

The Auditor-General
Audit Report No.38 2007-08
Performance Audit

Administration of Job Network Service Fees

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

Australian National Audit Office

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Canberra ACT
4 June 2008

Dear Mr President
Dear Mr Speaker

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

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', with a long horizontal flourish extending to the right.

Ian McPhee
Auditor-General

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

AUDITING FOR AUSTRALIA

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Abbreviations

ANAO	Australian National Audit Office
DEEWR	Department of Education, Employment and Workplace Relations
JSKA	Job Seeker Account
EA3000	Employment Assistant 3000
ESC2	Employment Services Contract 2
ESC3	Employment Services Contract 3
ESC 2006-2009	Employment Services Contract 2006-2009
ESN	Employment Services Network
ISca	Intensive Support customised assistance
ISjst	Intensive Support job search training
JNM	Job Network Member
JSCI	Job Seeker Classification Instrument
NCMF	National Contract Management Framework

Summary and Key Findings

Summary

Introduction

1. The Australian Government has provided employment services to unemployed job seekers since 1946. In May 1998, the Government replaced the Commonwealth Employment Service with the Job Network Program, which is now managed by the Department of Education, Employment and Workplace Relations (DEEWR).¹

2. Under the Job Network Program, DEEWR does not directly provide services to job seekers. Rather, it purchases the provision of services to job seekers from a national network of government and non-government organisations. These are:

- Centrelink, the Australian Government organisation responsible for administering social security entitlements. DEEWR pays Centrelink for services it delivers to job seekers under a Business Partnership Arrangement. Centrelink provides services to job seekers, including assessing job seekers' relative labour market disadvantage and referring job seekers to Job Network Members (JNMs); and
- JNMs which comprise not-for-profit and commercial organisations that have been contracted by DEEWR to help eligible job seekers into employment. There are currently around 100 JNMs operating at approximately 1 150 locations throughout Australia. Under Employment Services Contracts (ESC), DEEWR paid JNMs \$1 056 million in 2006–07 to deliver Job Network services.

The Active Participation Model

3. The Job Network Program is in its tenth year of operation and is currently based on the Employment Services Contract 2006–2009 (ESC 2006–2009). The ESC 2006–2009 continues the Active Participation Model (APM) which was designed to simplify access to services for job seekers and to link services provided by Centrelink, JNMs and related service providers.²

¹ The Department of Education, Employment and Workplace Relations (DEEWR) was established on 3 December 2007. During the fieldwork for this audit, the former Department of Employment and Workplace Relations (DEWR) was responsible for managing the Job Network Program. This change did not affect the conclusions in this audit report.

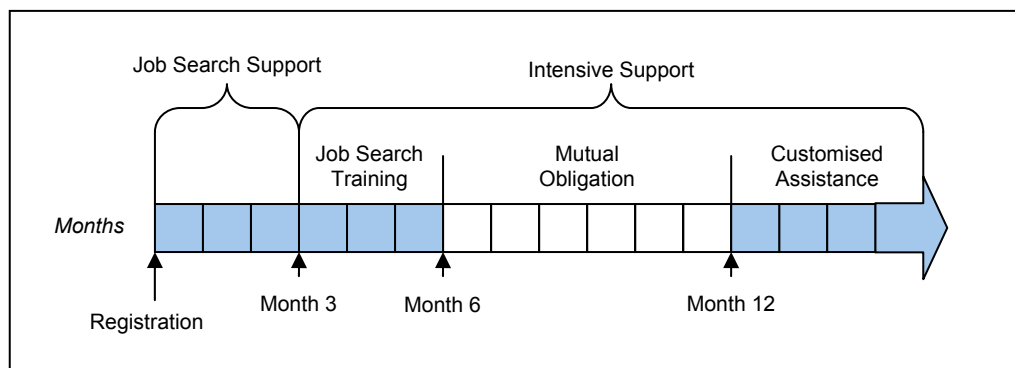
² The Government announced the Active Participation Model in the 2002–03 Budget.

4. Under the APM, job seekers remain continuously engaged in employment assistance until they find suitable employment. After three months, most job seekers who remain unemployed receive specialised one-on-one assistance from a JNM. This assistance, referred to as Intensive Support, starts with job search training. Job seekers who remain in a position of being unable to find work after six months of unemployment move into a period of mutual obligation, involving participation in the *Work for the Dole* or other programs, and then move onto customised assistance involving a more intensive form of personalised assistance to disadvantaged job seekers.

5. The services provided by JNMs and the mutual obligation activities form a continuum of service which increases with intensity the longer a job seeker remains unemployed. The APM continuum is illustrated in Figure 1 including:

- Job Search Support; and
- Intensive Support, including job search training and customised assistance.

Figure 1
Service delivery continuum



Source: ANAO Audit Report No.51 2004–05 DEWR’s oversight of Job Network services to job seekers.

Note: Job seekers who are most disadvantaged in the labour market receive immediate access to Intensive Support customised assistance (ISca).

Job Network Program payments

6. The balance between the major types of fees a JNM could potentially earn under ESC 2006–2009 was designed to create a mix of incentives to encourage increased placements and sustained employment outcomes, increased job seeker activity and improved service and assistance. It was designed to encourage JNMs to focus on getting the long-term unemployed

and Highly Disadvantaged job seekers into the labour market by providing more assistance and support.³ Under ESC 2006–2009, a JNM can receive four major types of payment:

- job placements – fees paid when a job seeker secