relations (DEWR) contributes to the Australian Government's employment outcomes by developing policies and implementing and managing programmes with the objective of providing efficient and effective labour market assistance, higher productivity, higher pay workplaces and increased workforce participation.
2. Work for the Dole (WfD), since its implementation in 1997, is one of the programmes designed to contribute to these outcomes. Like other employment programmes, WfD is administered by DEWR under the Active Participation Model (APM), a key component of DEWR's policy platform since July 2003.

## Active Participation Model (APM)

3. Under APM, job seekers remain continuously engaged in employment assistance until they find suitable employment. After three months most persons who remain unemployed receive specialised one-on-one assistance from a Job Network Member (JNM). This assistance, referred to as Intensive Support, starts with Job Search Training. Persons who are then still in a position of being unable to find work after six months of unemployment move into a period of Mutual Obligation, involving participation in WfD or other programme and then on to Customised Assistance involving a more intensive form of personalised assistance to disadvantaged job seekers.

## The Government's Mutual Obligation Policy

4. WfD is also a component of the Government's policy on Mutual Obligation, operating on the principle that participants supported financially by the community should actively improve their work skills and give something back to the community that supports them. While compelling some job seeker to participate, WfD provides work experience placements for unemployed persons in approved activities which provide facilities and services to local communities. The implicit aim of WfD is to improve job seeker employability through meeting WfD programme objectives. Participation requirements range from between twelve to fifty hours each fortnight for six to ten months<sup>1</sup> and will generally depend on a person's age and the amount of

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<sup>1</sup> Appendix 1 sets out WfD participation requirements.

benefit they are receiving. Appendix 1 sets out WfD participation requirements. Participants are categorised as either having a Mutual Obligation, being a Very Long-Term Unemployed (VLTU) person or a voluntary participant.

### **Community Work Coordinators (CWCs)**

5. In line with the Government's intent to outsource service delivery, the WfD programme involves the delivery of programme services and activities through organisations known as Community Work Coordinators (CWCs). DEWR contracts CWCs to make WfD places available for persons seeking employment. CWCs are required to manage and develop work experience opportunities for eligible unemployed persons. CWCs are responsible for developing and making available quality and diverse programme activities that provide valuable work experience opportunities.

### **Sponsors and hosts**

6. CWCs often sub-contract the provision of services to sponsors or hosts within the various labour market regions to broaden the opportunities for job seekers to participate in WfD activities. Outsourced service provision assists to deliver services across capital city, rural and remote towns and communities. In this devolved service delivery model, it is important that contractual performance is assessed by a robust, risk-based, monitoring regime that offers DEWR comfort that programme administration and service delivery is consistent and up to the standards expected by the department.

### **Expenditure**

7. The WfD programme currently provides employment services to around 87 000 job seekers per annum, up from 53 000 in 2000–01. Overall funding appropriations for WfD programme administration has risen from \$113 million in 2000–01 to an expected \$193 million in 2006–07. Of the \$193 million, approximately \$110 million will be spent on the outsourced contractual services of CWCs including sponsors and hosts.

### **DEWR's National Contract Management Framework (NCMF)**

8. DEWR's National Contract Management Framework (NCMF) provides the corporate framework for managing CWC contracts including DEWR's risk-based approach to contract management.

9. The NCMF interacts with the department's Risk Management Module (RMM) to support contract managers and account managers, and the RMM assists contract monitoring to focus on any areas of concern. DEWR also has an Assurance and Compliance Framework which complements the NCMF and supports the integrity of employment services programmes including WfD. As the employment and related services market operates in a dynamic and changing environment, this approach allows targeted assurance and compliance actively to focus on emerging and changing risks.

10. DEWR's controls for managing WfD risks include contractual arrangements with CWCs that act to protect the interests of the Commonwealth against potential liabilities that may arise from the actions of the CWC, or any sponsors or hosts. Under these arrangements, CWCs are contractually responsible to the department for the performance of the services, including the performance of any subcontractors. Accordingly, it is important that DEWR's risk-based approach to contract management is supported by a robust monitoring regime and clear escalation processes for DEWR's contract managers.

## Audit approach

11. The objective of the audit was to assess the efficiency and the effectiveness of DEWR's administrative oversight for the WfD programme. The components of administration examined included whether:

- the operation of the WfD programme was guided by sound business planning including risk assessment;
- DEWR effectively and efficiently managed, monitored and reported the performance of CWCs in meeting contractual obligations;
- adequate support was provided to DEWR contract managers and account managers to assist in the delivery of WfD outcomes;
- there was evaluation of the performance of CWCs in delivering WfD objectives on behalf of the department;
- DEWR measures the effectiveness of WfD against programme objectives; and
- DEWR had implemented agreed recommendations from the previous WfD audit, where current and relevant.

12. The scope of the audit included contracts administered by DEWR between 1 July 2004 and 30 June 2006, extending to on-going contracts up and until the time the Australian National Audit Office (ANAO) conducted fieldwork, in September and October 2006.

13. The ANAO selected a random-stratified sample of 25 contracts from a broad-based population of 115 CWC contracts operating through 321 sites across the country. The sample included contracts administered by five State and Regional Offices. The sample included a mix of contracts by value (large, medium and small) delivered by different types of organisation, including for-profit and not-for-profit CWCs, covering both on-going contracts and one-off contracts. Fieldwork involved interviewing DEWR contract managers and/or account managers, and analysing reports, documentation and IT systems.

14. To gather feedback from contracted providers, a census of CWCs participating in the programme between July 2004 and September 2006 was conducted on a range of administration and performance topics in September-October 2006.

## Overall audit conclusion

15. Work for the Dole (WfD) is a work experience programme that has been operating since 1997 and is now well established within the wider community. Overall, DEWR was effectively administering the WfD programme.

16. DEWR's administration of the WfD programme was supported by:

- sound business planning including risk assessment;
- appropriate contracts with CWCs; and
- desktop monitoring, site visits and quality audits.

17. In addition, DEWR's processing of CWC invoices for contract payments was found to be consistent with the terms and conditions of the contracts. Systematic analysis of computer records using auditing software to interrogate payments data demonstrated a high level of adherence to both conditions of the contract and to the department's business rules.

18. In its risk assessments, and also reflected in its operational guidance, DEWR has identified a number of key risks that concern the operation of the WfD programme including: occupational health and safety (OH&S) issues that may affect WfD participants; whether CWCs have appropriate insurance

coverage to protect DEWR, CWCs and third parties; and whether CWCs have suitable financial management arrangements that support fraud control practices.

**19.** DEWR's Community Work Coordinator Services Contract (CWCSC) 2002 and Employment Services Contract (ESC) 2006–2009 contain clauses relating to insurance, sub-contracting arrangements and compliance with all relevant statutes, regulations, by-laws and requirements of any Commonwealth, State or Territory or local authority (this would include OH&S requirements). Fraud prevention responsibilities are also explicitly identified in the ESC 2006–2009. DEWR determines CWC compliance against these conditions through its monitoring arrangements.

**20.** In April 2005, an internal audit within DEWR reported on 'Community Work Coordinators Management – Impact and Devolution of Duties'. The objective of the audit was to review the impact of the devolution of responsibility for approving activities to CWCs and whether 'CWCs' are complying with programme rules in relation to the types of activities that they approve'. The report findings focussed on OH&S risks. The report concluded:

Controls could be strengthened by requiring CWCs to provide certification when approving activities that in their opinion the approved activity would meet the requirements of contract with DEWR and the CWC programme rules.

**21.** In line with the internal audit conclusion, DEWR's oversight of CWC activities could be consolidated if DEWR contract managers in their monitoring of CWCs, obtained assurance from CWCs that CWCs have up-to-date OH&S plans, current and paid-up insurances, and fraud control plans as required under contract. ESC 2006–2009 also requires CWCs to make all subcontractors (sponsors and hosts) aware of, and comply with, certain provisions in the CWCs contract with DEWR including subcontractors obtaining relevant insurances. DEWR's assessment of CWCs fulfilment of this function could be improved. By taking these steps, DEWR's risk-based approach to monitoring could be further strengthened to provide assurance that the contract clauses in ESC 2006–2009 were operating as intended.

**22.** DEWR is already skilling its contract managers in fraud awareness and fraud control. The department also makes available other training through its intranet and internet for its contract managers and CWCs. To complement this, DEWR would benefit from clearly articulating in its programme guidelines, the escalation process in DEWR for technical issues, such as insurance matters, for which higher level technical assistance may be required.

23. WfD is a mature programme that has been operating for approximately a decade. Overall, DEWR has adopted an appropriate approach to the ongoing administration of WfD and during the course of the audit implemented a number of refinements to its contractual arrangements with CWCs – the WfD service providers. Consequently, the ANAO has not made any recommendations in this audit. The report nevertheless mentions some areas where enhancements might be considered.



# Key Findings

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## **DEWR's Risk Assessment of CWCs (Chapter 2)**

24. The ANAO sampled 25 CWCs randomly selected from 115 CWC contracts to examine DEWR's approach to contract risk management, in order to gauge whether risk assessments were completed and up-to-date.

25. The ANAO's examination of the sample of contracts indicated that risk assessments were completed by DEWR. Risk assessments were populated with risk descriptions, the approved status of the risk, likelihood of risk occurrence, risk consequence, risk rating and annotation where of concern. The ANAO also found evidence on file of completed Activity Risk Assessment forms underpinning the risk assessment process.

26. Overall, risk assessments for all CWCs drawn from the ANAO's sample were prepared by DEWR officers and appropriately signed-off by approving officers.

## **CWC Contracts (Chapter 3)**

27. The ANAO found that appropriate contracts were in place for all CWCs included in the ANAO sample. These contracts outline the responsibilities of service providers while establishing a framework for DEWR to administer the programme. Contract management responsibility for contracts between CWCs and sponsors and hosts under programme arrangements rests with the CWC.

28. By adding and improving clauses involving fraud, insurances and sub-contracting, DEWR has strengthened the general conditions in ESC 2006–2009 from those in the now finalised CWCS 2002 that prevailed during the audit period.

29. WfD programme guidelines, which complemented the contract between the department and a CWC, are the principal means for providing administrative guidance to managers and to CWCs about their rights, obligations, roles and responsibilities. The ANAO found these guidelines provided direction for DEWR contract managers managing provider service delivery.

## **Desktop Monitoring and CWC Site Visits (Chapter 4)**

30. DEWR contract managers and account managers are primarily responsible for the risk management process in the various State or Regional offices. Monitoring of CWCs generally involves regular risk assessments, desktop monitoring and site visits, and if deemed necessary, quality audits.

31. The ANAO found that risk assessments, desktop monitoring, site visits and a quality audit had been conducted in accordance with DEWR's programme guidelines.

## **Monitoring of Key Risks: OH&S, Insurance and Fraud (Chapter 5)**

32. As part of the Government's Mutual Obligation policy, WfD participants are required to participate in work experience activities provided by CWCs and their sponsors and hosts. In this service delivery environment, DEWR has identified a number of key risks including:

- there is an obligation placed on work experience activity providers, that is CWCs and sponsors and hosts, to do all that is reasonably practicable to minimise the risk of injury to job seekers. State and Territory legislation imposes a duty of care on CWCs, in relation to their own employees, third parties (including WfD participants, and members of the public) and sub-contractors;
- for CWCs to have appropriate insurance coverage as appropriate to protect DEWR, the CWC and third parties to the agreement such as the sponsors and hosts, against possible breach, loss or damage arising during the course of the contract; and
- the importance of CWCs being financially viable with financial management frameworks that supports fraud control practices.

DEWR has considered these risks and put in place a variety of mechanisms to address them.

33. The ANAO found that sixty-five per cent of the 83 CWCs who responded to the ANAO's census had been asked by DEWR to provide an up-to-date OH&S Plan. DEWR's advised that an OH&S plan would be requested by a contract manager during a site visit. Where a contract manager was yet to visit a site, no OH&S plan would be requested.

34. The ANAO examined the files of the 25 CWCs drawn from its sample for detail of paid-up and current insurance for premises and equipment, public

liability, workers' compensation and motor vehicles. The ANAO noted that while there was detail of insurances on file, there was little detail on file of annotations by contract managers supporting that CWCs held current and appropriate insurances.

35. CWCSC 2002 did not contain clauses requiring that a fraud control plan exist as part of the administrative requirements. Under the new contract arrangements from 1 July 2006, DEWR require all CWCs to have fraud prevention plans and copies must be made available to DEWR on request. DEWR's new ESC 2006–2009 now contains a clause<sup>2</sup> that sets out general conditions involving fraud prevention control requirements for CWCs.

### **Training and Skilling (Chapter 6)**

36. The ANAO examined the training strategies that DEWR had in place to support the WfD programme, with a particular focus on the department's contract managers, account managers and fraud awareness training.

37. DEWR contract managers had generally completed relevant training. However, specialist training and skilling for technical matters such as insurances and financial assessments was not readily available to its managers. In managing service delivery, DEWR managers have access to specialist assistance within the department. DEWR could more clearly articulate in its programme guidelines and advice to relevant personnel, the escalation process in DEWR for technical issues, especially insurance matters, for which higher level technical assistance may be required.

38. The ANAO noted that all fraud referrals had originated from persons associated with contracted service delivery – there were no internally generated fraud referrals. While fraud control practices and procedures were mandatory for all officers administering contracts under the department's fraud control guidelines, contract managers and account managers administering contracts had not undertaken appropriate fraud awareness training. DEWR's Investigations Branch informed the ANAO that from April 2006, DEWR had launched a fraud awareness training campaign for account managers and contract managers across the State and Regional offices. The Branch also advised training in evidence procedures was being developed for future roll-out.

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<sup>2</sup> Department of Employment and Workplace Relations, Employment Services Contract 2006–2009, Part A General Conditions, Clause 11, pp 21-22.

## **Contract Payments (Chapter 7)**

39. Effective contract management requires payments to contracted service providers to align with the terms and conditions of the contract. This will generally involve the CWC acquitting expense invoices or attaining predetermined programme targets to trigger the right to payment. Payments made under CWCSC 2002 and ESC 2006–2009 are incentive-based and therefore, may exceed the contracted value for services if the service provider delivers in excess of the contracted target amount. This however, makes it difficult to align actual contracted payments with amounts specified in the contract.

40. DEWR's processing of CWC invoices for contract payments was found to be robust. Systematic analysis of computer records using auditing software used to interrogate payments data shows a very high level of adherence to both conditions of the contract and business rules.

## **Reporting Performance (Chapter 8)**

41. Monitoring the performance of contracted service providers is an important component of administering outsourced programmes, providing an incentive for service providers to comply with contract requirements and better achieve the objectives of the programme.

42. An effective performance information framework, complemented by a risk based and timely programme evaluation strategy, allows the programme administrator to effectively target gauge the success of the programmes, resources and contribute to public accountability. The ANAO determined that DEWR's performance monitoring processes for WfD, delivered on their behalf by CWCs, was consistent across its State and Regional offices.

43. The ANAO recognises that DEWR's programmes involving the outsourcing of contracted services can make a positive contribution to the achievement of programme outcomes. Having an effective performance information framework and programme evaluation strategy provides a sound basis for DEWR to effectively target its resources.

## DEWR's response to the audit

### 44. DEWR's summary response to the proposed audit report was:

The Department of Employment and Workplace Relations (DEWR) values the Australian National Audit Office's (ANAO's) opinion that an appropriate approach to the administration of the Work for the Dole programme is in place. Accordingly the ANAO has not made any recommendations following the audit of the programme.

Work for the Dole is a highly successful Australian Government programme that enables job seekers to gain quality work experience and contribute to their communities. Work for the Dole is a key element of the Government's Mutual Obligation Policy. The premise of Work for the Dole is that those who receive income support have the opportunity and obligation to contribute to the community and to improve their own skills.

From the introduction of Work for the Dole in November 1997, over 560,000 job seekers have commenced on a Work for the Dole activity. Over 33,000 activities throughout Australia have provided assistance and facilities that may not otherwise have been possible.

Survey results indicate participants are also very satisfied with their experience in Work for the Dole. During the year ending 30 September 2006, 85 per cent of people who had participated in Work for the Dole were satisfied or very satisfied with their Work for the Dole project in terms of overall quality of assistance and service. Furthermore, 39 per cent of respondents were either employed or in education or training three months after leaving the programme.

The ANAO has acknowledged that DEWR has recently made a number of refinements to contractual arrangements with Community Work Coordinators to further strengthen the Work for the Dole programme. The ANAO reported that DEWR's administration of the Work for the Dole programme is supported by sound business planning including risk assessment, appropriate contracts with Community Work Coordinators, desk top monitoring, site visits and quality audits.

It is noted that the ANAO found no significant weaknesses with the programme and, therefore, the report does not contain recommendations.



# **Audit Findings and Conclusions**





# 1. Introduction

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*This chapter provides background information about the Work for the Dole programme administered by the Department of Employment and Workplace Relations. It explains the audit approach and sets out the audit objective, scope, methodology and criteria.*

## Background

**1.1** The Department of Employment and Workplace Relations (DEWR) is responsible for developing and implementing employment initiatives designed to maximise the ability of unemployed Australians to find work, as well as to support strong employment growth and improve productive performance of enterprises in Australia. It does this through four interrelated government outcomes:

- an efficient and equitable labour market that links people to jobs and promotes the transition from welfare to work;
- fair and flexible workplace relations at the enterprise level;
- an improved operating environment for small business; and
- on-line access to government information and services relating to employment and business.

**1.2** One initiative designed to contribute to these outcomes is Work for the Dole (WfD) programme. WfD provides work experience placements for job seekers in approved activities which provide facilities and services to local communities. The implicit aim of WfD is to improve job seeker employability through meeting programme objectives which are to:

- provide valuable work experience to unemployed people;
- develop good work habits in unemployed people;
- involve local communities in providing quality activities which support unemployed people and assist them at the end of their activity; and
- provide communities with activities (facilities and services) which are of value to them.

**1.3** WfD operates on the basis that activities must provide an additional service to the community without displacing existing or potential workers from the local labour market. Activities and placements can only operate in not-for-profit organisations or local, state and Commonwealth organisations

and agencies. Through WfD, participants may also gain entry into other initiative schemes and earn a Training Credit<sup>3</sup> and receive a Passport to Employment<sup>4</sup>.

**1.4** The WfD programme operates under the *Social Security Act 1991* and is classified as an approved programme of work for unemployment payment. On 19 March 1997, the legislative framework for the WfD initiative was introduced into Parliament by the then Minister for Schools, Vocational Education and Training<sup>5</sup>. The *Social Security Legislation Amendment (Work for the Dole) Bill 1997* amended the *Social Security Act 1991*.

## Programme stakeholders

**1.5** The operation of WfD is dependant on the interrelationships between key participants to the programme. Figure 1.1 illustrates WfD participation requirements.

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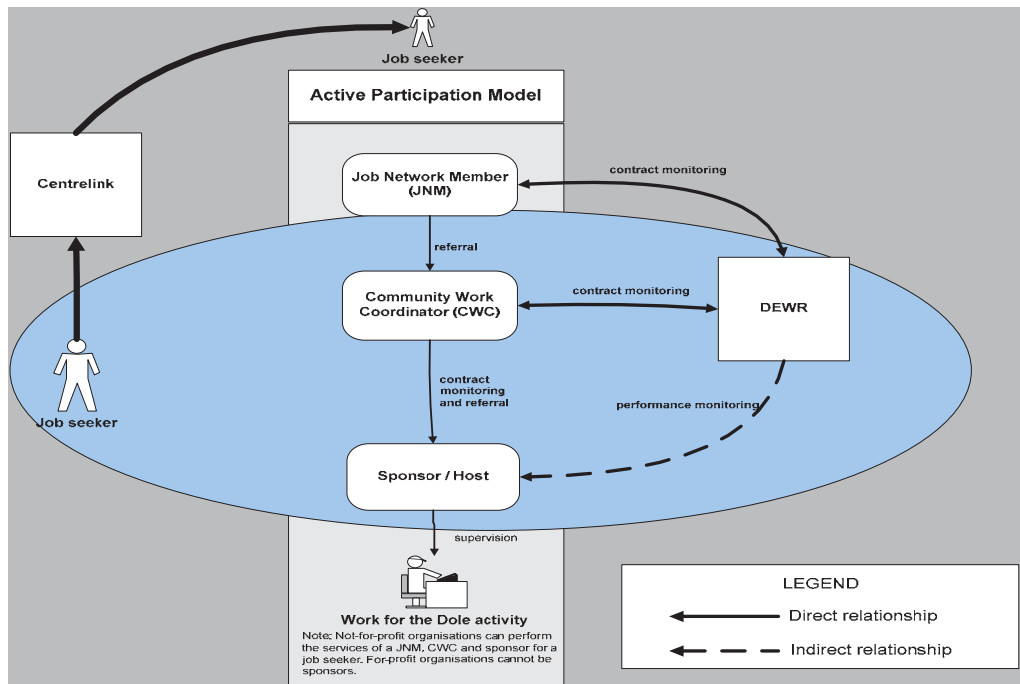
<sup>3</sup> By completing a WfD placement, a job seeker can earn a Training Credit of up to \$800. The job seeker can choose a training course, recognised across Australia by employers, State and Regional Governments and education institutions, that suits their needs in an industry or field of interest and apply the Training Credit to pay for the course fees. Training Credits may also be used to purchase essential tools, equipment, accreditation and licences.

<sup>4</sup> The Passport to Employment is a package of assistance to help job seekers become job ready. It includes training to assist in identifying and following-up job leads, writing and updating a job resume, getting references, preparing job applications, and managing job interviews.

<sup>5</sup> Department of Education, Science and Training, *Media Release, Work for the Dole Legislation*, 19 March 1997, K10/97.

Figure 1.1

## WfD programme and the interrelationship with job seekers



Source: ANAO

## Unemployed persons

1.6 WfD is designed for unemployed people 18 years of age or over and who are on Newstart<sup>6</sup>, a Youth Allowance<sup>7</sup>, a Disability Support Pension<sup>8</sup> or a Parenting Payment<sup>9</sup>. Participation requirements differ depending on whether the participants are categorised as either having a Mutual Obligation, being a Very Long-Term Unemployed (VLTU) person or a voluntary participant.

<sup>6</sup> An allowance payable to eligible recipients aged 21 or over and under Age Pension age, who are unemployed and prepared to enter into an Activity Agreement, are an Australian resident, and who satisfy the income and assets test, and an Activity Test.

<sup>7</sup> Youth Allowance is intended to provide incentives for young people to participate in study or training. Youth Allowance became available to eligible participants from 1 July 1998, replacing Youth Training Allowance, Newstart and Sickness Allowance for under 21 year olds, AUSTUDY for under 25 year olds and the higher rate of Family Allowance for 16-18 year old secondary students.

<sup>8</sup> A payment made to disabled people who are unable to work, or able to be re-skilled for work, for more than two years because of a disability.

<sup>9</sup> A Parenting Payment can be made to a parent, grandparent or foster carer, where that person is single or partnered. Eligibility requirements depend on a child's age either prior to 1 July 2006 or after 30 June 2006.

Terms and conditions for participation are set out in Appendix 1. Mutual Obligation is based on the principle that unemployed people supported by the community should give something back to the community which supports them. Overall, there were 87 118 WfD commencements in 2005–06<sup>10</sup>, up from 81 866 in 2004–05<sup>11</sup>.

## **DEWR**

1.7 DEWR has three main roles in the delivery of WfD. It purchases services on behalf of the Commonwealth Government, fosters relationships with CWCs to promote the delivery of quality work experience opportunities for eligible job seekers, and monitors and evaluates the effectiveness of CWCs in achieving Government’s objectives.

### **Community Work Coordinators**

1.8 In line with the intent to devolve policy delivery mechanisms, DEWR’s WfD programme involves delivery through organisations, including both for-profit and not-for-profit non-government organisations. These are known as CWCs, who work with other community and not-for-profit organisations to develop quality WfD activities that provide a benefit to both WfD participants and the community.

1.9 CWCs are responsible for developing and making available quality and diverse programme activities that provide valuable work experience opportunities for eligible job seekers. They are contracted by DEWR to make places available and are required to manage and develop work experience opportunities for eligible job seekers in their own organisation CWCs approve, manage and monitor WfD activities, place participants in activities and administer Training Credits.

### **Sponsor and Host Organisations**

1.10 Sponsor organisations also play an important role in the administration of WfD. Sponsor organisations are usually community based organisations, contracted by CWCs to sponsor WfD activities through developing and providing work experience for participants, having approached their local CWC. Host organisations provide work experience placements either directly to the WfD participant or through the sponsor.

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<sup>10</sup> Department of Employment and Workplace Relations, *Annual Report 2005–06*, p. 71.

<sup>11</sup> Department of Employment and Workplace Relations, *Annual Report 2004–05*, p. 85.

## Job Network Members

**1.11** JNMs are responsible for referring job seekers to CWCs. JNMs are also responsible for assisting job seekers find employment.

## Centrelink

**1.12** Centrelink registers unemployed people, makes payment of relevant unemployment and associated allowances, and enters into the initial Preparing for Work Agreement (PWA)<sup>12</sup>, which sets out job seeker obligations as a condition of receiving payments.

**1.13** Centrelink approves subsequent revised PWAs<sup>13</sup> submitted by CWCs for job seekers who have been referred to WfD. If job seekers do not comply with their attendance requirements or other terms of these agreements, Centrelink reviews the relevant information and if necessary reduces, suspends or cancels the job seeker's allowance until such time as the job seeker meets their participation requirement.

## Relationship between DEWR, CWCs and Sponsors and Hosts

**1.14** Contact between CWCs and DEWR is primarily through DEWR contract managers in the department's various State or Regional offices. The relationship between DEWR and CWCs (and sponsors or hosts) is crucial in underpinning the effective delivery of WfD. Potentially, service providers vary considerably in their ability to fulfil contractual conditions, demonstrate delivery to acceptable standards, and achieve agreed outcomes.

**1.15** For these reasons DEWR needs to be able to support service providers' ability to deliver agreed outcomes and, where necessary, recognise early when CWCs may need extra assistance and guidance, particularly those smaller contractors in rural and remote areas.

## WfD funding

**1.16** The WfD programme is an administered item under DEWR Output Group 1.2 – Labour Market Programme Management and Delivery. The administered appropriation for this output is \$24 531.8 million in 2006–07, of

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<sup>12</sup> Now referred to as Activity Agreements.

<sup>13</sup> Ibid.

which \$193 million (0.8 per cent) is the budget<sup>14</sup> estimate of total resources for the WfD programme. Overall funding appropriations for the WfD programme has risen from \$113 million in 2000–01 to an expected \$193 million in 2006–07. DEWR advice indicates that the value of contracts in 2006–07 under CWCS 2002<sup>15</sup> exceeded \$110 million. The WfD programme currently provides employment services to around 87 000 job seekers per annum, up from 53 000 in 2000–01, as represented at Table 1.1.

**Table 1.1**

**WfD programme expenditure and participation commencements**

Financial year	Actual expenditure \$('000)	Participation commencements
2006–07	192 618 <sup>A</sup>	Not yet available
2005–06	155 458	87 118
2004–05	168 196	81 866
2003–04	173 632	74 400
2002–03	151 197	64 049
2001–02	98 401	60 895
2000–01	113 436	52 667

Note: (A) Estimated expenditure only.

Source: DEWR Annual Reports 2001–02 to 2005–06, DEWR SB Annual Report 2000–01, DEWR Portfolio Budget Statements 2006–07

**1.17** Departmental appropriation for the WfD programme is not listed on a programme specific basis in DEWR’s 2006–07 Portfolio Budget Statement (PBS). The 2006–07 departmental appropriation allocated to output 1.2.4, 'mutual obligations initiatives', is \$28.7 million<sup>16</sup>.

<sup>14</sup> Department of Employment and Workplace Relations, *Portfolio Additional Estimates Statements 2006–07*, p. 38. The 2006–07 budget forecast expenditure of \$217.6 million dollars was reduced by savings identified by DEWR of \$25 million in 2006–07.

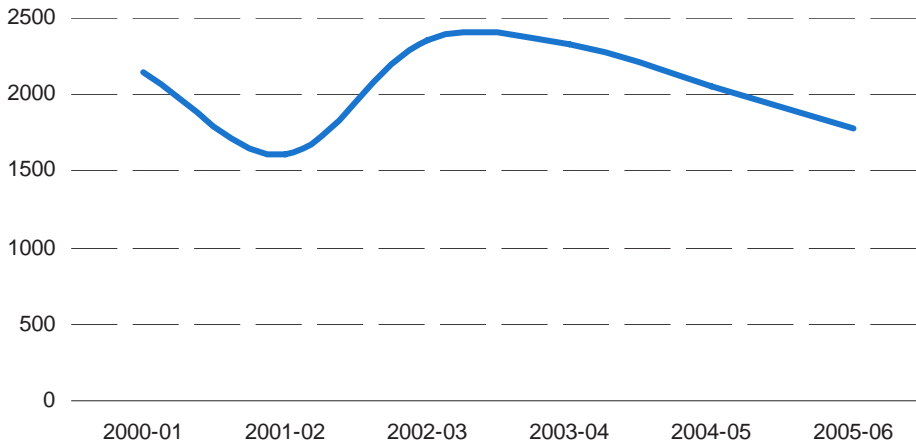
<sup>15</sup> CWCS 2002 commenced 1 July 2002 with the third contract variation, GCV 3, commencing on 1 April 2004. This contract variation introduced significant changes to the payment model. The first general contract variation, GCV 1, coincided with the start of the contract term. The original contract term, as set out in GCV 1, was between 1 July 2002 and 31 August 2005. The second general contract variation, GCV 2, commenced 1 July 2003. This contract variation coincided with the implementation of the Employment Services Contract 3 and DEWR’s EA3000 system. This variation introduced some CWC functionality to run on CWC EA3000, parallel to the same existing functionality as the predecessor system EA2000APM. As well as the system change, the contract term was extended to 30 June 2006, plus a six month transition phase to 31 December 2006.

<sup>16</sup> Department of Employment and Workplace Relations, *Portfolio Budget Statements 2006–07*, p. 45.

**1.18** Figure 1.2 illustrates the participants commencement cost per million dollars from 2000–01 to 2005–06. Since the introduction of APM on 1 July 2003 these costs have decreased.

**Figure 1.2**

**Total number of WfD commencements per million dollars of programme expenditure**



Source: DEWR Annual Reports 2001–02 to 2005–06, DEWR SB Annual Report 2000–01.

## WfD Evolution

### Australians Working Together

**1.19** The Australians Working Together (AWT) package of May 2001<sup>17</sup> set out a series of measures intended to encourage a more active and effective participation by the unemployed in the labour market as a driver for reducing unemployment and based on offering greater incentives to work so that they come to rely less on welfare support.

**1.20** The impact of the AWT initiative for WfD meant more places being made available and greater opportunities for community work through CWCs.

<sup>17</sup> The AWT package focused on assisting the unemployed to get jobs and/or become more actively engaged in the community by endeavouring to achieve a balance of mutual obligation requirements, targeted assistance and incentives. DEWR was one of five government departments or agencies identified to participate in the initiative.

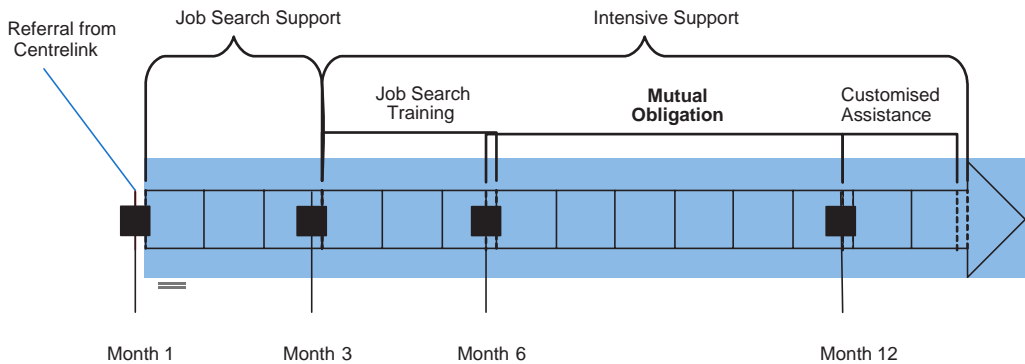
## The Active Participation Model and Mutual Obligation

1.21 WfD is one of the key elements of the Active Participation Model (APM), a Government initiative which has been the service delivery platform for DEWR’s employment services since July 2003. The APM platform includes a number of initiatives designed to streamline the WfD process for CWCs such as by offering greater flexibility around administration and by reducing administrative red tape<sup>18</sup>.

1.22 WfD is also a Mutual Obligation initiative of the intensive support component of APM service delivery (see Figure 1.3). The Government’s Mutual Obligation policy is based on the principle that unemployed people supported by the community should give something back to the community which supports them. Mutual Obligation seeks to achieve this position by motivating job seekers to take personal responsibility in gaining employment.

Figure 1.3

### Active Participation Model service delivery timeline



Source: ANAO

<sup>18</sup> DEWR CWC Programme Information Guidelines, Chapter 1, Introduction, p. 4.



## CWC contracts and policy changes from July 2001 to July 2006

**1.23** The AWT/APM/Mutual Obligation policy announcements have led to programme administration changes since the tabling of the previous WfD audit<sup>19</sup>. The advent of CWCSC 2002<sup>20</sup> in April 2004 led to the most significant variation to the 2002 services contract, driven by the momentum of the changes foreshadowed in the APM of July 2003. DEWR<sup>21</sup> sought to:

- retain the fundamentals of WfD, while building better links with the APM;
- support timely, quality WfD placements for the flow of eligible participants;
- streamline administration of project activities and participant management;
- improve timely access to programme capacity and CWC Administration and Management Fees;
- strengthen CWCs' role in community work; and
- provide a choice of acquittal tools for Work Experience Funding (WEF).

**1.24** The integration of these changes into WfD programme management by DEWR came under consideration during the course of this audit.

## CWC contracts and policy changes since July 2006

**1.25** The Government's Welfare to Work reform is a key DEWR priority for 2006–07. To support this reform, DEWR has made significant changes to the WfD programme for ESC 2006–2009 commencing on 1 July 2006<sup>22</sup>. Lapsing, non-renewed CWCSC 2002<sup>23</sup> contracts expiring by 31 December 2006, create an

<sup>19</sup> ANAO Audit Report No.30 of 2000–01: *Management of the Work for the Dole Programme*.

<sup>20</sup> CWC GCV milestone periods are as follows:

Milestone period 1: 1 July 2002 – 31 December 2002; Milestone period 2: 1 January 2003 – 30 June 2003; Milestone period 3: 1 July 2003 – 31 December 2003; Milestone period 4: 1 January 2004 – 30 June 2004; Milestone period 5: 1 July 2004 – 31 December 2004; Milestone period 6: 1 January 2005 – 30 June 2005; Milestone period 7: 1 July 2005 – 31 December 2005; Milestone period 8: 1 January 2006 – 31 December 2006.

<sup>21</sup> DEWR: *Streamlining Community Work Coordinator Services under the Active Participation Model*, GCV 3, January 2004.

<sup>22</sup> DEWR: *Community Work Coordinator Employment Services Contract (ESC) 2006–2009*.

<sup>23</sup> The Round 5, *Community Work Coordinator Employment Services Contract 2002–2006*. This contract covers GCV 1, commencing from 1 July 2002; GCV 2 commencing 1 July 2003 and GCV 3 commencing 1 April 2004.

overlap of contract periods. Some CWCs are operating under both round contracts during the overlapping period July 2006 to December 2006, as those contracted under CWCSC 2002 continue under those arrangements. The changes to WfD policy in ESC 2006–2009 include:

- extending the Star Ratings<sup>24</sup> system, which already applies to CWCs but will be extended to business reallocation processes;
- changing the payment of service fees based on the creation of activity places to the utilisation of activity places;
- the funding model for mainstream CWCs is based on a fixed utilisation rate of 75 per cent. Remote service contracts are based on a tender utilisation rate. Initial funding is linked to completed places in the past performance period;
- WfD activities have been developed to address skills in demand in employment service areas; and
- volunteers allowed to engage in WfD activities have been extended to allow further participant groups.

**1.26** The Government's recent Welfare to Work reform entails policy change bringing about programme re-alignment and changes in delivery of services.

## Previous audits

**1.27** ANAO Audit Report No. 30 of 2000–01: *Management of the Work for the Dole Programme*, which tabled in March 2001, examined the efficiency and the effectiveness of administrative arrangements for the programme. The report included eight recommendations focussing on the contract procurement or tender processes, contract management arrangements and performance management.

**1.28** The implementation of recommendations arising from this audit were examined where within scope, to assess the extent to which these underlying recommendations were implemented when considering the efficiency and effectiveness component of the current audit.

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<sup>24</sup> Source: DEWR Annual Report 2005–06, p. 70: 'The Star Ratings provide a systematic and fair method for national comparison of the performance of Community Work Coordinators in meeting their programme objectives and contracted performance requirements. The inaugural release of the Star Ratings for CWCs, for 1 July 2002 to 30 June 2005, took place in October 2005'.

## Audit approach

### Audit Scope

**1.29** The scope included contracts administered by DEWR between 1 July 2004 and 30 June 2006, but extended to on-going contracts where providers were participating under the 2006–2009 contract round which commenced from 1 July 2006 and to fieldwork conducted during September and October 2006.

**1.30** The audit did not examine contract procurement or tender processes forming the basis for contract selection and arising as recommendations from the previous WfD audit, the WfD – Drought Force programme, or contracts delivered on behalf of DEWR by other government agencies (including Centrelink) and State and Territory governments.

### Audit Objectives

**1.31** The objective of the audit was to assess the efficiency and the effectiveness of DEWR's administrative oversight for the WfD programme. The components of administration examined included whether:

- the operation of the WfD programme was guided by sound business planning including risk assessment;
- DEWR effectively and efficiently managed, monitored and reported the performance of CWCs in meeting contractual obligations;
- adequate support was provided to DEWR staff to assist in the delivery of WfD outcomes;
- there was evaluation of the performance of CWCs in delivering WfD objectives on behalf of the department;
- DEWR measures the effectiveness of WfD against programme objectives; and
- DEWR had implemented agreed recommendations from the previous WfD audit, where current and relevant.

### Audit Methodology

**1.32** The audit methodology consisted of:

- fieldwork that involved interviewing personnel in DEWR, analysing reports, documentation and IT systems;

- randomly selecting and then visiting five CWCs on-site in Newcastle, Sydney, Bendigo and Townsville. The visits involved observing job seekers participating in WfD sponsor provided activities and informal discussions with staff and some participants;
- selecting on a sample basis,<sup>25</sup> twenty-five of the 115 CWC contracts operating in 321 sites across the country administered by a range of DEWR' State and Regional Offices both capital city and regional. The sample included a mix of contracts by value (large, medium, small) delivered by different types of organisation, including for-profit and not-for-profit CWCs, that were on-going contracts as well as one-off contracts;
- computer aided auditing software to test payment data extracted from DEWR's computer systems;<sup>26</sup>
- gaining feedback from contracted providers by conducting a census of CWCs participating in the programme between July 2004 and September 2006 in respect of a range of administration and performance topics in September-October 2006. The ANAO invited DEWR to comment on the draft survey document and took these comments into account in finalising and conducting the census. The complete census results are at Appendix 5.
- the audit was conducted in accordance with ANAO Auditing Standards at a cost to the ANAO of \$365 879.

## Use of consultants

1.33 Allanson Consulting Pty Ltd and ORIMA Research were contracted by the ANAO to the audit, to provide specialised assistance in examining census data and compiling census data respectively, arising from the census of CWCs.

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<sup>25</sup> The ANAO drew a random-stratified sample from a broad-based population of contracts operating in 158 of the 321 sites across the broader Sydney, Brisbane, Melbourne, Townsville and Bendigo Labour Market Regions (LMRs) who were involved in CWCS 2002 and/or ESC 2006–2009 whether on-going, new or lapsing. These LMRs corresponded with fieldwork conducted at DEWR State or Regional offices from where contracts may, although not necessarily, be administered.

<sup>26</sup> The Australian Auditing Guidance Statement 1060 'Computer Aided Audit Techniques', defines IT as 'computer programs and data the auditor uses as a part of the audit procedures to process data of audit significance contained in an entity's information systems.'

Interactive Data Extraction for Auditors (IDEA) was first developed in 1985 for the Office of the Auditor-General of Canada. It has since been developed into a software package that is used in over 90 countries in 12 languages, by major accounting firms, government, corporations and universities. IDEA enables data files from almost any source to be read, displayed, manipulated, and analysed. IDEA is a registered trademark of CaseWare International Inc.

## 2. CWC Risk Assessment

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*This chapter examines whether DEWR performed and updated risk assessments on CWCs according to the department's corporate risk management practices.*

### Approaches to risk management

**2.1** The ANAO Better Practice Guide on Contract Management<sup>27</sup> suggests that:

A comprehensive approach to risk management considers risk treatments both actively (designing and implementing controls to prevent the risk events occurring) and re-actively (to mitigate the consequences should the risk events actually occur). Risk management, through structured decision making and a comprehensive analysis of business processes, provides opportunities for innovation and enhanced outcomes. Importantly, it is an on-going process.

**2.2** Effective risk management in relation to service providers requires that risks associated with service provision are assessed prior to the contract being finalised and during the contract period. The process of risk management in DEWR is guided by Australia/New Zealand Standard 4360:2004.

**2.3** The ANAO examined the manner in which DEWR assessed CWC risks.

### CWC risk assessment

**2.4** DEWR's Annual Report 2005–06 states that:

Managing risk in the department involves implementing cost-effective strategies for reducing identified risk and maximising opportunities to achieve outputs. The department's organisation-wide approach to risk management is achieved through a 'top down, bottom up' framework that ensures all staff are involved in risk management. This 'risk awareness culture' is being further entrenched by continuous communication of risk-related matters across our growing organisation. The DEWR-designed risk management information systems—RiskWatch and the National Contract Management Frameworks Risk Management Module—help staff manage risk.

**2.5** DEWR's Contract Management Branch (CMB) performs a significant role in overseeing the employment services risk management framework. Contract monitoring data is analysed at organisation, programme, state, site and provider levels. CMB undertakes a monthly quality assurance assessment

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<sup>27</sup> ANAO (2001), *Contract Management Better Practice Guide*, p. 11.

including checking data integrity. CMB also prepares an extreme risks report and provider's issues report that are escalated to DEWR's Programme Assurance and Risk Management Subcommittee (PARMS). PARMS informs DEWR's Employment Management Committee on extreme risks and both committees provide advice and direction as necessary.

**2.6** PARMS sign-off and advice is directed to the relevant operational areas in DEWR for relevant risk mitigation activities. Consequential risk mitigation results are reported back to the PARMS committee. DEWR's IT system enables reports to be produced at a programme level, a service provider level, a site level and at a State or Territory level.

**2.7** Under DEWR's Risk Management Framework, provider risks are set around the areas of performance, compliance, servicing and financial viability to ensure risks can be identified under the principles of the NCMF. The 'top down, bottom up' framework approach to risk management involves analysing performance information during on-going desktop monitoring to support the assessment and treatment of risks. DEWR's contract management guidelines<sup>28</sup> provide assistance and direction for officers to assess risks associated with contracted service providers.

**2.8** DEWR's NCMF and Risk Management Module (RMM) are designed to support contract managers and account managers and to direct contract monitoring to areas of concern. DEWR also has a comprehensive Assurance and Compliance Framework which complements the NCMF and supports the integrity of employment services programmes. As the employment and related services market operates in a dynamic and changing environment, DEWR targets its assurance and compliance activity on emerging and changing risks.

**2.9** Risk assessments are conducted by contract managers for all full-time CWC sites, assessing the likelihood and the consequences of the risk occurring. If the risk is identified as of concern, a risk plan is required to assist the mitigation of the risk. The results are entered into DEWR's Risk Management Module (RMM)<sup>29</sup> by contract managers for assessing, monitoring and rating the risks. Account managers will validate the risk rating assigned by contract

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<sup>28</sup> DEWR, National Contract Management Framework, Risk Management Module, CM Guide.

<sup>29</sup> The Risk Management Module is a key tool provided under the NCMF. The NCMF guides the way that DEWR does business with its contracted service providers. It sets out the department's principles of contract management and establishes the standards of risk management. DEWR's Risk Management Framework follows the Australia/New Zealand Risk Management Standard 4360:2004 and directs contract monitoring to areas of concern.

managers as part of the approval process. Risk management for sponsors and hosts rests with CWCs who under contract must perform a risk assessment on every sponsor activity.

**2.10** DEWR's risk management framework provides for risk assessments and plans to be recorded on-line in the RMM and updated as the risk environment changes. The RMM allows for the risk consequence rating to be updated to reflect local considerations. The local account manager or team leader endorses each risk assessment that has been completed or updated. This is then 'accepted' by the account manager<sup>30</sup>. Each time a risk assessment is updated, the contract manager must resubmit for account manager acceptance. For all risk assessments that are considered of concern, a risk management plan must be developed to assist in the mitigation of the risk. A risk management plan is required for every risk of concern at both the organisation and site levels. DEWR's EA3000 SmartClient<sup>31</sup> IT system (EA3000) is used to store the completed risk assessment plan.

**2.11** DEWR contract managers and account managers are involved in risk assessments of CWCs and sites through desktop monitoring, site visits and IT system-based data monitoring including through HealthCheck Reports generated through EA3000.

**2.12** The ANAO examined DEWR's approach to contract risk management through the audit sample<sup>32</sup> to gauge the operational effectiveness of the DEWR's integrated framework for risk management, by assessing whether:

- provider risks of concern, set out in the RMM have appropriate risk mitigation strategies applying to contract management and the ensuing risk treatments; and
- DEWR performed and updated risk assessments on CWCs according to corporate risk management practices and principles including desktop monitoring and site visits.

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<sup>30</sup> The Risk Management Module is a key tool provided under the NCMF. The NCMF guides the way that DEWR does business with its contracted service providers. It sets out the Department's principles of contract management and establishes the standards of risk management. DEWR's Risk Management Framework follows the Australia/New Zealand Risk Management Standards 4360:2004 and directs contract monitoring to areas of concern.

<sup>31</sup> EA3000 is a DEWR IT-based system that was developed to facilitate the implementation of the Active Participation Model in July 2003. The system also has a wider application as a tool for assisting with the administration of the programme. EA3000 operated in tandem with the previous generation IT system, EA2000APM during the audit period.

<sup>32</sup> The ANAO sample of 25 CWCs randomly selected from 115 CWC contracts.

## **Provider risk management, risk mitigation and risk treatment**

**2.13** DEWR's corporate site risks and operational risks for CWCs<sup>33</sup> are set out at Appendix 3, with the most significant risks described as major. Risk ratings and risk mitigation strategies should provide the basis for programme monitoring activities and to do so effectively, would need to effectively integrate the identification of, and management of, potential risks to ensure a balance with programme resources and internal controls.

**2.14** If CWC providers are assessed as having a risk that is of concern to DEWR, then there are a number of actions DEWR can take to mitigate each risk. DEWR has a number of CWC indicators and benchmarks that detail risk associated with providers. DEWR advised the ANAO that the department is currently working with key internal stakeholders to ensure that the indicators and benchmarks for each programme, which support the provider risk assessment, remains relevant for ESC 2006–2009<sup>34</sup> and funding deeds.

**2.15** The interpretation and treatment of site based and organisational based risks while under this framework have since July 2006 been subject to quality assurance for consistency, accuracy and alignment across all DEWR State or Regional offices, who also quality assure work. Therefore, DEWR has assurance that risk assessments are conducted consistently by DEWR across all Employment Service Areas (ESAs) and Labour Market Regions (LMRs).

**2.16** For these reasons it is important that DEWR continues to review its risk management practices and procedures for CWC contracts to ensure that they are managed appropriately and consistently across the programme.

## **Evidence of risk assessments**

**2.17** The ANAO examined DEWR's approach to risk management of contracts across its offices included in the audit sample<sup>35</sup>. It assessed whether risk assessments had been conducted and updated during the contract period. This involved testing for the existence of risk management plans. The results of this analysis are shown at Table 2.1.

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<sup>33</sup> DEWR, CM Guide, Overview of Risk Management, Appendix A1 - Site Risks. There were six organisational risks and sixteen site risks applied to all of DEWR's labour market employment services programmes, classified into four risk families: financial, servicing, performance and compliance at the time of the audit.

<sup>34</sup> Employment Services Contract 2006–2009.

<sup>35</sup> Ibid



**Table 2.1****Evidence of risk assessments and risk management plans for CWCs**

Description	Number	Percentage
Risk management plan completed	25	100
Risk assessments conducted and updated during the audit period	25	100

Source: ANAO analysis of the sample of CWC contract files and from fieldwork interviews with contract managers and account managers.

**2.18** The ANAO's examination of the sample of contracts indicated that risk assessments were completed by DEWR. The risk assessments were populated with risk descriptions, the approved status of the risk, likelihood of risk occurrence, risk consequence, risk rating and annotation where of concern. The ANAO also found evidence on file of completed Activity Risk Assessment forms underpinning the risk assessment process.

**2.19** The ANAO found overall that risk assessments for all CWCs drawn from the ANAO's sample were prepared by DEWR officers and appropriately signed-off by approving officers.

## Identified risks

**2.20** As previously mentioned WfD is a component of the Government's Mutual Obligation Policy, operating on the principle that participants supported financially by the community should actively improve their work skills and give something back to the community that supports them. While compelling a job seeker to participate, WfD provides work experience placements for unemployed persons in approved activities which provide facilities and services to local communities.

**2.21** In line with the Government's intent to outsource service delivery, the WfD programme involves the delivery of programme services and activities through CWCs. CWC service providers include government, not-for-profit and commercial organisations.

**2.22** CWCs often sub-contract the provision of services to sponsors or hosts within the various labour market regions across the country to provide places and work experience for job seekers to broaden the opportunities for job seekers to participate in WfD activities. Sponsor organisations are usually community based organisations.

**2.23** In this service delivery environment, DEWR has identified a number of key risks including:

- there is an obligation placed on work experience providers, that is CWCs and sponsors and hosts, to do all that is reasonably practicable to minimise the risk of injury to job seekers. State and Territory legislation imposes a duty of care on CWCs, in relation to their own employees, third parties (employees of the CWC, including WfD participants, and members of the public) and sub-contractors;
- for CWCs to have appropriate insurance coverage as appropriate to protect DEWR, the CWC and third parties to the agreement such as the sponsors and hosts against possible breach, loss or damage arising during the course of the contract; and
- the importance of CWCs being financially viable and financial management frameworks that supports fraud control practices.

**2.24** In all of these areas, DEWR has an obligation to ensure adequate contracts and an appropriate level of monitoring. Moreover, the Joint Committee of Public Accounts and Audit commenting on Commonwealth Government policy on the devolution of accountability and responsibility stated:

agencies remain accountable for the delivery of services even where the service delivery is provided by the private sector<sup>36</sup>.

**2.25** DEWR's approach to treating these risks is examined in the following chapters.

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<sup>36</sup> Senate Hansard, 14 May 2002: 1382.

## 3. CWC Contracts

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*DEWR's contract for managing the delivery of services provided by CWCs and sponsors and hosts is examined in this chapter. In particular, it assesses whether DEWR provides appropriate contracts and programme guidelines to support effective service delivery.*

### Contract specifications

**3.1** The interrelationship between an agency's contract management and its risk management framework is an important aspect of effective programme service delivery. While appropriate risk management is integral to effective programme administration, it should be supported by contracts and programme guidelines that provide guidance to managers.

**3.2** Legally enforceable contracts between DEWR, CWCs and sponsors and hosts set out the terms and conditions represent an important means by which DEWR administers programme service delivery. Comprehensive programme guidelines should complement these contracts and provide further direction to managers when performing important administration functions including checking insurances, performing financial analysis, analysing acquittals such as financial documents and performance reports procedures, and escalating to specialist areas within DEWR for assistance, as required.

**3.3** Clear specification on the manner in which service delivery should be managed is particularly important in programmes such as WfD given the contractual nature of service delivery by organisations and entities operating across the States and Territories. This should assist DEWR contract managers understand programme administration requirements.

**3.4** The ANAO examined whether DEWR had:

- contracts in place with CWCs containing appropriate Schedules, terms and conditions to the contract; and
- programme guidelines in place that were current, in finalised format and operated across the State and Regional offices.

## The CWC Contract

**3.5** CWCS 2002<sup>37</sup>, commencing 1 April 2004 and concluding at the expiration of the contract period by 31 December 2006, is the standard form contract used between DEWR and CWCs during the audit period<sup>38</sup>.

**3.6** Contracts between DEWR and CWCs set out legally enforceable obligations and deliverables, including those relating to funding and payments, performance management, reporting and insurances.

**3.7** CWCs can also enter into legally binding contracts with sponsors or hosts to provide WfD activities. DEWR has made available on its secure website, a draft pro-forma contract that CWCs may wish to use when engaging the services of sponsors or hosts. Strict adherence with the standard pro-forma sponsor contract is not required by DEWR but a legally binding contract must nonetheless be entered into.

### DEWR contracts with CWCs

**3.8** To determine whether DEWR entered into appropriate CWCS 2002, the ANAO considered whether DEWR had standard form, enforceable contracts in place with CWCs with the appropriate Schedules, terms, conditions and clearance by DEWR's legal services branch.

**3.9** DEWR's legal services branch advised the ANAO that the branch had performed a substantial role in the drafting of CWCS 2002 and offered advice to WfD programme officers where possible contractual matters arise during the term of the contract. The nature of advice offered extended to breach, liability, variations, novations, privacy and intellectual property matters. This advice would principally apply to contract matters arising from contracts with CWCs but would not preclude advice on contractual matters arising from contracts between CWCs and sponsors and hosts.

**3.10** The ANAO examined contracts held on file included in the sample<sup>39</sup> to determine if they were in DEWR's standard form, signed and in place with CWCs with the appropriate Schedules, terms and conditions. Table 3.1 presents the results of this analysis.

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<sup>37</sup> Also known as 'Round 5' contracts under DEWR's NCMF.

<sup>38</sup> ESC 2006–2009 operates under revised, draft programme guidelines.

<sup>39</sup> The ANAO sample of 25 CWCs randomly selected from 115 CWC contracts.

**Table 3.1****Evidence of CWC contracts**

Description	Number	Percentage Compliant
CWCSC 2002 in standard form on file	25	100

Source: ANAO analysis of the sample of CWC contract files.

**3.11** The ANAO's examination of the sample of 25 contracts revealed DEWR had all 25 contracts in the standard form with appropriate Schedules, terms and conditions. Each had been signed by the appropriate officers and was in the format prescribed by DEWR's legal services branch.

**Contracts between CWCs and sponsors and hosts**

**3.12** One component of CWC site visits involves DEWR checking for the existence of contracts<sup>40</sup> between the CWC and the sponsor or host for the delivery of services. DEWR contract managers advised during fieldwork they would check for the existence of contracts between CWCs and sponsors and hosts. Contract managers advised generally that that they would also check that the contract was in the appropriate form.

**3.13** The further responsibility for service delivery is devolved from the department, potentially the greater the risks. DEWR's position remains that the contractual relationship is between DEWR and the CWCs<sup>41</sup> while sponsors and hosts are sub-contractors of the CWCs. Accordingly, DEWR operates on the basis that the CWC, and not the sponsors and hosts, are contractually responsible to DEWR for the performance of the services, including the performance of any subcontractors<sup>42</sup>. DEWR holds CWCs responsible for the performance of hosts and sponsors. Remedies are available to DEWR under

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<sup>40</sup> Under Clause 10.3, Part E Specific Conditions for CWCs of CWCSC 2002, any agreements that are entered into with a sponsor organisation must be evidenced in writing. To assist in this matter, under Clause 10.3 (a) it states that DEWR can provide a pro forma sponsor contract which a CWC may use but is not required to use and that under Clause 10.3 (b) DEWR advises that a CWC should seek its own legal advice before using a sponsor contract.

<sup>41</sup> Clause 10 of Part E Specific Conditions for CWCs of ESC 2006–2009 deems all sponsor organisations as approved subcontractors under Part A, Clause 30 subcontracting. Clause 1.3 of Part E, also provides that the term sponsor organisations also includes host organisations. Under Clause 30, sub clause 30.14, the subcontractor is bound to all the relevant terms and conditions of the contract and funding deed.

<sup>42</sup> Clause 30 of Part A of ESC 2006–2009 sets out the approval, responsibility, liability and other terms associated with subcontracting.

contract for breach of contract or unsatisfactory performance including termination of the CWC contract.

**3.14** DEWR contract managers and account managers may not have the legal expertise and skills to be able to properly determine if the contracts between CWCs and sponsors and hosts are in the appropriate legal format and accordingly DEWR may not be adequately managing associated risks.

## Programme guidelines

**3.15** WfD programme guidelines, which complemented the contract between the department and a CWC, are the principal sources for providing administrative guidance to DEWR managers and to CWCs about their rights, obligations, roles and responsibilities. The guidelines provide direction for performance management, managing work experience places, referrals and allocations, payments, insurance, risk management, and monitoring.

**3.16** CWC programme guidelines are housed in electronic format on DEWR’s IT systems. Guidelines for contract managers are on DEWR’s Employment Services Network (ESN), Contract Managers Portal (CMP). Guidelines for CWCs are available through DEWR’s CWC secure internet site.

### Programme guidelines for contract managers

**3.17** The ANAO interviewed DEWR contract managers and examined DEWR’ files for evidence of the use of DEWR’s programme guidelines by contract managers over the audit period from July 2004 to October 2006 based on the ANAO’s sample. Table 3.2 presents the findings of this analysis.

**Table 3.2**

#### Evidence of programme guidelines being used by DEWR managers

Description	Number	Percentage Compliant
Advice to ANAO that programme guidelines were used	25	100 per cent

Source: ANAO analysis of the sample of CWC contract files and from fieldwork interviews with contract managers.

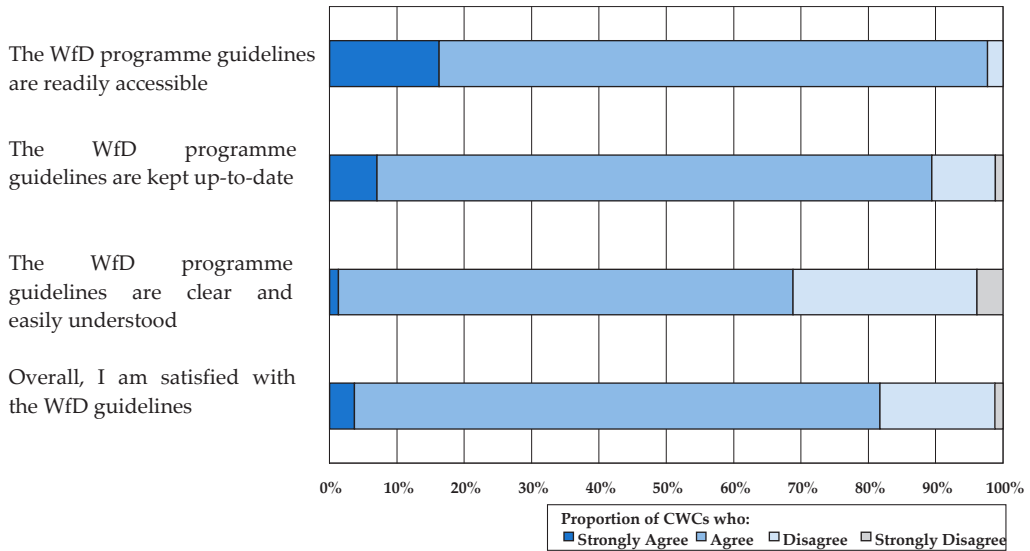
**3.18** CWC programme guidelines were used by contract managers in the performance of duties in the States and Territories and contain guidance for its officers to provide consistent direction in the administration of WfD. The guidelines had been updated on an on-going basis.

## Programme guidelines for CWCs

**3.19** The ANAO surveyed the CWCs contracted to deliver services to gain an understanding of how they believed the programme guidelines supported and assisted them in delivering contracted services. The results of the census are at Figure 3.1

**Figure 3.1**

### CWC census responses to programme guidelines<sup>A</sup>



Note: (A) Excludes responses where the reply was neither agree nor disagree or don't know.

Source: ANAO census of CWCs who participated in the WfD programme during the audit period.

**3.20** Two-thirds of respondents agreed that programme guidelines were clear and easily understood. At the time the census was conducted in September 2006, DEWR was administering the transition between CWCSC 2002 and ESC 2006–2009 between July 2006 and December 2006<sup>43</sup>. At this time there were concurrent guidelines applying to both programmes, lapsing CWCs and newer CWCs entering the system<sup>44</sup>. Based on comments provided by CWCs, transitional and updating guidelines for ESC 2006–2009 contributed to an increased administrative load for DEWR and for those CWCs participating in ESC 2006–2009.

<sup>43</sup> ESC 2006–09 operates from July 2006 while CWCSC 2002 lapses prior to December 2006.

<sup>44</sup> In September and October 2006, senior programme officers from DEWR's National Office in Canberra conducted a series of workshops around the country. The purpose of these talks was to explain the operation of the new contract under the new guidelines.

**3.21** Overall, the majority of CWCs surveyed responded positively to the programme guidelines provided by DEWR although only four in five were satisfied overall.



## 4. Desktop Monitoring and CWC Site Visits

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*DEWR's framework for monitoring the delivery of CWC services is examined in this chapter, including the department's use of desktop monitoring, site visits and quality audits.*

### Monitoring service delivery

**4.1** As part of the risk management framework, the interrelationship between well-managed contracts and successful service delivery should be underpinned by appropriate monitoring activities throughout the contract period. This can include desktop monitoring activities, conducting site visits and, as necessary, undertaking quality audits.

### Monitoring CWC performance

**4.2** DEWR advised the ANAO that account managers are the principal point of contact for CWCs and provider of advice whereas contract managers provide site-level advice. These managers provide assistance in monitoring CWC performance according to their contractual obligations.

**4.3** CWCs are contracted to DEWR to make available or create WfD activities across a particular ESA or LMR. The activities must provide quality work experience and offer a variety of activities to suit eligible job seekers. CWCs are responsible under contract to DEWR for promoting, managing and ensuring the performance of WfD activities in their contracted ESA or LMR including sponsor or host contractual and service delivery obligations.

**4.4** In testing key aspects of contract management and monitoring based on the sample<sup>45</sup> of CWC files and from fieldwork, the ANAO assessed:

- the programme's monitoring framework for identifying and managing risks to programme service delivery objectives and to overlooking CWCs, sponsors and host entities involving:
  - desktop monitoring including quality audits; and
  - site visits;

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<sup>45</sup> *ibid.*

- the implementation of risk management and monitoring practice related recommendations arising from Audit Report No.30, 2000–01, *Management of the Work for the Dole Programme*.

## **DEWR's Monitoring Framework**

**4.5** DEWR's National Contract Management Framework (NCMF) provides the corporate framework for managing these contracts and provides the framework for DEWR's risk-based approach to contract management. Contract monitoring is considered by DEWR to be an essential part of contract management and has two distinct purposes<sup>46</sup>, to:

- ensure that providers are complying with the conditions of the contract and providing appropriate and value-for-money or effective services; and
- identify any possible deficient practices or areas of poor performance so that DEWR managers can assist providers to improve performance.

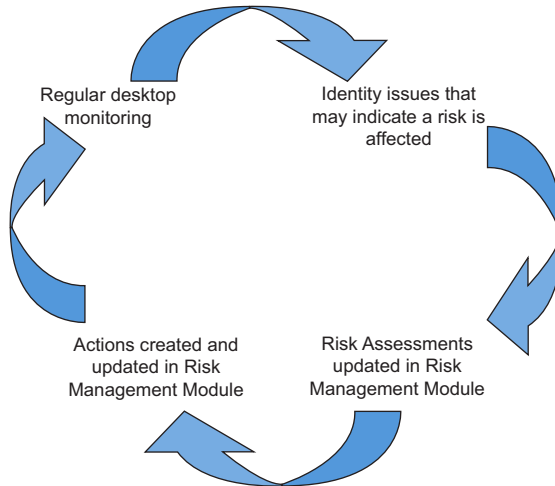
**4.6** Monitoring under WfD typically involves contract managers from DEWR State and Regional offices conducting desktop monitoring and site visits of CWCs. Some DEWR contract managers advised the ANAO they were accompanied by account managers on these visits. DEWR may elect to conduct secondary visits involving the need to perform quality audits to follow up with any matters arising during the first visit.

**4.7** Generally, a contract manager is responsible for multiple sites within an ESA/LMR and reports to a Team Leader and in some cases there is also an Account Coordinator role which then reports to the Account Manager. Contract managers are generally employed at the Australian Public Service (APS) 4 to 6 level.

**4.8** presents the manner in which DEWR's desktop monitoring and risk management integrate in DEWR.

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<sup>46</sup> DEWR intranet, *DEWR Contract Manager Portal, Monitoring Overview*, November 2006.

**Figure 4.1****DEWR's integration of desktop monitoring fits within the risk management cycle**

Source: DEWR Contract Manager Portal, Desktop Monitoring Workflow

**4.9** DEWR uses a risk management based approach to monitoring by targeting selective activities during desktop monitoring and conducting site visits. DEWR's risk management guidelines recommend that contract managers conduct one site monitoring visit per year as well as desktop monitoring on no less than a quarterly basis.

**4.10** DEWR typically monitors the progress of CWCs to ensure that service delivery, payment, acquittal and accountability requirements are being met. DEWR also monitors CWCs to ensure that service delivery is compliant with contractual obligations and overall programme delivery.

**4.11** DEWR WfD programme guidelines outline a standardised monitoring framework that applies across DEWR as guidance for contract managers in administering the monitoring components of programme delivery. DEWR's monitoring activities are presented at Appendix 4.

## Desktop monitoring

**4.12** Desktop monitoring is considered by DEWR to be part of both the contract management and the risk assessment process to identify contract compliance and performance matters.

**4.13** Through desktop monitoring, contract managers oversight progress through the use of systems generated reports and on-line system checks on programme operations including performance matters, payments made, unclaimed or overpayments, IT systems issues, trends and information on participation in the programme, and complaints management. DEWR monitors CWC performance according to contractual obligations.

**4.14** DEWR contract managers and account managers at fieldwork interviews advised the ANAO that desktop monitoring of CWCs involves a range of activities involving examination by DEWR officers including: HealthCheck reports; management reports generated from DEWR’s EA3000 system; financial information; quality audit reports; DEWR’s ‘O’ drive<sup>47</sup> shared directory; insurances for currency and existence; data and information housed on DEWR’s Semore IT system; ESQIS complaints data; and data from participant satisfaction surveys.

**4.15** In testing key aspects of desktop monitoring, the ANAO considered whether:

- contract managers were conducting, analysing and recording to file, desktop monitoring activity according to programme guidelines including risk management practices and procedures; and
- DEWR’s IT systems generated reports provided information that assisted contract managers in a way that was easily understandable in identifying patterns and trends in programme activity.

**Conducting, analysing and recording desktop monitoring activities**

**4.16** The ANAO examined DEWR’s files for evidence of on-going desktop monitoring review actions by contract managers over the audit period. The ANAO found evidence of desktop monitoring as follows.

**Table 4.1**

**Evidence of desktop monitoring according to WfD programme guidelines**

Desktop monitoring	Number	Percentage
Advice to ANAO that desktop monitoring was performed	25	100 per cent
Existence of documentation of desktop monitoring activity including HealthCheck reports documented to file	25	100 per cent

Source: ANAO analysis of the sample of CWC contract files and from fieldwork interviews with contract managers.

<sup>47</sup> A DEWR in-house IT based share-drive housing management reports, templates and providing other guidance to contract managers administering the programme.

**4.17** The examination of the sample<sup>48</sup> of files for desktop monitoring practices and procedures determined that for all CWCs within the sample there was evidence that desktop monitoring had occurred, albeit largely through HealthCheck reports<sup>49</sup> as well as through on-going telephone conversations and email between DEWR and CWCs. Fieldwork interviews with contract managers and some account managers supported the finding that desktop monitoring was performed and consisted, largely of reviews of the HealthCheck reports.

### **Sourcing systems generated desktop monitoring tools**

**4.18** Most contract managers advised at interview that, in reviewing the HealthCheck reports, they generally looked at CWC compliance with performance-based KPIs including:

- the rate of referrals of job seekers by JNMs to CWCs relative to market share within an ESA or LMR;
- placement of job seekers relative to the ESA or LMR average;
- market share and the conversion rates for referrals into job seeker placements;
- the time taken to obtain police checks which are a prerequisite for job seekers participating in certain activities such as on school grounds; and
- changing expenditure patterns or variances from average percentages for the ESA, LMR or nationally to identify any emerging areas for concern relating to WfD expenditure.

**4.19** HealthCheck reports are not stored on DEWR's EA3000 system and therefore, there is no IT based historical account of patterns and trends. HealthCheck reports provide a snapshot of a CWCs performance at a particular point in time. Where they are printed out weekly or even monthly they can then be used by contract managers to try and manipulate the data provided to better assess any patterns and trends. Moreover, comparing

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<sup>48</sup> The ANAO sample of 25 CWCs randomly selected from 115 CWC contracts.

<sup>49</sup> The HealthCheck reports are EA3000 system generated reports produced for all sites on a weekly basis that provide an overall summary of monitoring issues and are used by DEWR to identify matters that may require further investigation. DEWR's HealthCheck report provides information about the CWC at a site level including performance against KPIs, Work Experience Funding (WEF) and performance against milestones, and compares its performance with averages for the ESA, LMR and nationally.

expenditure to various averages (ESA, LMR and national) is not necessarily helpful in assessing the level of risk presented by a site as the per cent expended on WfD in total.

**4.20** The CWC HealthCheck for CWCS 2002 was designed primarily to be a 'point in time' report within a milestone in absence of any other reports. DEWR advised the ANAO that other reports containing data could be generated upon request however. The new report for ESC 2006–2009 captures data on all performance periods; contract to date for most measures and also some 'point-in-time' data. Reports containing a range of historical data are generated from DEWR's IT systems both on a regular and ad-hoc basis as required.

**4.21** While the ANAO found that DEWR contract managers were analysing HealthCheck reports and other information, there was often little detail documented to file to record the findings of any analysis conducted. This makes it difficult to assess whether contract managers, or account managers assisting them, were effective in performing desktop monitoring activities. The information however may have been stored on the RMM instead of the file.

**4.22** DEWR's State-based quality assurance role is supplemented by continuous quality assurance undertaken by CMB on the use of the RMM. Regular reports on the RMM are provided to relevant National and State Office stakeholders. DEWR has advised the ANAO of the planned implementation of a series of standards and better practice guides for contract management which provide an objective basis for providing assurance that contract management practices are consistent across all DEWR offices.

**4.23** Overall, the ANAO considers desktop monitoring to be of use in assisting DEWR officers manage the contractual requirements and overseeing CWC performance. During fieldwork interviews, contract managers were able to demonstrate an understanding of the purpose of desktop monitoring, its interrelationship with client relationship management, and how desktop monitoring was linked to the risk management process. To improve on this framework and service delivery, DEWR could consider:

- documenting to file all CWC desktop monitoring activity and requiring that any resulting follow-up reviews are signed off by the actioning contract manager;

- revising the risk framework to clearly prescribe all activities that comprise desktop monitoring<sup>50</sup> and support service delivery<sup>51</sup>; and
- developing standard reports that provide pattern, trend and cycle data over prescribed periods (e.g. weekly or monthly) for the programme.

## Site visits

**4.24** Site visits typically afford contract managers and/or account managers the opportunity to physically observe operations of CWCs, sponsors, hosts as necessary and programme participants. The visits also involved further investigation of any matters that arose during desktop monitoring activities.

**4.25** DEWR requires site monitoring visits and the completion of checklist requirements, for all full-time sites, no less than once per year and more frequently where risks arising and of concern to the department would be considered to warrant site visitation<sup>52</sup>.

**4.26** During the visit by DEWR managers to CWCs premises or those of the sponsor or host (who are providing contract activities for participants on behalf of CWCs<sup>53</sup>) the CWCs are responsible for providing access to participant records, premises and employees, financial accounts, and reports demonstrating the level of service provided (if required)<sup>54</sup>.

**4.27** In testing key aspects of site visits performed by DEWR, the ANAO considered whether:

- site visits were conducted according to DEWR's requirements and documented to file according to programme guidelines and risk principles; and

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<sup>50</sup> DEWR has advised that these indicators and benchmarks are currently being reviewed with all stakeholders to ensure they remain relevant for the current contract period.

<sup>51</sup> DEWR has advised the ANAO that the *Community Work Coordinators Monitoring Owner's Manual* is currently in development and will clearly describe the requirement for CWC related desktop monitoring and support service delivery.

<sup>52</sup> DEWR has advised the ANAO that since the audit, Minimum Standards for Contract Management have been introduced which have altered the requirements for site visits. The minimum frequency of site visits is now based on the level of risk and, as such, not all full time sites will be visited every 12 months. However, sites may be visited more frequently where the contract manager assesses that the risk profile warrant greater scrutiny.

<sup>53</sup> In terms of WEF Principle 3 of CWCS 2002 there should be a reasonable mix of brokered and project forms of WfD activity within the seventy-five per cent internally sponsored activities. Therefore, CWCs may enter into contract with external sponsors and hosts to deliver the remaining activities for participants.

<sup>54</sup> Source: DEWR Contract Manager Portal, Site visit, Overview.

- there was a consistent approach to conducting site visits and examining CWC documentation across the states and territories by DEWR managers.

## Evidence of CWC site visits conducted by DEWR managers

4.28 From the audit sample<sup>55</sup>, the ANAO examined DEWR’s files for evidence of site visits being conducted by contract managers during the audit period, consistently across the programme. Table 4.2 table presents the findings of this analysis.

**Table 4.2**

### Evidence of site visits conducted according to programme guidelines

Description	Bi-annual site visit. Number	Annual site visit. Number	Total
Advice to ANAO that site visits were performed by DEWR contract managers and/or account managers	3	22	25
Evidence that a site visit was performed and the existence of appropriate documentation of site visit activity including Supervisor/Sponsor/Host and Participant Reports on file	3	22 <sup>A</sup>	25

Note: (A) One CWC was initially risk assessed as requiring an annual visit. Recently the CWC became the subject on on-going visits pursuant to investigation activity that has warranted the engagement of a forensic accounting expert.

Source: ANAO analysis of the sample of 25 CWC contract files and from fieldwork interviews with contract managers.

4.29 From interviews with contract managers and/or account managers and from analysis of CWC files and records maintained by DEWR, the ANAO found that site monitoring visits are conducted by contract managers on a regular basis, either annually or bi-annually according to the risk assessment contained in DEWR’s RMM.

## Consistency in complying with site visit monitoring requirements

4.30 Site visits generally involves DEWR writing to the CWC to notify of their intent to perform the site visit and later the account manager will sign-off a final letter to the CWC advising of their performance with suggested areas for improvement.

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<sup>55</sup> The ANAO sample of 25 CWCs randomly selected from 115 CWC contracts.



The visit involves DEWR officers completing a Participant File Checklist and an Activity File Checklist<sup>56</sup>.

**4.31** Contract managers hold discussions with job seekers to canvass their experience at a number of levels including that they had received OH&S training. Managers later complete various Activity Completion Reports and update the RMM to reflect the outcomes from the site visit, including updating the risk management plan as necessary.

**4.32** During fieldwork, contract managers were questioned about the nature and extent of activities performed during site visits. Contract manager responses were consistent as having followed the checklist procedures when performing site visits. Those account managers, who participated in interviews, advised the ANAO that they would more likely than not accompany the contract manager on site visits.

**4.33** The ANAO examined files drawn from the sample<sup>57</sup> of CWCs and found that site visits were largely documented, complying with checklist procedures across the DEWR State or Regional offices. In reviewing the relevant files, the ANAO found evidence that:

- DEWR writes to CWCs advising of their intent to conduct a site visit;
- contract managers and/or account managers generally conduct reviews of CWC activities, examine participant files and attendance records, review HealthCheck reports, financial information, OH&S plans and insurances and perform police checks as necessary;
- three contract managers commented that they may not suitably skilled to conduct financial analysis of expenditure, financial statements or financial viability assessments to the level that would be required. Nor did they necessarily believe that they were suitably skilled to analyse sponsor contracts<sup>58</sup>;

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<sup>56</sup> These checklists provide guidance and direction for contract managers to assist them with analysing and monitoring performance against key activities including checking and reviewing:

- CWC performance against milestones and Key Performance Indicators (KPIs);
- job seeker participant files including time or attendance sheets;
- CWC risk plans;
- Occupational Health and Safety (OH&S) plans for participant sign-off against activities;
- all insurances as being paid-up and current;
- financial documents acquitted by CWCs as well as for compliance under sponsor contractual obligations;
- police checks have been performed, where required; and
- sponsor contracts being signed, in the appropriate form and documented to file.

<sup>57</sup> The ANAO sample of 25 CWCs randomly selected from 115 CWC contracts.

<sup>58</sup> DEWR has advised the ANAO that contract managers are not required to undertake financial viability analysis, nor are they required to analyse sponsor contracts.

- feedback is given to CWCs describing how DEWR assessed their performance, followed by a formal letter stating the outcomes of the visit and any required actions; and
- contract managers reviewed the risk ratings and, as necessary, risk plans after desktop monitoring and site visits<sup>59</sup>.

## Follow-up of previous ANAO reports

**4.34** Recommendation 8 in the 2000–01 ANAO WfD audit, recommended that DEWR<sup>60</sup> consider the development of a monitoring strategy incorporating a risk based approach that includes directing resources, in a cost effective manner that covers ‘higher risk’ CWCs, sponsors and hosts. It was also recommended in the Report that DEWR<sup>60</sup> introduce a quality assurance programme to ensure a consistent national approach to monitoring.

### Monitoring component of the Recommendation

**4.35** The department agreed with the recommendation stating it had developed a monitoring strategy for CWCs<sup>61</sup>. Based on audit evidence and from fieldwork conducted as part of the follow-up audit, the ANAO considers that DEWR has fully implemented a monitoring strategy for WfD.

### Quality assurance component of the Recommendation

**4.36** The ANAO sought to evidence whether DEWR had implemented a quality assurance programme that would ensure a consistent national approach to monitoring of WfD.

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<sup>59</sup> Any change made within the RMM must be approved by the account manager. From December 2006, the contract manager can document their review on the RMM without account manager approval.

<sup>60</sup> The Department of Employment, Workplace Relations and Small Business.

<sup>61</sup> DEWR<sup>60</sup> stated that ‘while this strategy provides for all CWCs to be monitored, it incorporates a risk-based approach for Work for the Dole contract management, where the emphasis is placed on high-risk providers. The department has established a suite of reports to assist Contract Managers identify specific providers and sites, based on their performance and/or business practices. These reports are available to all Contract Managers and are updated weekly. The reports, combined with information relating to complaints and the local knowledge of Contract Managers about the skills, experience and training of staff in CWCs, allow Contract Managers to undertake a risk based approach to monitoring CWCs. The department is currently developing a quality management framework which encompasses CWCs, in order to develop and foster excellence in delivering Work for the Dole services. The framework will include Key Performance Indicators, Service Standards and assistance for CWCs to engage in and promote continuous quality improvement within their own organisation. It is expected that the framework will be completed by mid 2001’.

**4.37** DEWR may initiate a Quality Audit where a matter is deemed to warrant further investigation. Quality audits are underpinned by a formal framework for the assessment of quality issues arising out of desktop monitoring activities and can be used to assess whether there has been service related or service delivery breaches. From the sample of CWCs, the ANAO found evidence that one quality audit had been performed during the audit period from July 2004 to October 2006. Quality Audits are performed independently of the contract or account managers providing an independent perspective. The ANAO considers that Quality Audits are an important addition to DEWR's monitoring framework as they allow a concentrated focus on practices at a particular provider, independent of the contract manager.

**4.38** As part of a consistent national approach to programme-based quality assurance monitoring DEWR advised the ANAO that:

In 2006, each State/Territory Office introduced a quality assurance function to monitor, measure and report on the internal workings of each state/territory office. The function supports the existing management control of contract management activities by team leaders and Account Managers.

These state based quality assurance units are involved in various activities ranging from specific projects that focus on particular aspects of contract management such as risk management through to more holistic assessments reviewing all contract management activities for specific providers. Activities covered include:

- File management
- Risk management
- Site monitoring
- Desktop monitoring

DEWR National Office also provides regular quality assurance reports on the Risk Management Module that assess the accuracy, relevance and consistency of data provided by contract managers.

All quality assurance information is fed back to Account Managers and to local team and contract managers to support a continual focus on continual improvement. NO (National Office) Contract Management Branch hosts a Quality Assurance Network made up of State Quality Assurance representatives. This Network provides a forum to develop better practice of quality assurance including through the sharing of ideas on assurance methodologies and how to address quality assurance issues.

**4.39** DEWR has implemented a quality assurance programme that integrates with the NCMF and has the capability to ensure a consistent national approach to monitoring of the WfD programme.

## 5. Monitoring Key Risks: OH&S, Insurance and Fraud

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*DEWR has identified: Occupational Health and Safety (OH&S); insurance coverage; and financial management as key risks in providing employment opportunities for WfD participants. This chapter examines DEWR's approach to monitoring and managing these risks.*

### Key risks

**5.1** As part of the Government's Mutual Obligation policy, WfD participants are required to participate in work experience activities provided by CWCs and their sponsors and hosts. In this service delivery environment, DEWR has identified a number of key risks including:

- there is an obligation placed on work experience activity providers, that is CWCs and sponsors and hosts, to do all that is reasonably practicable to minimise the risk of injury to job seekers. State and Territory legislation imposes a duty of care on CWCs, in relation to their own employees, third parties (including WfD participants, and members of the public) and sub-contractors;
- for CWCs to have appropriate insurance coverage as appropriate to protect DEWR, the CWC and third parties to the agreement such as the sponsors and hosts, against possible breach, loss or damage arising during the course of the contract; and
- the importance of CWCs being financially viable with financial management frameworks that supports fraud control practices.

**5.2** DEWR's participant File Checklist and an Activity File Checklist provide guidance and direction for contract managers to assist them with analysing and monitoring performance against key activities including: Occupational Health and Safety (OH&S) plans for participant sign-off against activities; all insurances as being paid-up and current; and financial documents acquitted by CWCs as well as for compliance under sponsor contractual obligations.

**5.3** The ANAO examined whether DEWR had:

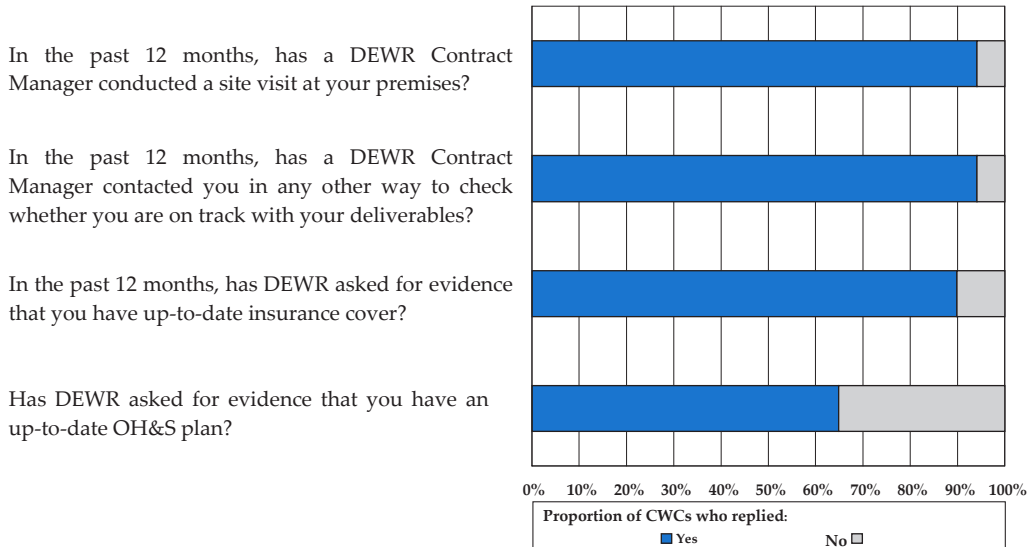
- evidence of up-to-date OH&S Plans from CWCs;
- monitored insurances as required to be maintained by CWCs under the terms and conditions of the CWCS 2002; and
- evidence of CWC fraud control practices and procedures.

**Monitoring CWC health and safety plans**

**5.4** As the public sector increases its use of contractors to deliver services, the importance of agencies developing and implementing effective OH&S management systems in relation to contractors has also increased. The ANAO conducted a census<sup>62</sup> of CWCs and questioned whether DEWR had asked them for evidence of up-to-date OH&S Plans during the audit period, as shown at Figure 5.1.

**Figure 5.1**

**DEWR contact with CWCs**



Source: ANAO census of CWCs.

<sup>62</sup> ANAO census of CWCs, September 2006, Appendix 3.

5.5 The results showed that sixty-five per cent of the 83 CWCs<sup>63</sup> who chose to respond to this question in the ANAO's census had been asked by DEWR to provide an up-to-date OH&S Plan. This result is at odds with the overall advice of the contract managers interviewed during the audit, that evidence of OH&S plans was a site visit checklist requirement<sup>64</sup>.

5.6 DEWR advised that an OH&S plan would be requested by a contract manager during a site visit. Where a contract manager was yet to visit a site, no plan would be requested.

5.7 DEWR's internal audit division conducted a review<sup>65</sup> on CWC management and concluded that:

Whilst OH&S Risk Assessments were being prepared by CWCs as part of the activity approval process, Risk Management Plans that assessed all other risks in undertaking the activity were not prepared.

5.8 Under the new contract arrangements from July 2006, DEWR has improved the activity approval process by requiring risk assessments to encompass all risks, not just OH&S risks. Continued enhancements could involve DEWR obtaining assurance from CWC at all site visits that up-to-date OH&S plans exist.

## Monitoring CWC insurances

5.9 The contractual requirement for CWCs to have appropriate insurance coverage is an integral component of contract management. Appropriate insurance coverage may protect DEWR, the CWC and third parties to the agreement such as the sponsors and hosts against possible breach, loss or damage arising during the course of the contract. Some forms of participants insurances are covered by the Commonwealth Government<sup>66</sup>. DEWR has also purchased certain insurances to cover WfD participants.

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<sup>63</sup> 83 of the 89 CWCs surveyed responded to this question.

<sup>64</sup> The ANAO census was addressed to the Chief Financial Officer of each CWC organisation. The accompanying letter requested that the census be completed by a site manager, as they may be more familiar with the procedures undertaken on a site visit. The census responses were not required to indicate who actually completed the census.

<sup>65</sup> Final Audit Report, *Community Work Coordinators Management – Impact of Devolution of Duties*, Work Experience Branch, April 2005, p. 2.

<sup>66</sup> Work for the Dole Sponsor Handbook, 6 May 2004. The Commonwealth provides participants with public and/or products liability and personal accident and medical expenses not covered by Medicare insurance cover during their participation in WfD activities.

**5.10** The types of insurance required by DEWR are set out in Clause 20 and Item F to Schedule 1 to CWCSC 2002<sup>67</sup>. The contracts require that CWCs maintain paid-up and up-to-date insurance for premises and equipment, public liability, workers' compensation and motor vehicles.

**5.11** The importance of having appropriate insurances is integral to managing insurance risks. These risks can generally be managed effectively through proper treatment in contracts and monitoring of service providers' compliance with the contract's terms and conditions.

**5.12** The risk that the CWC will not take out the required insurance and that this will result in loss to the Commonwealth is managed through the contract, including by requiring the CWC to indemnify DEWR against any liability incurred as a result of a breach of the contract. If the CWC does not have sufficient funds to meet the indemnity, then the clause may not mitigate the risk to DEWR or the Commonwealth. For this reason, in addition to the more specific financial reporting required under the contract, DEWR also requires CWCs to provide copies of their annual financial statements. This allows DEWR to monitor the financial circumstances of the CWC.

**5.13** The ANAO examined files drawn from the sample<sup>68</sup> of CWCs for evidence of paid-up and up-to-date insurance for premises and equipment, public liability, workers' compensation and motor vehicles as shown at Table 5.1 below.

**Table 5.1**

**Evidence of appropriate insurances**

Description	Number	Percentage Compliant
Appropriate insurance details copied or documented to file	25	100

Source: ANAO analysis of the sample of CWC contract files and from fieldwork interviews with contract managers.

**5.14** The ANAO noted that while there was evidence of current and paid-up insurances on file, there was little evidence on file of annotations by contract managers validating the currency and appropriateness of the insurances. During fieldwork contract managers advised the ANAO that as part of the site

<sup>67</sup> Clause 22.1 of Part E of ESC 2006–2009 sets out insurance requirements for CWCs.

<sup>68</sup> The ANAO sample of 25 CWCs randomly selected from 115 CWC contracts.

visits of CWCs, they would check that sponsors had appropriate contracts and insurances<sup>69</sup>.

**5.15** While CWCs may escalate matters through to DEWR's Corporate Legal Branch if they consider that there is an insurance matter worthy of attention, there is no corporate directive that necessarily compels a contract manager to do so. Given the legal matters that might arise from insurance matters and that contract managers are not necessarily skilled to be able to reasonably determine if insurances are current, appropriate, up-to-date, or legally binding, it is important that clear direction on how to gain appropriate assistance is known.

**5.16** DEWR's Corporate Legal Branch advised the ANAO the department does not require managers performing monitoring to assess the adequacy of insurances. DEWR's concern was that if sign-off was provided on the appropriateness of insurances or not, the department may be held liable if the advice was incorrect and an event occurred that might give rise to an insurance claim. Accordingly, DEWR has devolved responsibilities to CWCs maintaining that liability arising from an event that triggers an insurance claim rests with the CWC and not the department pursuant to the terms and conditions set out in the CWC contracts.

**5.17** DEWR has adopted a risk based approach to determine whether and which insurance policies need to be checked. DEWR advised that there are a number of significant issues with checking insurance policies, including the significant resources required to give technical clearance to large numbers of insurance policies, and the legal implications of approving an insurance policy without the benefit of all the information that a CWC would have in relation to its own circumstances. Accordingly, DEWR has placed responsibility for obtaining appropriate insurance with the CWCs, within a framework mandated by DEWR<sup>70</sup>.

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<sup>69</sup> DEWR has advised the ANAO that it was a contractual requirement under CWCS 2002 that providers of Australian Government employment services (PAGES) provide their contract managers with copies of their current insurances and that the policies were kept up to date and have appropriate coverage. As the receipt by DEWR of insurance details might legally indicate that DEWR accepts that the policy coverage as provided was appropriate, it was decided that this requirement be taken out from the contract schedule in all 2006–2009 contracts and funding deeds. It is, however, still a contractual obligation for PAGES to maintain current insurance coverage as per their contract and, if requested by DEWR, to provide evidence of policies [clause 29 (Part A) and clause 22 in the Employment Services Contract 2006–2009, Part E Specific Conditions for CWCs].

<sup>70</sup> For example, under clause 29.9 of ESC 2006–2009 CWCs warrant that they have obtained independent professional advice as to the adequacy of insurance in accordance with the contract.



## Monitoring CWC fraud control

**5.18** In testing key aspects of the financial management of contracts, the ANAO considered fraud in terms of the *Financial Management and Accountability Act 1997* (FMA Act) and the interaction of DEWR's WfD programme and the department's corporate fraud control practices and procedures.

### CWC fraud control

**5.19** As previously mentioned in Chapter 1, DEWR is expected to expend in excess of \$193 million in 2006–07 on the WfD programme. With more than \$110 million of this money expected to fund outsourced service delivery from CWCs operating at over 300 sites across the States and Territories, with further sub-contracts for the provision of services by sponsors and host entities, it is important that DEWR has a robust approach to fraud control.

**5.20** The Commonwealth Fraud Control Guidelines issued in May 2002 by the Attorney-General's Department, outline the Government's requirement that agencies put in place a comprehensive fraud control programme that covers prevention, detection, investigation and reporting strategies. These Guidelines also make it clear that agencies are responsible for ensuring that external service providers are made aware of, and comply with the Commonwealth Fraud Control Guidelines.

**5.21** DEWR's *Fraud Control Plan 2005–2007* underpins the department's management of fraud risks that guides its approach to managing fraud control and is integrated into its business planning.

**5.22** DEWR's Fraud Control Plan provides that DEWR officers are to manage fraud risk responsibly in accordance with the Fraud Control Plan. This responsibility extends to management of outsourced activities.

**5.23** Officers from DEWR's Corporate Management Investigations Branch advised the ANAO that from July 2003 to October 2006, the department had investigated or examined 3 separate reported instances suggesting fraud, or potential fraud, involving the WfD programme. Each of the three reported incidents<sup>71</sup> of potential fraud were driven by unrelated contractual matters and

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<sup>71</sup> DEWR's Corporate Management Investigations Branch advised the ANAO that the three reported incidents separately involved a potential breach of contract, the purchase of assets or labour costs expended under contract.

each of the ensuing investigations arose from information provided to DEWR by individuals' external to DEWR rather than through its own officers.

**5.24** The ANAO examined programme related fraud control measures to determine whether:

- these measures were integrated into programme administration practices and procedures including whether DEWR monitoring included a risk-based approach to ensuring fraud control plans of CWCs are current and up-to-date; and
- relevant programme managers undertook fraud awareness training during the audit period.

#### *Fraud control monitoring*

**5.25** The ANAO tested for evidence that contract managers and CWCs administering contracts followed contract and programme checklist procedures for possible fraud.

**5.26** CWCS 2002 did not contain clauses requiring that a fraud control plan as part of the administrative requirements. Under the new contract arrangements from 1 July 2006, DEWR require all CWCs to have fraud prevention plans and copies must be made available to DEWR on request.

**5.27** Commonwealth Fraud Control Guidelines<sup>72</sup> define the government's requirement that all budget-funded agencies put in place practices and procedures for effective fraud control, state that:

Agencies are responsible for ensuring that external service providers are aware of, and comply with, relevant:

- legislation;
- government policy, including the Commonwealth Fraud Control Guidelines, the Protective Security Manual (PSM), and the Commonwealth Fraud Investigation Standards package (CFISP); and
- departmental policies, for example, the fraud control and security policies developed by the agency.<sup>73</sup>

**5.28** The ANAO considers it important that DEWR ensure outsourced service providers are aware of, and comply with, Commonwealth Fraud

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<sup>72</sup> The Attorney-General's Department, *Commonwealth Fraud Control Guidelines, May 2002, Guideline 5, Outsourcing*, p. 19.

<sup>73</sup> Commonwealth Fraud Control Guidelines, Attorney-General's Department, May 2002.

Control Guidelines. DEWR's new ESC 2006–2009 now contains a clause<sup>74</sup> that sets out general conditions involving fraud prevention measures control requirements for CWCs, even though Commonwealth Fraud Control Guidelines do not require a provision in those terms to be in contracts. This contract clause now includes for the first time, provision that CWCs implement a fraud control plan, a copy of which must be made available to DEWR on request.

**5.29** Using a risk-based approach to fraud control monitoring, DEWR would need to have an acceptable level of comfort that CWCs are complying with the requirement to have and implement, a fraud control plan under the ESC 2006–2009.

## Monitoring sponsors and hosts

**5.30** While DEWR conducts desktop monitoring and site visits for CWCs, this did not extend to conducting desktop monitoring or site visits for sponsors and hosts. Instead, under contract CWCs fulfil the service delivery obligations by monitoring sponsors and hosts. The further outsourcing of contracted services requires a robust internal control framework to assure the department that service delivery meets with contracted requirements. To facilitate this, DEWR under contract entrusts monitoring, responsibility and accountability for sponsors and hosts with CWCs. The site visit is therefore the primary means by which DEWR can monitor sponsors and hosts, through assessing CWCs fulfilment of this function.

**5.31** The ANAO examined the extent to which DEWR oversighted CWCs monitoring of sponsors and hosts. Table 5.2 presents the findings based on the population of contracts included in the ANAO's sample. It illustrates that sponsor and host monitoring by CWCs was conducted by DEWR in the State and Regional offices chosen in the sample.

**Table 5.2**

### Evidence of monitoring sponsors and hosts

Description	Yes	No	Total
Completed pro-forma sponsor/host monitoring templates	25	0	25
Check included contract, insurance, legal and financial activities	4	21	25

Source: ANAO analysis of the sample of 25 CWC contract files and from fieldwork interviews with contract managers.

<sup>74</sup> Department of Employment and Workplace Relations, Employment Services Contract 2006–2009, Part A General Conditions, Clause 11, pp 21-22.

**5.32** During fieldwork, three contract managers advised the ANAO that when conducting site visits they tested for the existence of, and compliance with the terms and conditions of, sponsor and host contracts. Some managers advised the ANAO that they completed Financial Files Checklist Guides or performed financial viability assessments on CWCs and sponsors and hosts sub-contracted by CWCs to provide services. Two of the twenty-five contract managers advised the ANAO that they either did not analyse sponsors and hosts contract and sponsors and host financials at all, or did analyse contracts and financials but questioned whether they were suitably skilled to do so even with the support of account managers and team leaders.

### **DEWR's on-going monitoring of key WfD risks: OH&S, insurance and fraud**

**5.33** In its risk assessments, and also reflected in its operational guidance, DEWR has identified a number of key risks that concern the operation of the WfD programme including: occupational health and safety (OH&S) issues that may affect WfD participants; whether CWCs have appropriate insurance coverage to protect DEWR, CWCs and third parties; and whether CWCs have suitable financial management arrangements that support fraud control practices.

**5.34** DEWR's CWCSC 2002 and ESC 2006–2009 contain clauses relating to insurance, sub-contracting arrangements and compliance with all relevant statutes, regulations, by-laws and requirements of any Commonwealth, State or Territory or local authority (this would include OH&S requirements). Fraud prevention responsibilities are also explicitly identified in ESC 2006–2009. DEWR determines CWC compliance against these conditions through its monitoring arrangements.

**5.35** A risk-based approach to monitoring CWC contractual compliance against these OH&S, insurance, fraud and subcontracting conditions is important. For example, a larger CWC operating nationally is likely to have greater internal resources such as legal and accounting expertise than a two person CWC operating in a remote area. Generally, smaller CWCs are less likely have access to OH&S, insurance, and financial expertise. Accordingly, DEWR's monitoring of smaller CWCs would benefit from more consideration to manage the greater risk to effective programme service delivery.

**5.36** In April 2005, an internal audit within DEWR reported on 'Community Work Coordinators Management – Impact and Devolution of Duties'. The objective of the audit was to review the impact of the devolution of responsibility for approving activities to CWCs and whether 'CWCs' are complying with programme rules in relation to the types of activities that they approve'. The report findings focussed on OH&S risks. The report concluded:

Controls could be strengthened by requiring CWCs to provide certification when approving activities that in their opinion the approved activity would meet the requirements of contract with DEWR and the CWC programme rules.

**5.37** In line with the internal audit conclusion, DEWR's oversight of CWC activities could be consolidated if DEWR managers in their monitoring of CWCs, obtained assurance from CWCs that CWCs (and sponsors and hosts as necessary) have up-to-date OH&S plans, current and paid-up insurances, and fraud control plans as required under contract. By doing this, DEWR's risk-based approach to monitoring could be further strengthened to provide assurance that the additional contract clauses in ESC 2006–2009 were operating as intended.

## 6. Training and Skilling

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*This chapter examines the training, skilling and capability support DEWR provides for its staff who manage WfD contracts.*

### Support for managers

**6.1** DEWR contract managers and account managers are responsible for administering WfD contracts. This responsibility extends to overseeing not only contracts between DEWR and CWCs but also those contracts that CWCs enter into with sponsors or hosts who provide WfD activities.

**6.2** The ANAO examined the training strategies that DEWR had in place and, in particular, focussed on

- the Department's contract managers; and
- fraud awareness training.

### Training

**6.3** Integral to the successful delivery of contracted services is a system that ensures that front line managers are appropriately skilled, or if not, at least have access to technical support or resources that would assist in meeting these requirements. This is especially important where outsourced service providers are expected to deliver services to a level expected by a department.

**6.4** The ANAO examined DEWR's approach to training and skilling by assessing whether DEWR provided the necessary training or skilling resources for its contract managers and account managers who administer WfD and ensured that these managers were suitably skilled and supported in a way that enabled them to be able to readily assess the effectiveness of CWC service delivery and compliance with contractual obligations including those of the sponsors and hosts sub-contracted to perform WfD services.

### General Contract manager training and skilling

**6.5** The ANAO queried DEWR contract managers about the nature of training and skilling initiatives they had participated in or had attended during the audit period.

**6.6** Generally, most contract managers interviewed had participated in one or more intranet-based e-learning module assessments, DEWR information and information sharing sessions, or the contract manager's certificate or

diploma course and/or formal training courses offered both within and outside DEWR. Training and skilling resources are available to contract managers through DEWR's intranet and include risk management modules.

**6.7** DEWR's Contract Management Training and Development unit offers a range of services designed to development the competency of contract management staff. Managers can undertake the Diploma of Government (Contract Management) or an Advanced Diploma of Government (Contract Management) involving formal training framework in contract management. Training coordinators located in State and Regional Offices also offer skilling opportunities for contract managers and account managers.

**6.8** DEWR has also developed training packages which have a focus on risk management. A Contract Managers Induction package is available from DEWR's Contract Managers Portal including a detailed induction checklist to guide new managers.

**6.9** The ANAO examined DEWR's approach to training and skilling and interviewed DEWR contract managers responsible for managing each of the 25 CWCs chosen from the sample to test for evidence of skilling and training activities. Table 6.1 presents the findings of this analysis.

**Table 6.1**

**DEWR contract managers training and skilling**

Description	Number	Percentage
DEWR contract managers who had undertaken some form of training or skilling during the audit period.	25	100
Whether contract managers felt that they had access to appropriate training and skilling materials.	25	100

Source: ANAO interviews with DEWR contract managers.

**Specific training and skills**

**6.10** DEWR contract managers had generally completed training and skilling either prior to or during the course of the audit period. However, specialist training and skilling for matters involving technical assistance such as insurances and financial skills for dealing with CWCs was not readily

available to contract managers and account managers, other than through formal training<sup>75</sup>.

**6.11** From the sample of contract managers interviewed during fieldwork, most were able to demonstrate a knowledge and understanding of risks in DEWR for monitoring CWCs. However, not all contract managers were necessarily understanding of risks to a level that is required to be able to consistently perform risk assessments. DEWR's own internal audit report findings from a sample of three state offices<sup>76</sup>, states that:

There is a fundamental misunderstanding among contract managers of what constitutes risk; approaches to risk management and review of assessments in the RMM varied between sites; and there is no formal induction process to introduce new contract managers to risk management.

**6.12** Where responsibility for managing contracts rests with CWCs who are contracted by DEWR, it is important that DEWR ensures that contract managers have the appropriate skills to be able to effectively identify, monitor and manage programme contract, insurance, legal and financial risks. DEWR provides a range of training for its contract managers to enable them to interpret and evaluate a range of performance and financial reports. Results from this analysis inform the process of risk assessment and monitoring of contracts. The services of specialist staff, such as legal and investigative, provide additional support.

#### *Access to specialist assistance within DEWR*

**6.13** In managing service delivery, DEWR contract managers have access to specialist assistance within the department. In escalating legal matters under programme guidelines, DEWR advised the ANAO that its legal management branch has a role in overseeing all legal matters involving the drafting of CWC contracts, contract breach or liability or warranting legal advice on CWC contract interpretation matters. Matters requiring escalation for technical assistance and consideration can also involve contract variations, novations, privacy, insurances and intellectual property issues. The Contract Advising

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<sup>75</sup> Includes the Diploma of Government (Contract Management) and an Advanced Diploma of Government (Contract Management) offered by DEWR.

<sup>76</sup> Internal Audit Issues Paper, *Risk Tools for Contract Management*, 2005–2006 Audit No.G3, p. 1. The scope of the internal audit was limited to visits to the State Offices of Victoria, South Australia and Queensland and involved interviews with 5 Account Managers and 11 Contract Managers directly involved in the CWC programme. The review involved examination of fifteen CWC activity files and was undertaken to determine the compliance of CWCs with programme rules in relation to the types of activities that they had approved as well as an assessment of OH&S practices adopted by CWCs.



Team within CMB, has responsibility for the escalation of legal issues and coordination of legal advice with the Department's Corporate Legal Branch. Communication protocols are in place where all legal advice is filtered through the Contracts Advising Team.

**6.14** Contract managers also escalate relevant audited financial information provided by CWCs annually to DEWR's Employment Services Purchasing branch who in turn conducts a financial viability assessment. These assessments involve analysing the profit and loss statements, balance sheets and certain financial ratios for each entity as a whole but do not involve the scrutiny of expenditure acquittals or financial matters involving sponsors and hosts.

**6.15** Contract managers advised the ANAO they did, or were likely to in the event of need for other specialist assistance, escalate matters or issues to a member of the Contract Management Branch, Contract Advising team<sup>77</sup> or to the National Policy Clearing House (NPCH),<sup>78</sup> located at DEWR's National Office in Canberra.

**6.16** For example, given the technical legal issues that might arise from insurance matters, contract managers are not necessarily skilled to be able to reasonably determine if insurances are current, appropriate, up-to-date, or legally binding, then clear direction on how to gain appropriate assistance is needed.

**6.17** In these circumstances, DEWR could more clearly articulate in its programme guidelines and advice to relevant personnel, the escalation process in DEWR for technical issues arising, especially insurance matters, for which higher level technical assistance may be required.

## Fraud awareness training

**6.18** The ANAO questioned DEWR contract managers regarding any fraud awareness training they had participated in during the audit period, noting that there had been no internally generated fraud referrals.

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<sup>77</sup> These officers are specialist designation officers assigned to each of the States or Territories. Their role in working across programmes in DEWR involves providing assistance to DEWR officers. These officers engage in interactive decision making to resolve matters but may also escalate to the NPCH.

<sup>78</sup> The NPCH provides answers to questions that have been raised in relation to a range of DEWR programmes, including the operation of WfD. Job Network members and CWCs access the NPCH through the DEWR secure site.

**6.19** DEWR’s Investigations Branch informed the ANAO that from April 2006, DEWR had launched a fraud awareness training campaign for account managers and contract managers across the State and Regional offices. The Branch also advised training in evidence procedures was being developed for future roll-out.

**6.20** Participation by DEWR officers in fraud awareness training has increased over the three financial years to 30 June 2006 in line with DEWR overall staffing numbers. Table 6.2 depicts overall participation in fraud awareness training in DEWR over the most recent three financial years. It shows that in the financial year to date, 122 contract managers have participated in fraud awareness training.

**Table 6.2**

**Participation in DEWR fraud awareness training**

Financial year ended	DEWR officers who have participated in training	DEWR contract managers officers participated in training	Total DEWR officers per Annual Report	Total DEWR officers who have participated in training (percentage)	CWCs
30 June 2007 <sup>A</sup>	346	122	Not applicable	Not applicable	0
30 June 2006	226	unknown <sup>B</sup>	3 592	6.3	0
30 June 2005	125	unknown	2 871	4.4	0

Note: (A) Year to date to 16 March 2007.

(B) It was not possible for DEWR to disaggregate the roles of staff involved in this training due to the information collection processes of the 2005–2006 and 2004–2005 years. Information supporting the number of DEWR account managers participating in training is also not available.

Source: DEWR

**6.21** There are clear benefits in managers being trained in fraud awareness including being able to assess compliance with ESC 2006–2009<sup>79</sup>. The ANAO supports DEWR’s continued approach to fraud awareness training that includes participation by all contract managers and account managers in fraud awareness training.

**6.22** The ANAO asked DEWR to advise the number of account managers that have participated in fraud training in each of the 2005, 2006 and 2007 financial years; and the number of contract managers and account managers in

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<sup>79</sup> ESC 2006–2009, Clause 11, Fraud.

DEWR, if known, in each of the 2005, 2006 and 2007 financial years. DEWR advised:

In the current financial year to date (effective 16 March 2007), 346 DEWR employees have received fraud awareness training. Of those, 122 self-identified as having a contract management related role. It is not possible to disaggregate further into contract managers, account managers or related staff (policy, administrative support, et al), due to the data collection process.

## 7. Contract Payments

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*This chapter examines DEWR's financial management of various payments made to CWCs under CWCSC 2002, including the accuracy of payments made and record keeping requirements.*

### Contract payment types

7.1 The method and timing of payments by DEWR to contracted service providers under CWCSC 2002 generally depends on when a CWC has fulfilled the necessary obligations under contract during the milestone period. From January 2000, DEWR has paid CWCs for providing services on behalf of the Commonwealth.<sup>80</sup> Under CWCSC 2002, the type of payments to CWCs for Community Work services included the following:

- a fixed Management fee per contracted WfD place and an Administration fee per contracted WfD place;
- Work Experience Funding (WEF) for providing work experience;
- Training Credit advances;
- Community Work Placement fees and Community Work costs; and
- Ancillary payments.

### **A fixed Management fee per contracted WfD place and an Administration fee per contracted WfD place**

7.2 Under ESC 2006–2009, payments remain the same as those in CWCSC 2002 with the main change arising from rolling Management and Administration fees into one aggregated Service fee covering the provision of services under Mutual Obligation. The changes also permit CWCs to accept and place referrals from JNMs triggering early payment eligibility for Service Fees at the start of each Performance Period. During the CWCSC 2002 period, tendered Management fees ranged from \$487 to \$2 187 per WfD contracted

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<sup>80</sup> Prior to 2000, DEWR considered proposed projects on a six-monthly basis and decided on successful projects against a set of criteria. Sponsors and hosts were then responsible for delivery of the projects. In the CWC administrative model, introduced in January 2000, CWCs were given the responsibility for a greater management role in achieving the objectives of the programme. The CWCs are responsible for fostering a range of projects and ensuring that the eligible job seekers that are referred to them are placed in appropriate projects. This expanded role has much greater administrative responsibilities carried out on behalf of the Government compared with sponsor organisations under the previous arrangements.

place. The Administration fee for each CWC site was \$300 times the number of contracted places for each milestone.

### **Work Experience Funding (WEF) for providing work experience**

7.3 DEWR provides WEF to CWCs to cover the direct costs of establishing and running WfD activities. Under contract, CWCs were allocated a fixed number of WfD places in an Employment Service Area (ESA). ESAs are categorised as metropolitan, regional or remote. At the beginning of the contract term, the department set an average WEF level for each of these categories, being \$1 650, \$1 800 and \$2 100 respectively. The total amount of WEF a CWC can access is the average WEF level multiplied by the total number of contracted places, plus an amount equal to excess participant costs. While DEWR expected that activity budgets would vary for individual activities, reflecting actual expected costs, CWCs are required to manage their expenditure so that they come in at or below the average cost over the life of the Contract. From 1 April 2004, DEWR introduced, through CWCSC 2002, two methods for CWCs to access WEF - the Advance Instalment method and the Online Instalment method. The Advance Instalment method allows CWCs to claim upfront payments of up to 80 per cent of the approved WfD activity before and during the life of the WfD activity. A final instalment of any remaining monies is paid at the end of the WfD activity.

### **Training Credit advances**

7.4 By completing a Work for the Dole or Community Work placement a job seeker can earn a Training Credit worth up to \$800. The job seeker can choose how to use the Training Credit, such as to pay for the course fees for a training course that suits their needs in an industry or field of interest. These training courses are recognised across Australia by employers, State and Regional Governments and education institutions. Training Credit advances are \$300 for each contracted places for Milestone 1. Further advances could be claimed once 85 per cent of the previous advance was acquitted.

### **Community Work Placement fees and Community Work costs**

7.5 CWCs may claim for reimbursement of up to \$220 per Community Work Participant to reimburse costs incurred when a job seeker is on a Community Work referral. Community Work is voluntary work undertaken by job seekers who register with and are monitored by CWCs. Job seekers are able to do Community Work to fulfil their Mutual Obligation and to obtain

Training Credits. CWCs are required to help participants: search for available volunteering opportunities; locate opportunities; and connect with possible volunteering positions by contacting the volunteer organisation or to assist the participant to make this approach.

**7.6** CWCs receive \$550 for the facilitation of a Community Work placement for each job seeker. In addition, DEWR reimburses CWCs with Community Work costs for expenditure for goods and services that assist a Community Work participant in their placement.

### **Ancillary payments**

**7.7** Ancillary payments are payments for such things as medical expenses for participants, excess travel or personal effects (such as broken glasses as a result of an accident on an activity).

### **Accuracy of contract payments and invoices**

**7.8** During the period 1 July 2004 to 30 June 2006 and in the absence of a centralised payments area, payments to CWCs were largely made through the relevant DEWR State and Regional Office from where the service provider was being managed and/or administration of contract matters occurs. In testing key aspects of the documentary and financial management of contracts, the ANAO examined:

- whether invoices for payments were administered according to programme guidelines; and
- if payments were made by DEWR to CWCs in accordance with the terms and conditions of the contract.

**7.9** Contract payments should be made according to the terms and conditions of the contract which set out performance considerations, the milestones for delivery as well as acquittal and reporting requirements. This involves making payments for services rendered either in advance or in arrears depending on the nature and type of payment.

**7.10** Payments must be supported by documentation, meet with Australian Government recordkeeping requirements and meet with an increasing range of legislation, standards, policies, advice and guidance issued by a number of Australian Government entities that have recordkeeping implications for the

public sector as a whole. Identification of entity specific legislation and other recordkeeping requirements is the responsibility of individual entities<sup>81</sup>.

## Pre-payment invoice accuracy checks

**7.11** To assess the robustness of DEWR's administration of contract payments to CWCs, the ANAO examined the CWC payment model to establish the processes in place to ensure accurate payments are made by analysing DEWR's records of actual CWC invoices. This involved the use of computer-aided software to scrutinize in excess of 45 000 invoices<sup>82</sup> provided to DEWR by CWCs over the audit period, 1 July 2004 to 30 June 2006.

**7.12** The ANAO tested the invoices in its data extract for several instances where it expected system controls should not allow the issue or approval of an invoice due to rules in the payment model. These controls included:

- the use of only one WEF instalment method for each WfD activity;
- the sum of WEF advance instalment invoices for each activity to be no more than 80 per cent of its activity budget;
- WEF invoices due no earlier than 28 days before the start of an activity;
- WEF invoices due no later than 180 after the end of an activity; and
- CWCs to issue Training Credit advance invoices when at least 85 per cent of the previous advance is acquitted.

**7.13** Table 7.1 presents the findings of this analysis. It shows that there is no evidence of CWCs using more than one WEF instalment method for any WfD activity. It also shows that all CWCs had acquitted at least 85 per cent of the previous Training Credit advance before issuing an invoice for the next Training Credit advance. All invoices were found to have a contract number. Management fee and Administration fee invoices also contained the milestone period as a claim type.

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<sup>81</sup> ANAO Audit Report No.6 2006–07, *Recordkeeping including the Management of Electronic Records*, p. 43.

<sup>82</sup> CWC invoices and payments were examined to ensure all necessary information is recorded to evidence a transaction upon which an invoice is submitted by a CWC for payment; DEWR checks of invoice before approving contract payments; payments provided to CWCs correspond with invoice amounts; approval of payments to CWCs by the invoice due date, pursuant to the terms and conditions set out in each contract; an approval process for payments to the correct recipient, duly signed by an authorised approving officer; and assurance that vendor numbers, invoices and payments to CWCs are not duplicated.

**Table 7.1**

**WEF instalment methods used by CWCs**

Description	Number
Number of WfD activities using the WEF Advance instalment method	10 805
Number of WfD activities using the WEF Online instalment method	612
Number of WfD activities using both WEF instalment methods	0

Source: ANAO analysis of DEWR data

**7.14** The analysis also revealed the following among approved invoices issued for WEF instalments:

- 204 activities (1.97 per cent of activities analysed) had more than 80 per cent of the activity budget approved upfront from WEF Advance instalment invoices;
- 27 WEF Advance instalment invoices (0.23 per cent of this invoice type) due earlier than 28 days before the activity start date;
- 624 WEF Advance instalment invoices (6.33 per cent of this invoice type) due later than 180 days after the activity end date;
- 5 WEF Online instalment invoices (0.02 per cent of this invoice type) due earlier than 28 days before the activity start date; and
- 1 WEF Online instalment invoice (0.004 per cent of this invoice type) due later than 180 days after the activity end date.

**Approved invoices for WEF instalments – the 80 per cent WEF payment advance instalment upfront**

**7.15** CWCs can be paid excess participant costs where the number of participants placed on an activity is greater than the approved activity places.<sup>83</sup> Therefore, testing to reconcile actual participant’s costs payable under contract and excess participant’s costs was not feasible. CWCs had a stronger incentive, over the contract period, to balance the average WEF instalments per participant so that it was less than or equal to the average WEF level set out in the contract, than to strictly adhere to original WfD activity budgets.

**7.16** The ANAO analysed the 204 activities which had more than eighty per cent of their activity budget approved upfront from WEF Advance instalment

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<sup>83</sup> Community Work Coordinator Services Contract 2002, clause 4.1C.



invoices, by examining the final WEF invoices issued after completion of these activities. Only 90 final WEF Advance invoices were issued for these 204 activities. As a result, 88 of the 204 activities were within the activity budget. The remaining 116 activities were over budget by an average amount of \$2 597.

**7.17** The ANAO compared this result to all 10 365 activities in the data extract, of which 44 per cent were over budget by an average amount of \$2 136. Even so, taking all activities into account, the average activity was within its original budget by an average amount of \$854.

**7.18** The ANAO considers that, although DEWR approved upfront WEF advances of more than 80 per cent of the activity budget for 204 activities, the WEF payment process is generally robust. The 204 activities where WEF advance instalment invoices were more than 80 per cent of the activity budget represented less than two per cent of all the activities examined.

## Timeliness of contract payments by invoice due date

**7.19** It is an important that payments to CWCs are made in a timely manner<sup>84</sup> as service delivery may be hampered, particularly for smaller service providers who rely heavily on these monies to operate. CWCs are responsible for paying WEF to sponsors or hosts therefore rely on DEWR to provide contract payments in a reasonable and timely manner.

**7.20** To determine whether payments to CWCs were made in a timely manner, the ANAO matched rendered invoice dates to payment due dates. Figure 7.1 provides the results of this matching<sup>85</sup>:

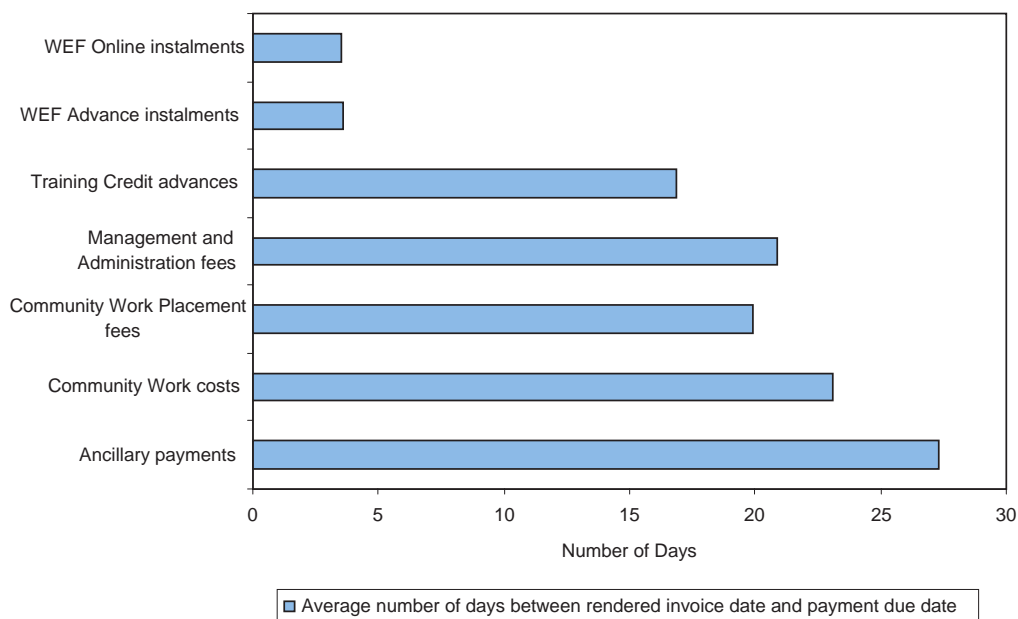
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<sup>84</sup> Schedule 1-D of CWCSC 2002 states: 'Subject to acceptance of the Services by the Commonwealth, the due date for payment shall be 30 days after delivery of a correctly rendered invoice to the Commonwealth following delivery of the Services'.

<sup>85</sup> The invoice procedures in DEWR's EA2000APM / EA3000CWC system allow CWCs to enter a future claim due, which on average, as shown in the ANAO's analysis, is considerable less than 30 days after delivery of a correctly rendered invoice.

**Figure 7.1**

**Average number of days between rendered invoice date and payment due date**



Source: ANAO analysis of DEWR data

**7.21** The ANAO compared the due date on rendered invoices with the invoice approval date. Excluding WEF Advance instalments and Training Credit advances, the incidence of late payments was less than 0.5 per cent for each contract payment type. However, further analysis of DEWR’s timeliness of processing revealed that 2.5 per cent of WEF Advance instalments and 3.6 per cent of Training Credit advances were approved after the rendered invoice due date, pursuant to the 30 days for delivery rule required in the contract.

**7.22** Most of the identified WEF Advance instalment invoices, and half the Training Credit advance invoices, were in fact approved within 30 days of the rendered invoice. Results of this testing show that DEWR approved 0.3 per cent of WEF Advance instalment invoices and 2.3 per cent of Training Credit advance invoices after the rendered invoice date.<sup>86</sup>

<sup>86</sup> The percentage of late approved Training Credit advance invoices to all approved Training Credit advance invoices is larger than the other contract payment types due the smaller number of invoices DEWR received.

**7.23** Overall, the ANAO found minimal occurrence of late payments to CWCs in its data extract. This result is supported by the responses to the CWC census, which found that 97.6 per cent of payments were made on time. The ANAO considers DEWR's timeliness of approving CWC invoices to be adequate.

## Contract payments to the intended recipient

**7.24** CWCs are required to maintain two bank accounts for WfD contract payments – a primary account and a secondary account. Management and Administration fees, Community Work Placement fees, Community Work costs and Ancillary payments are paid into CWCs' primary bank account, while WEF and Training Credit advances are paid into CWCs' secondary bank account.

**7.25** The ANAO examined its data extract to determine whether DEWR approved invoices for contract payments to the correct CWC, and whether invoices issued for primary account payment types were approved to be paid into primary bank accounts and invoices issued for secondary account payment types were approved to be paid into secondary bank accounts.

**7.26** CWC bank account numbers in the invoice records were compared to the CWC bank account numbers in the contract records. A number of bank account numbers in the invoice records did not match the bank account numbers for the corresponding CWC in the contract records however this did not mean that payments were incorrect as not one CWC bank account was used in invoices of both primary and secondary bank account payment types.

## Duplicate invoice test procedures

**7.27** The ANAO examined the data extract to determine whether CWCs issued duplicate invoices. This examination of duplicate invoices did not extend to checking for duplicate vendor numbers. Each invoice record has a unique identifier, the claim identification, which was found to be unique for all invoices issued for contract payments. Testing was performed to ensure that system controls would not allow approval of an invoice due to rules in the payment model. These controls include:

- invoices for Community Work Placement fees can only be issued once every month; and
- only one payment for WEF Advance final instalment invoices per WfD activity.

**7.28** The ANAO evidenced 191 examples of CWCs issuing more than one Community Work Placement fee invoice in a single month. It was also found that DEWR approved more than one invoice for a final WEF Advance instalment payment for 24 WfD activities. These instances are minimal, equating to 0.2 per cent of all final WEF Advance instalment invoices.

**7.29** While the ANAO found a number of individual instances where DEWR's system controls did not stop the approval of invoices where expected, overall, DEWR has in place adequate procedures to ensure that it does not accept duplicate invoices.

## 8. Reporting Performance

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*This chapter assesses DEWR's arrangements for CWCs to provide performance information. It also examines the reporting and evaluation of WfD against its stated objectives.*

### Foundation for accountability

**8.1** A performance information framework sets the foundation for accountability and transparency in Commonwealth Government agencies. A performance information framework should include outcomes, outputs, effectiveness measures and targets which are articulated in the Portfolio Budget Statements and the results of performance presented in the Annual Report.

**8.2** Where services have been outsourced, performance information should be clearly set out in contracts with service providers, be linked to an agencies business planning, and through that the outcomes and outputs specified in the Portfolio Budget Statements. This will form a basis for assessing whether the service providers have been successful in delivering contracted services or not.

**8.3** Also integral to the success of an effective performance information system is an evaluation function to test whether the outcomes or stated objectives are being achieved.

### Performance information framework

#### Performance information requirements in CWC contracts

**8.4** Performance information is the source of programme decision making supported by on-going monitoring and programme evaluations as the basis for assessing whether overall service delivery has been achieved in accordance with the programme's objectives. Appropriate performance measure indicators, or KPIs, provide a benchmark for gauging such performance and the overall effectiveness of the programme.

**8.5** The performance management framework outlined by DEWR takes into account the continuous cycle in which performance takes place.

Performance management in DEWR involves a continuous interaction between four integrated aspects<sup>87</sup>:

- performance monitoring undertaken in a targeted and ongoing way, identified by risks and informed by key performance indicators (KPIs);
- performance feedback, both formal and informal, provided on an ongoing basis. Formal feedback against performance scorecards is presented at the end of each milestone period;
- facilitation of the continuous improvement of all CWCs through providing self assessment tools, training, information and formal feedback; and
- performance measurement undertaken by assessing performance against three KPIs that form part of the CWCSC 2002 for DEWR<sup>88</sup>.
  - KPI 1 efficiency based on the timely filling of WfD places through the timeliness of places, placement availability, participants commenced and placement use;
  - KPI 2 effectiveness measured by the quality and diversity of WfD places from both a job seeker’s perspective and a contract manager’s perspective; and
  - KPI 3 the quality of service delivery based on DEWR’s compliance with the Employment Services Code of Practice<sup>89</sup> and Service Guarantees.<sup>90</sup>

**8.6** DEWR’s contracts require CWCs to provide milestone reports<sup>91</sup> every six months informing their performance in delivering against the programme objectives. Performance information provided by CWCs to DEWR performs a number of important functions. It offers DEWR the capacity to monitor the performance of its contracts and therefore support compliance with the CWC’s

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<sup>87</sup> DEWR ESN CWC Programme Guidelines, *Performance Management*, Chapter 2, p. 1.

<sup>88</sup> KPIs form part of the CWC Services Contract 2002 and are provided at Attachment D to the contract.

<sup>89</sup> The Employment Services Code of Practice forms part of the CWC Services Contract 2002 and is outlined at Attachment A to the contract. The Code provides that employment service providers commit to observe the highest standards of fairness and professional service in the delivery of services and obligations outlined in their contract.

<sup>90</sup> Service Guarantees form part of the CWC Services Contract 2002 and are outlined at Attachment G to the contract. The Service Guarantees relate to the level of ongoing services the CWC will provide under the contract.

<sup>91</sup> All milestone periods are of six months duration over the CWCSC 2002 period.

contractual requirements. It also allows DEWR to monitor the performance of the programme in the delivery of policy objectives and outcomes and therefore assist in the efficient, effective and economic use of resources.

### **Adequacy of performance information required by CWCs**

8.7 Performance information requirements set out in contracts should provide information to enable broader programme monitoring, and link with DEWR's programme level and corporate level performance reporting requirements contained in its Portfolio Budget Statements and Annual Report.

8.8 The ANAO examined performance information included in DEWR's contracts with its CWCs to determine whether:

- it adequately measured performance against contract objectives; and
- the information was seen as useful by the CWCs in measuring their performance.

#### *Adequacy of service provider performance information for contracts*

8.9 The ANAO assessed the adequacy of the performance information DEWR was requiring CWCs to provide by determining whether this information included measures of:

- Effectiveness—these indicators measure the contribution of the service provider to the achievement of programme outcomes;
- Quality—these indicators measure the quality of service being provided by the service provider; and
- Quantity—these indicators measure the quantity of service provided.

8.10 Such measures are generally required to provide an adequate indication of whether CWCs are meeting contract objectives. They also contribute to the development of programme-level and corporate performance information contained in DEWR's annual report which requires the measurement of these indicators.

8.11 Assessments against KPI 1 and KPI 2 are made by DEWR at the end of each milestone period, while KPI 3 assessments are conducted on an on-going basis throughout the contract period. CWCs are required under contract to provide milestone reports. Contract managers are then required to complete KPI 2 milestone assessments after each milestone period. This information is assessed by DEWR account managers who then use this information as input into feedback given to CWCs based on their performance against all three KPIs

on a six-monthly basis. DEWR has advised that KPI data forms part of its Star Ratings<sup>92</sup> system of provider assessment.

**8.12** Table 8.1 details the results of the ANAO’s examination of performance information contained in the sample of contracts with CWCs.

**Table 8.1**

**Number of contracts containing adequate performance information**

Details	Quantity KPI 1	Quality (Effectiveness) KPI 2	Quality KPI 3
Evidence of CWC assessments on file from a contract manager’s perspective	n/a	✓	n/a
Evidence of CWC performance assessments against KPIs on file for each contract milestone period	✓	✓	✓
Evidence on file of feedback by account managers to CWCs	✓	✓	✓
KPI data aggregated and reported at a programme level	✓	✓	✓

Source: ANAO analysis of sample of contracts and DEWR’s ‘O’ share-drive directory.

**8.13** The ANAO’s examination of performance information included in the sample of DEWR contracts with CWCs found that the performance information on file conformed to contractual obligations and WfD programme guideline requirements for recording and reporting performance against KPIs. DEWR was able to aggregate CWC performance against these indicators to a programme level to benchmark performance against corporate indicators. HealthCheck reports, as discussed in Chapter 4 are one such report used to administer progress and performance.

*Usefulness of performance measures to CWCs*

**8.14** The ANAO census<sup>93</sup> of CWCs participating in the CWCSC 2002 contract round gathered their views on performance information contained in the contracts. CWCs reported that they had little input into the development of the performance information. Table 8.2 provides a summary of CWC responses.

<sup>92</sup> DEWR uses a star ratings system to encourage performance improvement by its contracted service providers.

<sup>93</sup> 82 per cent of CWCs responded to the census.



**Table 8.2****CWC assessment of performance measures (KPIs)**

Description	Strongly Agree with KPIs (per cent)	Agree with KPIs (per cent)	Disagree with KPIs (per cent)	Strongly disagree with KPIs (per cent)
KPIs are appropriate for CWCSC 2002	0	53.1	30.9	16.0
KPIs are appropriate for ESC 2006–2009	0	54.3	31.4	14.3

Source: ANAO analysis of census responses by CWCs participating in the ANAO's census.

**8.15** Only slightly over half of CWCs under both contract rounds agreed with the appropriateness of KPIs. A number of CWCs expressed concern to the ANAO that KPIs assessed their performance in circumstances where factors beyond their control, (e.g. delays in getting police checks of in excess of one month in some States affects referral to commencement) and to their detriment under the utilisation incentive based payment system. Moreover, CWCs also expressed concern that the KPIs did not align with programme outputs and objectives in a way that had meaning and reflected their activities.

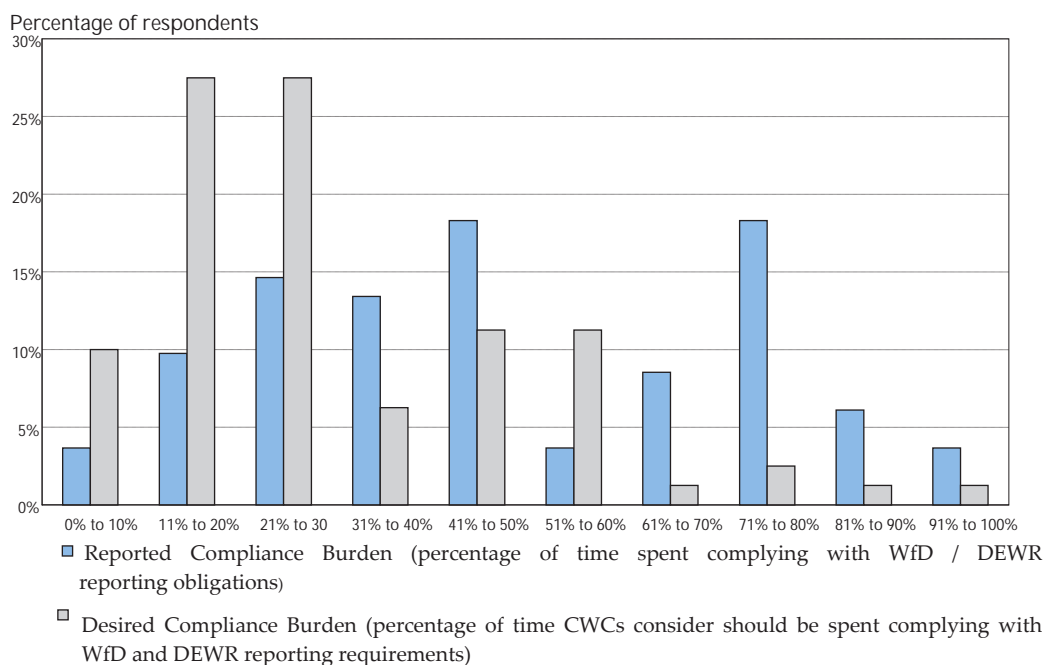
**8.16** From 1 April 2004, CWCs have been required to, where possible, place participants on other activities, where available, not requiring a police check while they are waiting on the result of a police check. If CWCs adhere to this requirement their KPI results should not be adversely affected.

*Time taken by CWCs to comply with reporting obligations*

**8.17** In its census of CWCs, the ANAO asked CWCs approximately what percentage of the time they spent on CWC work was spent complying with programme reporting obligations. The ANAO then asked CWCs what percentage of the time they currently spend on CWC work should be spent on complying with reporting obligations. Table 8.3 presents the findings as follows.

**Figure 8.1**

**Time taken to comply with reporting obligations – CWCSC 2002**



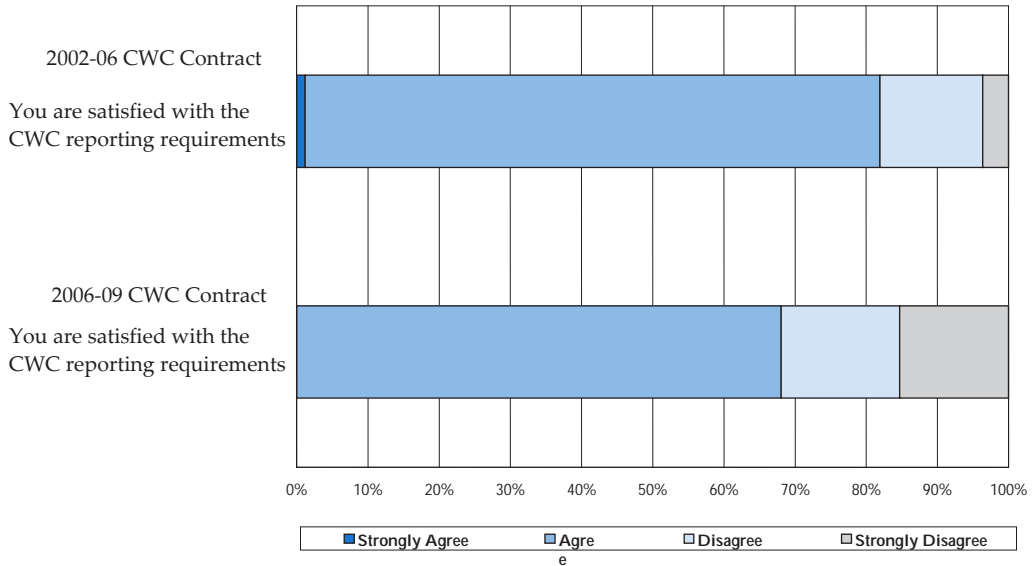
Source: ANAO analysis of CWC census responses.

**8.18** Figure 8.1 illustrates how over 40 per cent of CWCs reported that they spent over half their time complying with reporting obligations, while around two-thirds of CWCs considered that complying with reporting obligations should take no more than 30 per cent of their time.

**8.19** Consistent with these findings, Figure 8.2 shows that almost one-third (32 per cent) of CWCs were dissatisfied with the reporting requirements under the Round 6 CWC Contract. This is almost twice the level of CWC dissatisfaction with the Round 5 reporting requirements (18 per cent). A number of CWCs commented that the burden of WfD administrative requirements had increased over time. Some considered that their reporting obligations were not commensurate with the funding being provided to CWCs and that this would have adverse impacts on programme outcomes.

Figure 8.2

### CWC satisfaction with programme reporting requirements



Source: ANAO analysis of CWC census responses.

**8.20** ESC 2006–2009 has more administration commitments while the administration fees have remained static. Many CWCs commented this increase in administration without extra funding to increase staffing has resulted in increased pressure on CWCs to deliver services in a competitive ESA/LMR, especially in this new contract climate, which has become very competitive and performance based. CWCs generally commented the results of this extra load may result in a diminished standard of service delivery. Administration of the WfD programme has increased significantly in both IT and other during the CWSC 2002 round. Many CWCs felt this increase in administration without extra funding to increase staffing has resulted in increased pressure on CWCs. This however, does not take into account efficiency dividends that might arise over the course of the contract period and be factored into funding models by DEWR.

**8.21** Many CWCs advised the ANAO that performance reporting requirements were a burden on their daily service delivery operations. Reporting comprises monitoring visit reports, completion reports, six-monthly reports, timesheets and reports. The ANAO considers reporting by CWCs on their performance to be an important compliance component in the administration of WfD. However, CWCs widely commented they are overburdened with their reporting requirements, and that the contract with

DEWR has not compensated them for the administration needed in reporting. DEWR could consider simplifying the performance indicators or reducing the frequency of the service providers' reporting requirements where appropriate, taking into account the relative risk associated with the CWC.

## **Portfolio Budget Statements**

**8.22** Portfolio Budget Statements' provide the outcomes and outputs that are expected through service delivery. Related to this are performance indicators that enable quality, quality and effectiveness to be measured. Outcomes describe the Government's strategic directions and through that underpin the government's intended impact of a particular policy initiative and provide a performance mechanism to assess how well the department's service delivery contributes to the achievement of government objectives<sup>94</sup>. Outputs are derived from outcomes and generally describe the manner in which outcomes are to be achieved.

### *Outcomes and Outputs*

**8.23** DEWR's Portfolio Budget Statements for 2006–07 described Outcome 1 as 'Efficient and effective labour market assistance'. WfD is one of the programmes administered by DEWR within the labour market assistance initiative and contributes to this outcome. WfD is one of many Mutual Obligation initiatives that falls within Output 1.2.4: *Mutual Obligation Initiatives*.

**8.24** The quantity and quality measures for this Output are at Table 8.3.

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<sup>94</sup> CPA Australia: *Better Practice in Performance Measurement and Reporting in the Public Sector*, p. 141.

**Table 8.3****Labour market information, referral and support services output 2006–07**

DEWR measure	ANAO comment
Quality <ul style="list-style-type: none"> <li>• Level of satisfaction of Ministers with provision of advice. Target: Very good or above.</li> </ul> Level of satisfaction of participants with Work for the Dole programme. Target: 80 per cent.	DEWR could complement these indicators with others such as the level of satisfaction of CWCs with service and assistance provided by DEWR. The target level could parallel the participant satisfaction survey. The term 'very good' could be defined or explained.
Quantity <ul style="list-style-type: none"> <li>• Utilisation of programme capacity. Target: 55 000.</li> <li>• Percentage of Work for the Dole activities that address one or more skills in demand. Target: 75 per cent.</li> </ul>	The utilisation target and the percentage of WfD activities that address one or more skills in demand target could also be measured and reported by State or Territory.

Source: DEWR Portfolio Budget Statements 2006–07, p. 52.

**8.25** DEWR, through its Outcome 1, is responsible for managing the delivery of the APM and implementing enhancements. The strategy for the APM within Outcome 1 is based on the major overarching departmental strategy to assist people into work.

**8.26** Performance indicators for Outcome 1 include the average duration of unemployment relative to labour market performance, and comparative labour market experience for: long term unemployed, Indigenous Australians, mature-aged, people of culturally and linguistically diverse backgrounds, sole parents, people with a disability and young people.

**8.27** In assessing whether DEWR adequately measures performance information, and reports associated performance, the ANAO considered:

- information reported by CWCs and its links to programme performance information and DEWR's programme and corporate reporting framework; and
- programme evaluation undertaken by DEWR under the Active Participation Model.

### **Linking service provider performance information to DEWR's corporate performance reporting requirements**

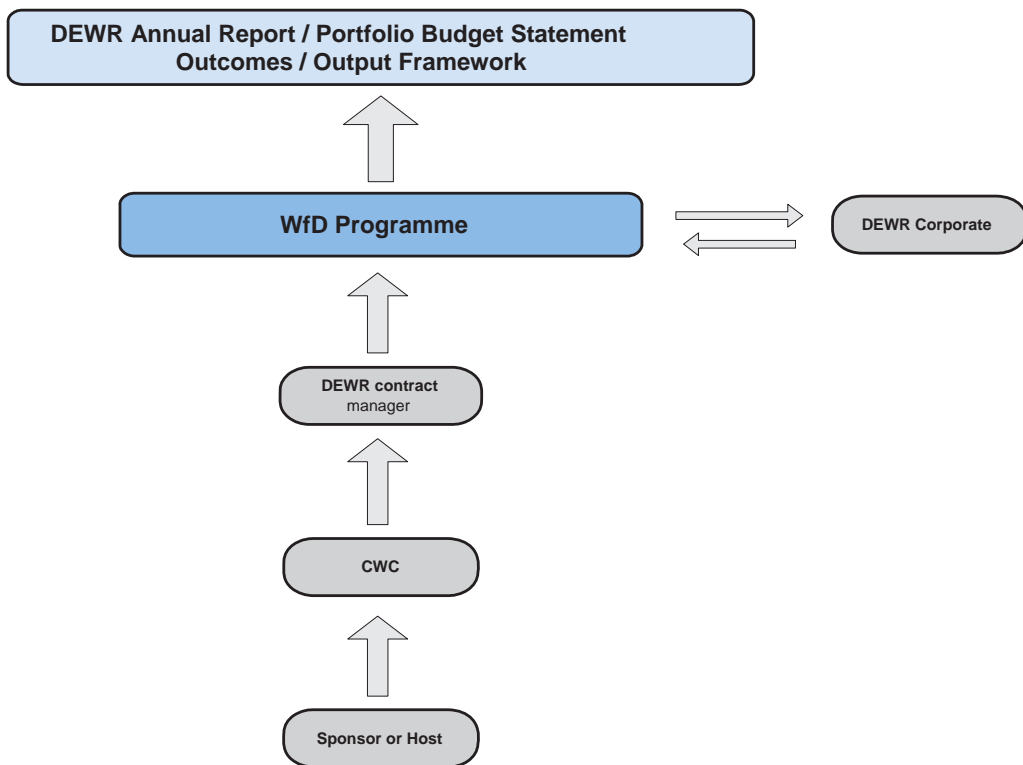
**8.28** To support its corporate indicators of performance in a manner that reflects the nature of service delivery, DEWR must ensure that performance information contained in its CWC contracts enables DEWR to monitor the

effectiveness of the WfD programme. These indicators must contribute to measures of overall programme performance, which form the basis of DEWR’s corporate performance information contained in its Portfolio Budget Statements and Annual Report.

8.29 Figure 8.3 demonstrates the flow of performance information from contract level to the annual reporting level.

**Figure 8.3**

**DEWR’s Performance Information Structure**



Source: ANAO.

8.30 Performance information in contracts with CWCs was examined to determine whether it provided useful information on programme performance cascaded into DEWR’s corporate performance reporting requirements contained in its Portfolio Budget Statements and Annual Report.

## **Programme performance information linking to DEWR's outcomes/outputs framework**

**8.31** Programme performance information is an important component of programme administration as it allows managers to assess the overall effectiveness of programme service delivery. This provides a basis to efficiently target their resources. Performance information should be based on the collation of data by contract managers provided to DEWR by the CWCs through their milestone reporting requirements. DEWR conducts surveys of participants, sponsors and hosts which also feeds into the overall programme performance assessment process. Programme performance information also forms the basis of DEWR's programme and corporate performance information contained in its Portfolio Budget Statements and Annual Report.

**8.32** The ANAO tested for evidence of programme performance information and found that DEWR aggregates programme information primarily from data entered onto the EA3000 and BRIO systems, producing Active Participation Model (APM) weekly reports<sup>95</sup> and Employment Services Weekly Reports (ESWR).<sup>96</sup> Data and reports housed on DEWR's programme 'O' share-drive directory evidence programme information against KPI performance, customer complaints,<sup>97</sup> and weekly reports that are posted to DEWR's secure website for contract managers and CWCs.

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<sup>95</sup> The APM weekly report is a compilation report of weekly comparative and progressive total information on WfD referrals and commencements.

<sup>96</sup> ESWR's house aggregate information and trend data performance against programme performance indicators.

<sup>97</sup> Complaint information is recorded to the department's ESQIS system and analysed.

**Table 8.4**

**Comparative programme and corporate level**

DEWR quality and quantity measures 2006–07	WfD programme KPIs 2006–07
<p>Quality</p> <ul style="list-style-type: none"> <li>Level of satisfaction of Ministers with provision of advice. Target: very good or above.</li> <li>Level of satisfaction of participants with Work for the Dole programme. Target: 80 per cent.</li> </ul> <p>Quantity</p> <ul style="list-style-type: none"> <li>Utilisation of programme capacity. Target: 55 000.</li> <li>Percentage of Work for the Dole activities that address one or more skill in demand. Target: 75 per cent.</li> </ul>	<p>Quantity KPI 1.</p> <p>Efficiency is based on the timely filling of WfD places through the timeliness of places, placement availability, participants commenced, and placement use.</p> <p>Quality KPI 2.</p> <p>Effectiveness is measured by the quality and diversity of WfD places from both a job seeker’s perspective and a contract manager’s perspective.</p> <p>Quality KPI 3.</p> <p>The quality of service delivery based on DEWR’s compliance with the Employment Services Code of Practice and Service Guarantees.</p>

Source: DEWR Annual Report 2006–07 and PBS 2006–07.

**8.33** Table 8.4 presents comparative corporate and programme measures. Programme level KPI data performance reporting is more comprehensive than the corporate KPIs reported under Output 1.2.4: Mutual Obligation Initiatives. There is a transparent nexus between the programme and the corporate quantity indicators. The ANAO considers that DEWR effectively reports programme performance information.

**Programme evaluation**

**8.34** Programme evaluation is principally conducted to determine whether a programme is achieving outcomes.<sup>98</sup>

**8.35** Programme evaluations would include assessing the effectiveness of the contract in achieving government objectives for the activity, assessing effectiveness through feedback from clients and other stakeholders, and considering new approaches at the completion of the current implementation period of the contract. It can contribute to better programme management, greater accountability, better decision making, and a more efficient distribution of resources.

<sup>98</sup> The ANAO *Better Practice Guide: Contract Management*, February 2001 (p. 68), outlines other objectives for programme evaluations.



**8.36** The ANAO examined DEWR's evaluation process over the term of the contract round to determine if:

- comprehensive programme evaluations were performed; and
- any issues arising from these evaluations resulted in improvements to the programme.

### **Net impact study – WfD and Mutual Obligation**

**8.37** In April 2006, DEWR released a 'net impact' evaluation report<sup>99</sup> to evaluate, inter alia, WfD and Mutual Obligation. The study was based on employment outcomes and designed to evaluate the effectiveness of WfD and Mutual Obligation through a net impact approach by matching programme participants with those of a matched comparison group.

**8.38** Net impacts represent the improvement in outcomes a programme delivers and based on comparing employment outcomes following participation in a programme with those that would have occurred in the absence of such participation<sup>100</sup>. Net impacts are assessed from the time of participant commencement to capture the net improvement in employment prospects due to programme participation, reducing the net impact by any off-setting effects such as time spent participating in a programme lessening time spent on job search activities.

**8.39** The evaluation Report<sup>101</sup> notes the net impact of Mutual Obligation at 8.2 per cent and WfD to be 7.3 per cent.

**8.40** The ANAO recognises that measuring the net impact of WfD is an important programme evaluation mechanism. It is noted, however, that the measures are attributable to programme participants but do not extend to

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<sup>99</sup> DEWR: *Customised Assistance, Job Search Training, Work for the Dole and Mutual Obligation - A Net Impact Study*, April 2006.

<sup>100</sup> Comparatively, employment outcomes show the proportion of participants who gain jobs following participation. They do not consider the extent to which those outcomes would have occurred in the absence of assistance.

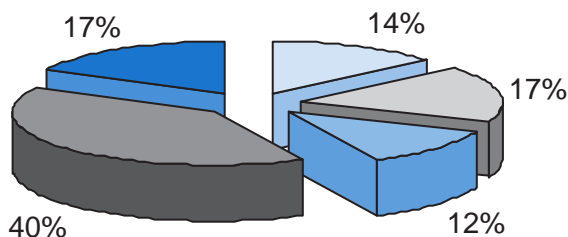
<sup>101</sup> 'It is possible to measure net impact from a number of points. This study examines the net impact from commencement in a particular programme or service. Impacts from commencement capture the net improvement in employment prospects as a result of programme participation off-setting attachment effects (where there is a reduction in job search activity as a result of time spent participating in a programme with a consequent reduction in net impact). Some job seekers referred to programmes will leave income support and not commence the programme, also leading to outcomes that would not be achieved without this intervention (referral net impacts). However, under the Active Participation Model estimates of net impact from referral to a programme can no longer be accurately derived as compliance effects are now more distributed across a job seeker's time in assistance. In practice, this means that the net impacts from the Active Participation Model as a whole are greater than the sum of net impacts measured from commencement in individual programme elements.'

community benefits, an implicit aim of WfD. The ANAO suggests that DEWR extend the net impact study to measure community benefits.

8.41 DEWR does not consider employment outcomes to be part of WfD’s immediate objectives, however the department has determined post assistance outcomes to demonstrate the success of work experience and increased work activity<sup>102</sup>. DEWR conducts post programme monitoring surveys three months after job seekers cease assistance. Figure 8.4 indicates the results of surveys of job seekers who left a WfD project between 1 July 2005 and 30 June 2006 and outcomes achieved by the end of September 2006.

**Figure 8.4**

**WfD: post assistance outcomes for the year to 30 September 2006**



Employment full-time	Employment part-time	Education and Training
Positive Outcomes A	Other - not known	

Note: (A) Positive outcomes include employment and education/training outcomes and are less than the sum of employment and education/training outcomes as some job seekers achieve both an employment outcome and an education/training outcome.

Source: DEWR Evaluation and Programme Performance Branch, Research and Evaluation Group

Ian McPhee  
Auditor-General

Canberra ACT  
31 May 2007

<sup>102</sup> DEWR Evaluation and Programme Performance Branch Research and Evaluation Branch, *Work for the Dole: Post programme outcomes for the year to end September 2006*, p. 13.

# Appendices



## Appendix 1: WfD Participation Requirements

**Table A1.1**

### Participants with Mutual Obligation

Age group / benefit	Minimum participation requirements
18 to 20 on full rate of Newstart / Youth Allowance	30 hours each fortnight for six months
21 to 39 on full rate of Newstart / Youth Allowance	30 hours each fortnight for six months
40 to 49 on full rate of Newstart Allowance	12 hours each fortnight for six months or 24 hours each fortnight for three months
Parenting Payment recipients whose youngest child is six years or over	12 hours each fortnight for six months or 24 hours each fortnight for three months
18 to 49 on full rate of Newstart Allowance with a restricted work capacity of 15 to 29 hours per week	12 hours each fortnight for six months or 24 hours each fortnight for three months

Source: DEWR

**Table A1.2**

### Very Long-Term Unemployed

Age group / benefit	Minimum participation requirements
18–59 years and on full rate of Newstart or Youth Allowance assessed by Job Network member as demonstrating a pattern of work avoidance	50 hours per fortnight for 44 weeks

Source: DEWR

**Table A1.3**

### Voluntary Participants

Age group / benefit	Minimum participation requirements
Voluntary participants 50 years and over on full rate of Newstart Allowance	24 hours per fortnight for 13 weeks or 12 hours per fortnight for 26 weeks
Disability Support Pension Recipients; Personal Support Programme participants; Parenting Payment recipients whose youngest child is less than six years	24 hours per fortnight for 13 weeks or 12 hours per fortnight for 26 weeks

Source: DEWR

## Appendix 2: Organisations Consulted

### Commonwealth Agencies

DEWR National Office (Canberra) and Regional Offices (Bendigo, Brisbane, Melbourne, Sydney and Townsville)

### Peak bodies

Jobs Australia, Melbourne

National Employment Services Association, Melbourne

### Community Work Coordinators

Hunter Workways, Belmont NSW

MTC Work Solutions, Marrickville NSW

Life Be in It, Townsville Qld

The Salvation Army, Bendigo Vic

Central Victorian Group Training Company (CVGT), Bendigo Vic

## Appendix 3: Site Risks and Organisational Risks

Table A 4(a) Site Risks

Risk Family and Risk Number	Short Risk Description	Long Risk Description	Objective	Risk Categories	Consequence	CWC Risk	ANAO comment
Performance (P1)	Poor KPI outcomes	Poor outcome related KPI performance.	High rate of outcomes achieved and high quality services delivered	Key Performance Indicators	Major	Yes	
Performance (P3)	Insufficient or inappropriate referrals	Insufficient or inappropriate job seeker referrals to provider, including: <ul style="list-style-type: none"> <li>CWCs not receiving fair or equitable referrals from Job Network members</li> <li>A high proportion of referrals being made to a related organisation.</li> </ul>	High rate of outcomes achieved and high quality services delivered	Job seeker availability	Moderate	Yes (major)	Where CWCs are also Job Network there is a potentially a conflict of interest. Under the newer Round 6 contract which drives competition in the ESA / LMR there may be a greater risk of referral bias. It is unclear how unbiased referrals factor into inappropriate job seeker referrals.
Financial (F1)	Insufficient cash-flow	Insufficient cash-flow to maintain the site.	Sites/locations remain financially viable	Contracted Places	Major	Yes	DEWR's Employment Services purchasing Branch conducts annual reviews to assess provider solvency.
Financial (F2)	Inaccurate claims, acquittals etc	Claims, acquittals, reporting and/or reimbursements not accurate, verified, timely or consistent with known information.	Sites / Projects / Activities administered well	Administrative Practices	Moderate	Yes	With outsourced contracted payments exceeding \$110 million there are risks of potential for fraud, misappropriation or incorrect payments without proper risk mitigation strategies. The financial management skills of contract managers and/or account managers appear not to be of an appropriate standard to be able to manage the risks across all DEWR offices.

Risk Family and Risk Number	Short Risk Description	Long Risk Description	Objective	Risk Categories	Consequence	CWC Risk	ANAO comment
Financial (F3)	Inappropriate use or mismanagement of funding	Inappropriate use or mismanagement of funding available for job seeker use or fraudulent claims/practices has been identified/suspected.	Integrity of Providers is high	Financial Integrity	Major	Yes	Also as above at F2. This is a major programme risk.
Compliance (C1)	Poor reputation of Service	The good name of the programmes and services are not maintained.	Sites / Projects / Activities administered well	Promotion and advertising	Moderate	Yes	
Compliance (C2)	Poor administration, management or staffing	Organisation has poor administrative, management or staffing practices impacting on services delivered, for example: poor records management practices or untimely reporting to DEWR.	Sites / Projects / Activities administered well	Administrative Practices	Major	Yes	
Compliance (C3)	Unsuitable premises or equipment	Unsuitable Premises or Equipment including inoperable IT systems or client privacy is not ensured.	Sites / Projects / Activities administered well	Suitability of Premises and Equipment	Major	Yes	



Risk Family and Risk Number	Short Risk Description	Long Risk Description	Objective	Risk Categories	Consequence	CWC Risk	ANAO comment
Compliance (C4)	Unsatisfactory approval processes for activities / business plan	Unsatisfactory approval processes of activities, including: <ul style="list-style-type: none"> <li>• inadequate OH&amp;S assessments;</li> <li>• CWC does not require police checks where appropriate.</li> <li>• inadequate insurance coverage</li> </ul>	Integrity of Providers is high	CWC Approval of Activities in Devolved Model	Major	Yes	Benchmarks and programme compliance rates unknown
Servicing (S1)	Poor complaints management	Poor complaints management, including: <ul style="list-style-type: none"> <li>• staff and clients are unaware of the Code of Practice and Service Guarantees, or how to address concerns about service quality;</li> <li>• complaints register is not in accordance with guidelines/contract; or</li> <li>• complaints</li> </ul>	High rate of outcomes achieved and high quality services delivered	Complaints management processes	Major	Yes	
Servicing (S2)	Ineffective or inadequate stakeholder relationships	Ineffective relationships between provider and stakeholders and/or inadequate linkages with other employment services and community agencies.	Sites / Projects / Activities administered well	Relationships	Moderate	Yes (major)	Survey responses by CWCs indicate that stakeholder communication is at a sub-optimal level. Relationship with industry and industry professional bodies would benefit from a stakeholder service provider strategy.

Risk Family and Risk Number	Short Risk Description	Long Risk Description	Objective	Risk Categories	Consequence	CWC Risk	ANAO comment
Servicing (S3)	Job seeker / participant service requirements not met	Job seeker/participant service requirements have not been met or are not timely, for example: <ul style="list-style-type: none"> <li>• Ineffective support, assistance or advice to job seekers/participants;</li> <li>• Job seekers/participants receive insufficient hours of service;</li> <li>• Inadequate quality</li> </ul>	High rate of outcomes achieved and high quality services delivered	Job seeker Services	Major	Yes	
Servicing (S4)	Low or generic use of funding for job seekers	Low or generic use of funding available for job seeker, including providers: <ul style="list-style-type: none"> <li>• underutilise the funds available for job seeker assistance under JSKA and Training Accounts;</li> <li>• use the JSKA or Training Account inequitably;</li> <li>• do not adequately tailor service</li> </ul>	High rate of outcomes achieved and high quality services delivered	Job seeker Services	Moderate	Yes	
Servicing (S5)	Inappropriate activities approved by CWC	Activities approved do not provide diversity, have insufficient ESA coverage, do not meet job seeker flow, do not benefit participants or the community, or meet activity guidelines.	High rate of outcomes achieved and high quality services delivered	CWC KPI 2 relates risks	Moderate	Yes	
Servicing (S6)	Ineffective support, advice or assistance to community organisations	Ineffective support, advice or assistance to community organisations in relation to activity application process and the operation of activities.	Sites / Projects / Activities administered well	3 <sup>rd</sup> party organisations	Major	Yes	

Source: DEWR Contract Manager Guide and ANAO analysis.

**Table A 4(b) Organisational Risks**

Risk Family and Risk Number	Short Risk Description	Risk	Consequence	ANAO Comment
Financial (01)	Inability to withstand downturns in income	Inability to withstand downturns in income, including poor administrative practices which impact on their level of income.	Major	
Financial (02)	Financial factors impact on service quality	Financial factors impact on the quality of services	Moderate	
Servicing (03)	Administration impacts on service quality	Organisation has poor administrative, management, staffing or training practices impacting on services delivered	Moderate	
Servicing (04)	Relationships	Organisation has not developed a good relationship with DEWR, key stakeholders, providers or within the community	Moderate	
Servicing (05)	Integrity	Provider's integrity is questionable (includes accumulated site level issues identified)	Major	
Compliance (06)	Sub-contractor Management	Organisation does not effectively manage subcontracted services	Moderate	Sub-contractor financial management is a major risk but is not articulated here.

Source: DEWR Contract Manager Guide and ANAO analysis.

## Appendix 4: Types of DEWR Monitoring Activity of CWCs

### Desktop monitoring

Contract managers undertake desktop monitoring on a regular, ongoing basis. Performance reports and desktop reporting functionality enable monitoring of various aspects of WfD programme services including:

- site performance in completing vocational profiles, commencing jobseekers, and achieving outcomes relative to ESA, LMR and National averages;
- level and type of usage job seeker account funds relative to ESA, LMR and National averages, and summary of site claims; and
- customer feedback data including number of complaints and compliments received about the site by month, and whether consent was obtained from the complainant to contact the site in order to resolve the complaint.

### Monitoring visits to new sites

Monitoring visits are conducted to new Job Network sites and use a standard checklist to check, inter alia:

- that signage and facilities are of a standard that is in accordance with tender undertakings;
- that facilities at the site are suitable in terms of the privacy of disclosure and discussion of personal information,
- the availability of, and access to, self-help and other facilities; and
- the suitability of the space for job seekers to use CWC services.

### General monitoring visits

DEWR conducts general monitoring visits to address either general or specific service delivery issues or concerns, as part of a risk management assessment or to identify good (or bad) practice in employment services delivery. Monitoring visits can involve, but are not restricted to, any of the following assessments:

- adequacy of documentation kept by CWCs to support outcome claims or claims from sponsors and hosts and job seekers;
- adequacy of documentation of job seeker attendance in services and/or the existence of appropriate strategies to ensure job seekers are appropriately engaged;
- adequacy of the assessment of job seekers' skills, barriers to employment, or needs; and
- extent to which job search plans are up-to-date and appropriately tailored to job seeker needs.

### Quality audits

Quality audits are a formal, in-depth analysis of service quality issues can be initiated for a number of reasons such as:

- to investigate breaches of the Code of Practice, or situations where a CWC has failed to remedy a breach of the code or service guarantee;
- to investigate service delivery concerns to assess whether a breach of the code has occurred;
- to promote continuous improvement; and,
- to identify good (or bad) practice in employment services delivery.

### Programme assurance monitoring

DEWR conducts programme assurance projects based on programme risks.

Source: ANAO analysis.

## Appendix 5: Census of CWC Managers and Staff

1. The ANAO conducted a census of CWCs in September-October 2005. The ANAO invited DEWR to comment on the draft survey instrument, and took these comments into account in finalising and conducting the census.
2. The census was addressed to CWC Chief Executive Officers who were asked to refer the surveys for response to their respective CWC site managers. Overall, out of 109 surveys mailed to CWCs who participated in the 2002–06 and 2006–09 contract rounds that were still in business, 89 responses were received<sup>103</sup>, a response rate of 82 per cent. The response rate means that the data is highly accurate for the population as a whole<sup>104</sup>.

### Survey Background

3. To identify the client service values and behaviours of DEWR officers, to assess the client rapport and explore further attributes of client satisfaction (of CWCs) with DEWR, the ANAO conducted a census of all CWCs that participated in the CWCSC 2002 and/or ESC 2006–09 during September-October 2006. The census was conducted with the assistance of Allanson Consulting Pty Ltd and ORIMA Research.

### Survey design and implementation

4. One survey questionnaire was prepared and sent to all CWC managing offices. Where a parent office was used as a CWC contact, the questionnaires were sent to the nominated managing officer. Questionnaires were not sent to subsidiary site based offices as a consequence.
5. Each survey questionnaire sent to the CWCs contained:
  - 18 experiential and management type questions relating to the 2002–06 and 2006–09 contracts;
  - 13 questions associated with the DEWR contract manager rapport and communications with the CWC;

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<sup>103</sup> Most survey respondents were able to answer all questions. Some, however, did not respond to all questions reflecting a lesser percentage response to some questions at some tables.

<sup>104</sup> All surveys are subject to statistical error. The extent of this error can be described by the confidence interval surrounding the survey results. The confidence interval presents upper and lower bounds within which the whole population value can be expected to lie. For example, with a 95 per cent level of confidence, there is only a five per cent chance that the true population value falls outside the specified confidence interval.

- 10 questions associated with the training and support;
- 14 general questions covering a broader range of other matters including the cost of compliance and reporting;
- 9 questions relating to the CWCs experience with DEWR IT systems; and
- 5 questions relating to contract payment and financial acquittal matters.

## Census results

6. Eighty-two per cent of CWCs still performing that role and in business as at September-October 2006, responded to the census. The ANAO considers this to represent a significant response rate. Of the CWCs responding to the questionnaire<sup>105</sup>, the response rate to questions exceeded 98 per cent in total. The ANAO considers this to represent a highly consistent response to the census.

## Communications

7. Effective and timely communication between DEWR and CWCs is an important component of successful service delivery. The more effective communications are, the more likely that the quality of service delivery will be enhanced. To understand if communication between DEWR and CWCs supported service delivery, CWCs were surveyed to ascertain their views.

### *CWC views on communication between DEWR and CWCs*

8. In the survey<sup>106</sup>, the ANAO asked CWCs whether they agreed with a number of positive statements about DEWR communication and consultation. Figure A5.1 presents this analysis.

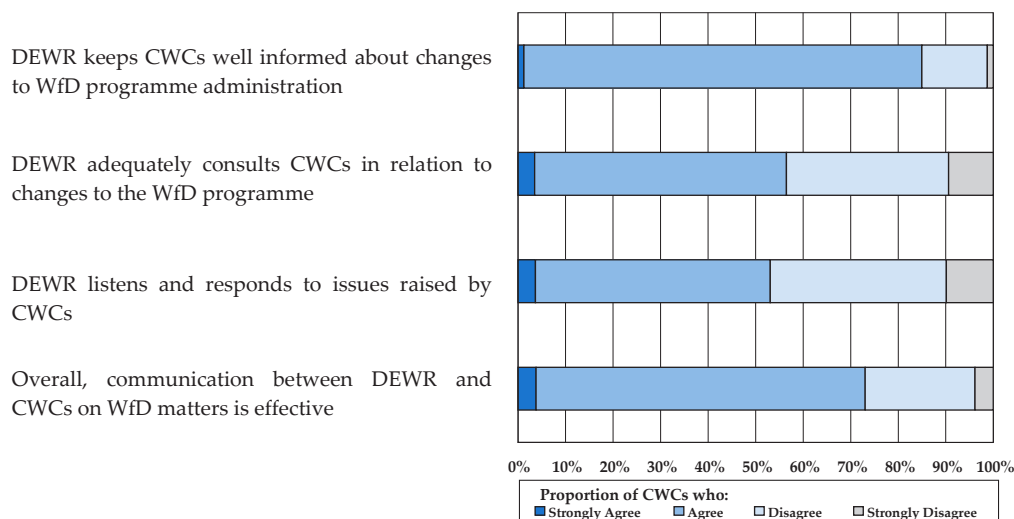
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<sup>105</sup> The ANAO conducted a census of 115 CWCs participating in the CWCSC 2002 and 2006–09 CWC contract rounds.

<sup>106</sup> Ibid.

Figure A5.1

## CWC views on communication between DEWR and CWCs



Source: ANAO census of CWCs, September 2006.

9. Figure A5.1 indicates that while most (eighty-five per cent) CWCs agreed that DEWR kept them well informed about changes to WfD programme administration:

- 56 per cent of CWCs considered that DEWR adequately consulted CWCs in relation to changes to the WfD programme; and
- 53 per cent agreed that DEWR listens and responds to issues raised by CWCs.

10. Overall, around three-quarters (73 per cent) of CWCs were satisfied<sup>107</sup> with communication between DEWR and CWCs on WfD matters with consistent acknowledgement or the role of the DEWR CWC Working Party as being a forum for consultation and resolution of issues.

11. Satisfaction with communication was high in all States and Territories<sup>108</sup> other than Queensland (50 per cent of CWCs satisfied) and NSW (59 per cent satisfied) and South Australia (73 per cent satisfied). Reported

<sup>107</sup> CWCs who agreed with the statement 'Overall, communication between DEWR and CWCs on WfD matters is effective' are deemed to be satisfied with communication.

<sup>108</sup> Eighty-five per cent or more of CWCs in Victoria, Western Australia, Tasmania, NT and ACT agreed that communication between DEWR and CWCs on WfD matters is effective.

dissatisfaction primarily related to a perceived lack of genuine consultation by DEWR. It is noted that the census was completed by providers operating under CWCSC 2002, some of whom were either unsuccessful or did not re-tender for ESC 2006–2009 business.

12. A number of CWCs expressed a concern about inconsistent advice being provided by DEWR. Others were concerned about the timeliness of advice from DEWR. The main suggested improvements related to consolidating and improving the information provided to CWCs. Overall however, almost a half of the CWCs consider that DEWR does not adequately consult, listen and respond to issues raised by CWCs.

13. The ANAO also surveyed CWCs on non-IT based information, such as email, general programme information and telephone calls to determine the level of satisfaction by CWCs. The results are shown at Figure A5.2. Generally, CWCs expressed an overall satisfaction with the information provided by DEWR. However, almost 50 per cent of respondents did not agree that DEWR had provided adequate training in relation to their responsibilities under WfD.

**Figure A5.2**

**CWC views on DEWR information provision**

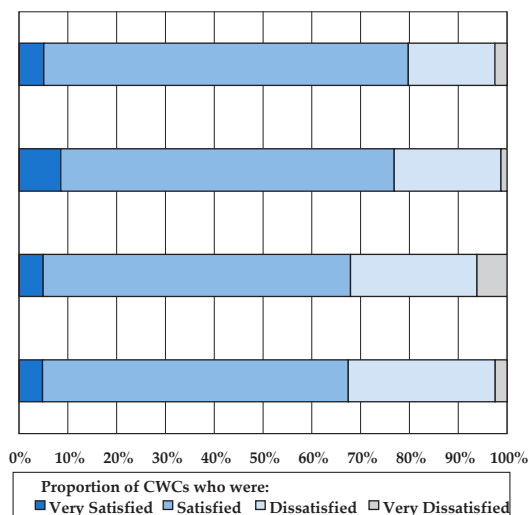
How satisfied are you with...

the timeliness of the information provided other than through DEWR's IT systems?

the accuracy of information provided to you by DEWR other than through its IT systems?

how well information is explained to you other than through DEWR's IT systems?

the comprehensiveness of information that is provided other than through IT systems?



Source: ANAO census of CWCs, September 2006.

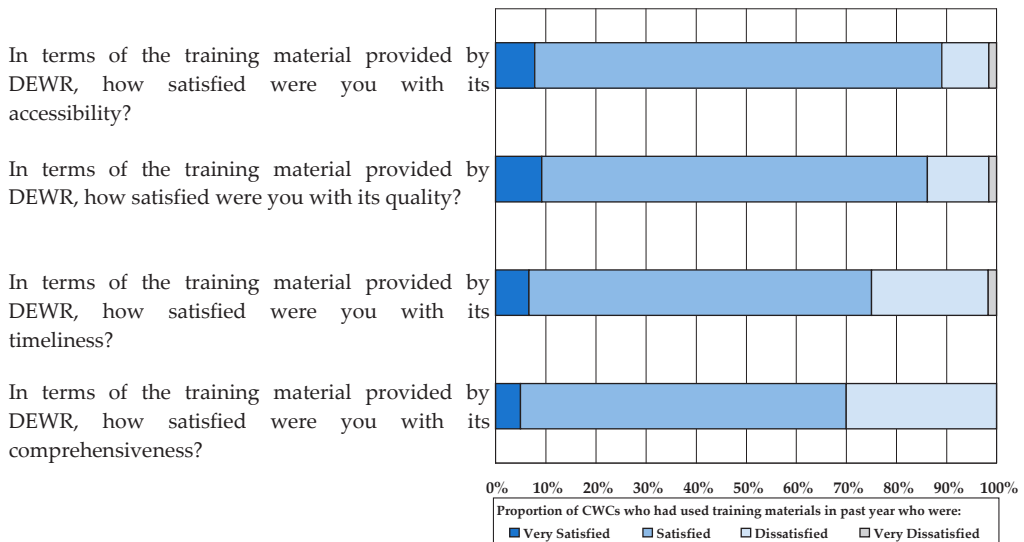


## Training material for CWCs

14. The ANAO surveyed CWCs to determine their views on the accessibility, quality, timeliness and comprehensiveness of training materials that would assist with the performance of duties. The census results are presented at Figure A5.3.

**Figure A5.3**

### CWC views on DEWR WfD training materials

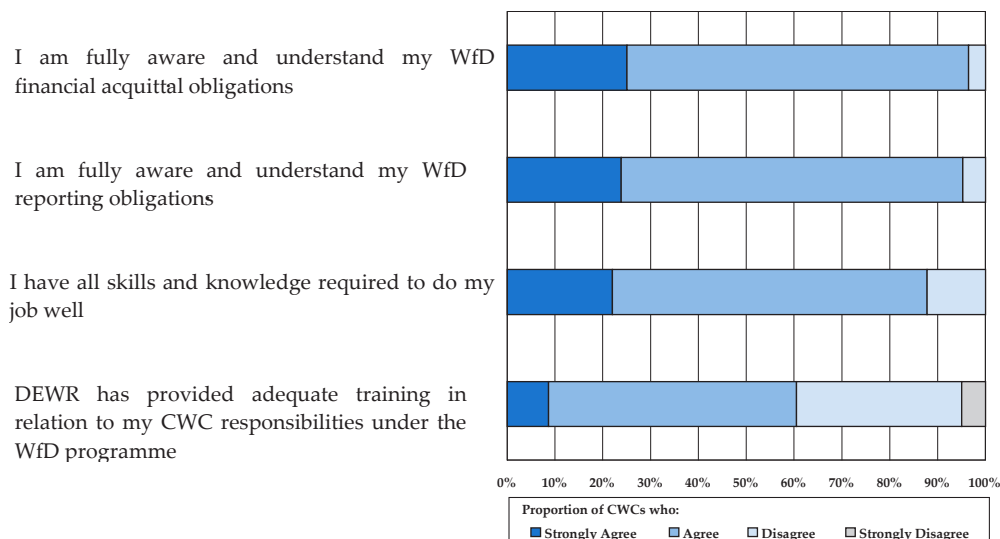


Source: ANAO census of CWCs, September 2006.

15. Figure A5.4 provides further CWC views on wider technical skills and obligations required to fulfil the requirements of service provision.

**Figure A5.4**

**CWC views on financial acquittal, reporting, knowledge and training**



Source: ANAO census of CWCs, September 2006.

16. CWCs were generally supportive of the quality and accessibility of training materials provided by DEWR to assist CWCs with service delivery. Training materials were generally considered to be readily accessible and of high quality (although there are some concerns about its timeliness and comprehensiveness) – this was confirmed by 40 per cent of CWCs considered that DEWR had not provided them with adequate training in relation to their responsibilities under the WfD programme.

**CWC views on the CWC services contract**

17. In its census, the ANAO asked CWCs to what extent they agreed with various positive statements about the Round 5 2002–06 and Round 6 2006–09 services contracts with DEWR. Overall, CWC satisfaction with the Round 6 Contract is significantly below CWC satisfaction with the Round 5 contract:

- 80 per cent of CWCs were satisfied with their Round 5 CWC Services Contract, while;
- 53 per cent of CWCs were satisfied with their Round 6 Services Contract.

18. The most commonly cited concerns related to:

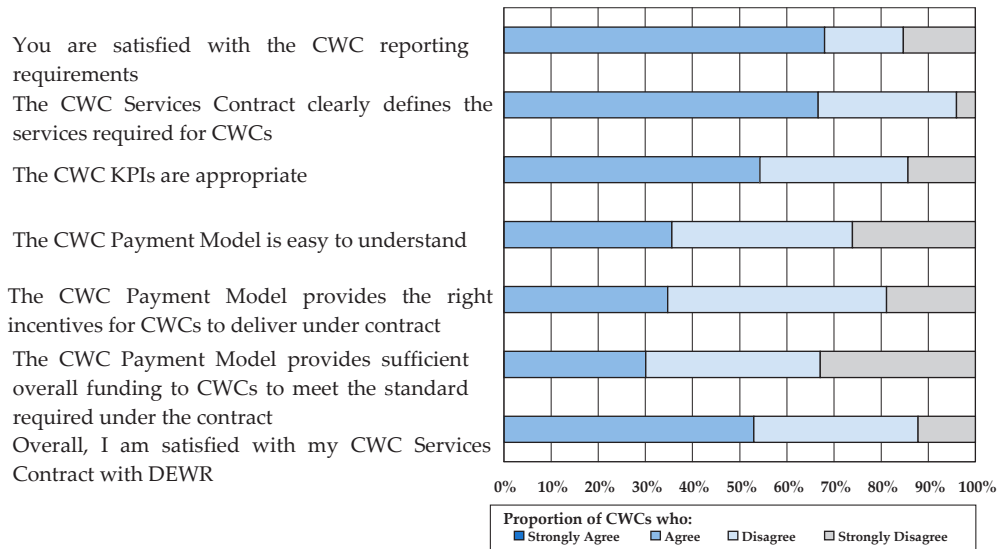
- the Round 6 Payment Model; and
- the KPIs contained in the Round 6 CWC Services Contract.

*The CWC Payment Model*

19. Figure A5.5 presents the primary views of CWCs on CWCS 2002.

**Figure A5.5**

**CWC views on CWCS 2002**



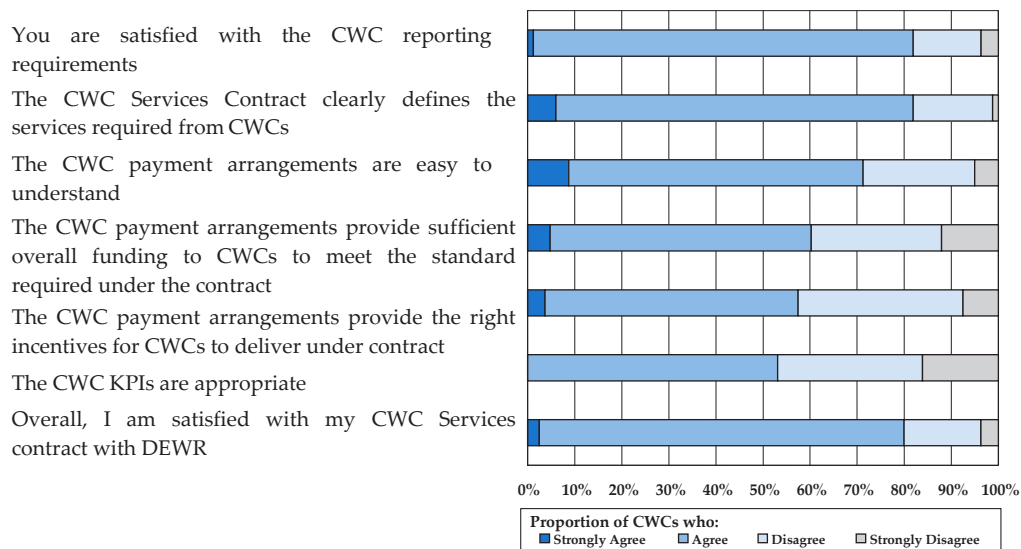
Source: ANAO census of CWCs, September 2006.

20. Figure A5.6 presents the primary views of CWCs on ESC 2006–2009.

**Figure A5.6**

**CWC views on ESC 2006–2009**

s



Source: ANAO census of CWCs, September 2006.

21. Figure A5.6 reflects that only around one-third of CWCs considered that the Round 6 CWC Payment Model was easy to understand (36 per cent); provides the right incentives for CWCs to deliver under contract (35 per cent); and provides sufficient overall funding to CWCs to meet the standard required under the contract (30 per cent).

**CWC 2006–09 payment model**

22. The most commonly cited concern about the CWC Payment Model was that it did not deliver sufficient funding in view of the increased administrative and reporting requirements it placed upon CWCs. Around ten per cent CWCs commented they considered that reduced funding or lack of flexibility under the new Payment Model would adversely impact upon WfD programme outcomes. Another commonly cited concern with the Round 6 Payment Model was its perceived complexity and, related to this, the difficulty of predicting cash-flows under it.

23. It should be noted that this was the basis on which CWCs tendered for business and therefore, it would be expected that they formulated their tendered Service Fee bids to take into account the new payment model.

24. Another consistent concern of CWCs was that DEWR had not provided timely or adequate training on the new Payment Model. The ANAO notes that since the time of the survey, DEWR has performed a series of workshops around the country, designed to improve the understanding of the functionality

25. While many cited concerns about Round 6 funding levels, not all CWCs were dissatisfied with the Round 6 Payment Model. Others considered that it was too early to reach a conclusion about the Round 6 Payment Model, given it had only recently been introduced.

## **Key performance indicators**

### *The KPIs contained in the Round 6 CWC Services Contract*

26. Fifty-four per cent of CWCs considered that ESC 2006–2009 KPIs were appropriate. The most commonly cited concern about the CWC Service Contract KPIs was that some were beyond the control of CWCs and so were not an appropriate contractual measure of CWC performance. A number of CWCs considered that the KPIs did not appropriately recognise and reward employment or training outcomes<sup>109</sup>.

27. DEWR has now addressed the concerns about KPIs that are out of the control of CWCs. In particular the timeliness measure of KPI 1 has now been revised to only measure the part of the process that is within the control of CWCs.

28. Almost ten per cent of CWCs were concerned that DEWR did not adequately monitor whether KPI results were being achieved in an ethical best-practice manner. Others were concerned DEWR contract management was too KPI-driven and that this had adversely affected its working relationship with CWCs.

### *Other CWC concerns about the CWC Services Contract*

29. Around one-third (32 per cent) of CWCs were dissatisfied with the reporting requirements under the Round 6 CWC Services Contract. A number of these CWCs considered that the reporting requirements were overly burdensome and required streamlining, reporting requirements were inconsistently interpreted and/or applied by DEWR Contract Managers and IT systems issues had made reporting difficult.

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<sup>109</sup> From 1 July 2006 new arrangements are in operation. The CWC Star Ratings have been formulated to take into account employment outcomes so that any adverse impact on CWCs' performance is offset.

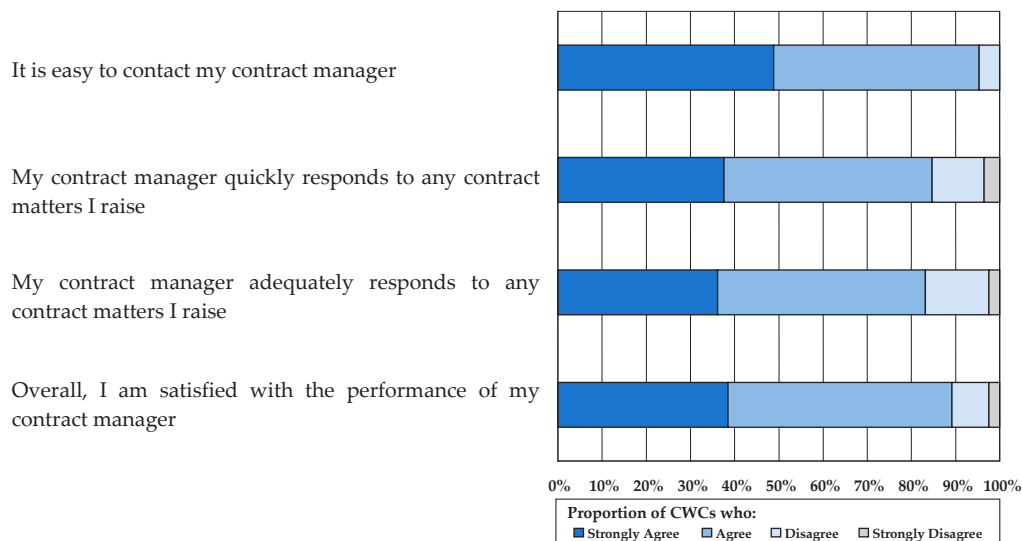
30. One-third (33 per cent) of CWCs considered that the CWC Round 6 Services Contract did not clearly define the services required of CWCs. A number of these CWCs pointed to specific issues (such as gaining additional places, clawing back unused places, and what is permissible for an internally brokered activity) which they considered had not been adequately addressed or clarified in the Round 6 Service Contract.

### CWC views of contract managers

31. CWCs were generally supportive of the performance of the contract manager in DEWR operating as a conduit for service advice and assistance. The census results are illustrated at Figure A5.7.

**Figure A5.7**

### CWC views performance of DEWR Contract Manager



Source: ANAO census of CWCs, September 2006.

### CWC views on the effectiveness of the WfD programme

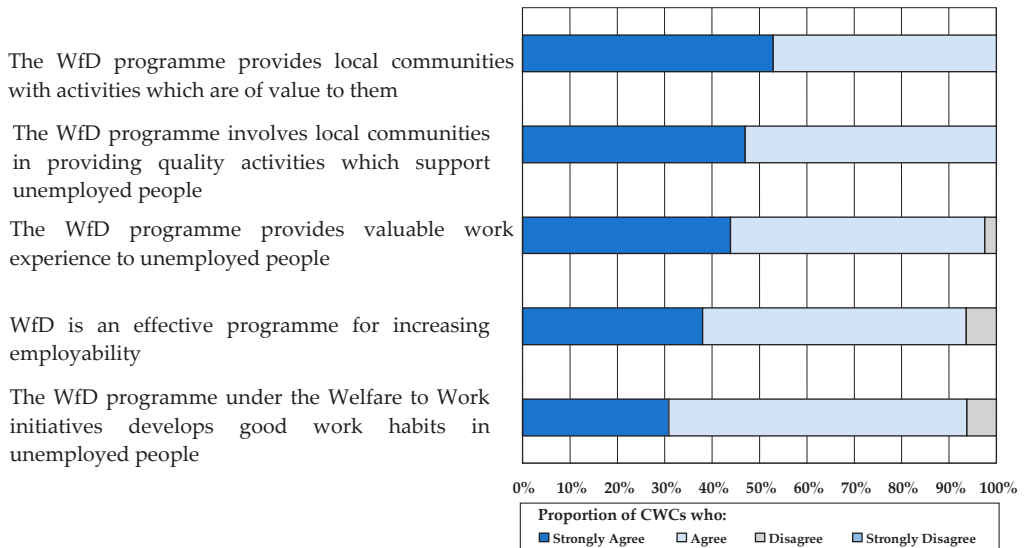
32. The ANAO surveyed CWCs to gather their views on how they viewed the overall effectiveness of the programme. As discussed in *Chapter 2*, the WfD programme seeks to improve job seeker employability through meeting its programme objectives, which are to provide valuable work experience to unemployed people, develop good work habits in unemployed people, involve local communities in providing quality activities which support unemployed

people and assist them at the end of their activity and provide communities with activities (facilities and services) which are of value to them.

33. Figure A5.8 shows that the vast majority of CWCs consider that the WfD programme is meeting these objectives, with between 94 per cent and 100 per cent of CWCs agreeing (or strongly agreeing) that the WfD programme has met each of these individual objectives.

**Figure A5.8**

**CWC views on the effectiveness of the WfD Programme**



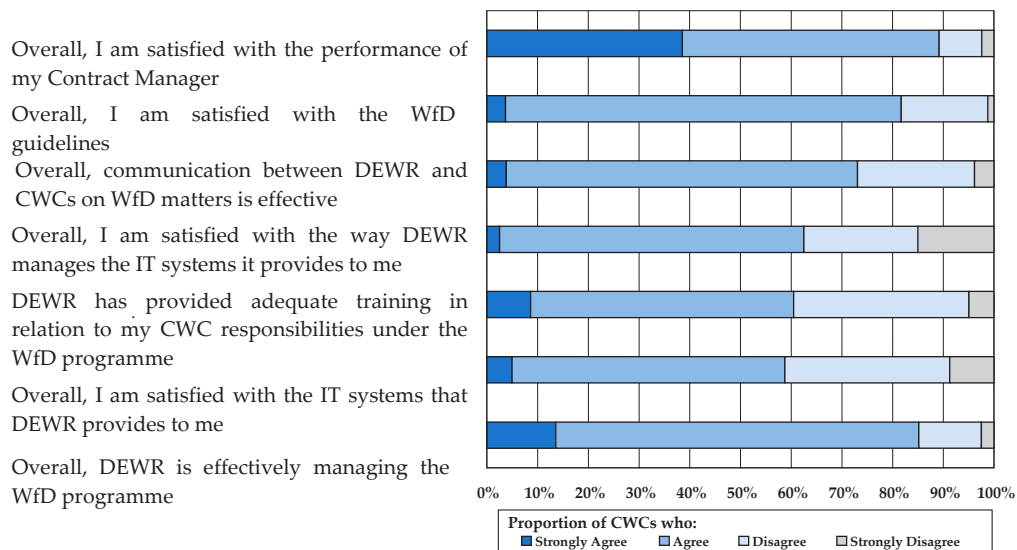
Source: ANAO census of CWCs, September 2006.

**CWC views on DEWR's management of WfD programme**

34. Figure A5.9 shows that, while CWCs had mixed views on various aspects of DEWR's management of the WfD programme, their overall assessment of DEWR's performance was generally positive. Overall, 85 per cent of CWCs considered that DEWR is effectively managing the WfD programme.

**Figure A5.9**

**CWC views on DEWR's management of the WfD Programme**



Source: ANAO census of CWCs, September 2006.

35. ANAO regression analysis<sup>110</sup> indicates that the two key drivers of CWC satisfaction with DEWR's management of the WfD programme are:

- CWC satisfaction with the performance of their contract manager; and
- CWC satisfaction with DEWR IT systems.

36. These findings are consistent with the fact that DEWR Contract Managers and DEWR IT systems are the key touch-points for CWCs in their dealings with DEWR. The generally positive CWC assessment of DEWR's management of the WfD programme can be seen as the product of generally very high levels of CWC satisfaction with DEWR contract manager performance, offset by a significant degree of dissatisfaction with DEWR IT systems:

<sup>110</sup> All the factors listed in *Table A6.9* namely, CWC satisfaction with: Contract Manager performance; WfD guidelines; DEWR communication; CWC training provided by DEWR; IT systems provided by DEWR; and DEWR management of IT systems, were positively correlated with overall CWC satisfaction with DEWR management of the WfD programme. However, only CWC satisfaction with contract manager performance and CWC satisfaction with DEWR IT systems had a statistically significant independent impact on overall CWC satisfaction with DEWR management.



37. 89 per cent of CWCs agreed that they were satisfied with the performance of their DEWR contract manager, with 39 per cent strongly agreeing; while

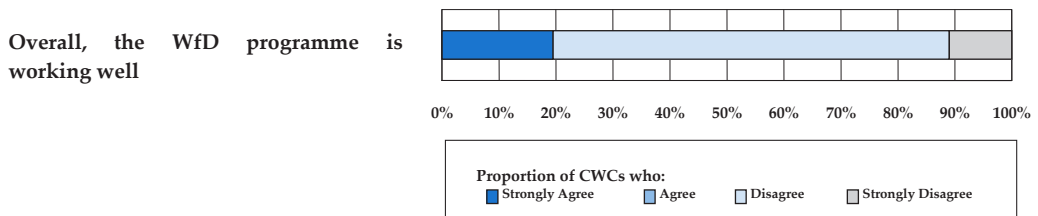
38. 59 per cent of CWC agreed that they were satisfied with the IT systems that DEWR provides to them, with 9 per cent strongly disagreeing.

39. Although the census of CWCs indicates dissatisfaction with DEWR’s IT systems it should be noted that at the time of the census, CWCs were experiencing transitional issues involving change in contracts and associated major IT changes.

40. Having considered DEWR's management of the WfD programme and the extent to which the WfD programme is meeting its stated objectives, 89 per cent of CWCs were of the view that, overall, the WfD programme is working well, as depicted at Figure A5.10.

**Figure A5.10**

**Overall assessment of WfD Programme by CWCs**



Source: ANAO census of CWCs, September 2006.

**Regression analysis**

41. The key driver of satisfaction with DEWR’s management of WfD is the level of satisfaction with contract manager performance because the contract manager is the primary point of contact from the perspective of the CWC.

42. All coefficients are of expected sign and significance. This means that the results fit the theory that contract managers and DEWR IT systems are the two key touch-points that drive CWC views on DEWR performance.

43. Overall, WfD seen as an effective programme delivering services to the community. The cost of compliance for CWCs in meeting contract requirements is high. However, the trade-off for DEWR is that there is a robust framework that allows it to manage the programme.

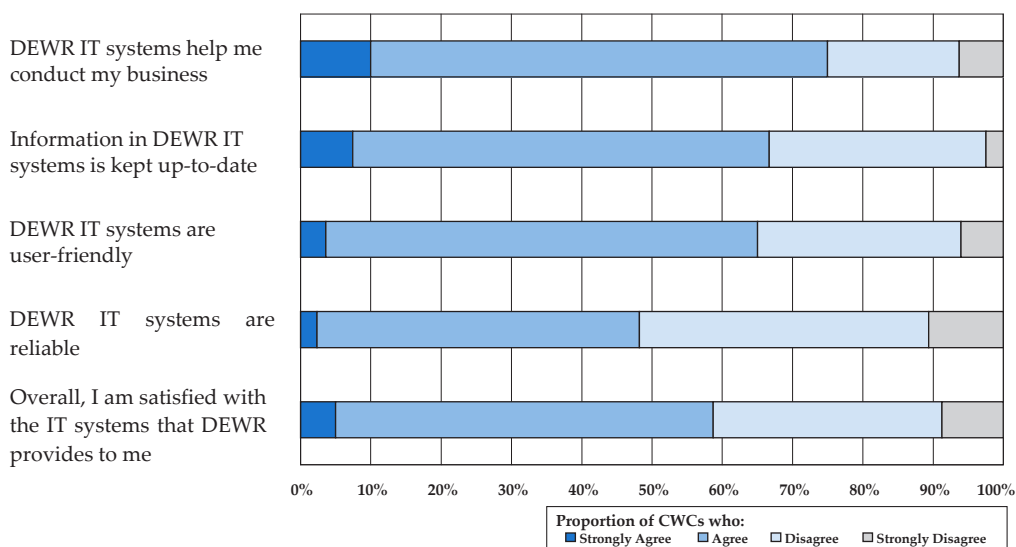
## CWC views on DEWR IT systems

44. In its census, the ANAO sought CWCs views on the IT systems provided to them by DEWR and DEWR's management of these IT systems. Figure A5.11 and Figure A5.12 collectively indicate a significant proportion of CWCs were dissatisfied with both:

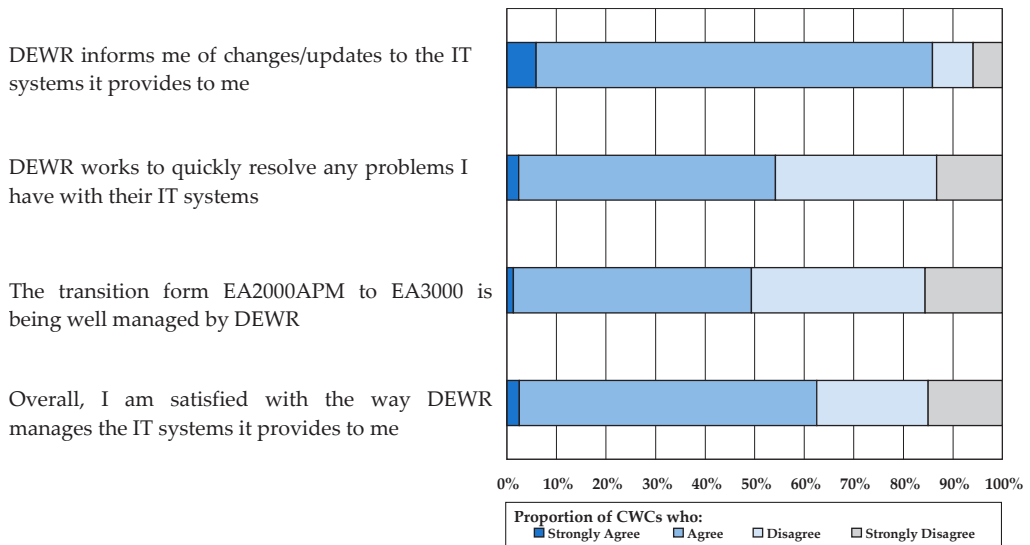
- 59 per cent of CWCs were satisfied with the IT systems DEWR provided to them; and
- 63 per cent of CWCs were satisfied with DEWR's management of these IT systems.

**Figure A5.11**

### CWC views on DEWR IT systems



Source: ANAO census of CWCs, September 2006.

**Figure A5.12****CWC views on DEWR's management of IT systems**

Source: ANAO census of CWCs, September 2006.

45. Around one-third (35 per cent) of CWCs considered that DEWR IT systems were not user-friendly.

46. However, not all CWCs were critical of DEWR IT systems or DEWR's management of these systems. Most (86 per cent) agreed that DEWR informed them of changes/updates to the IT systems provided to CWCs and three-quarters (75%) agreed that DEWR IT systems helped them conduct their business. Several CWCs commented that given the magnitude of IT changes, DEWR are performing well.

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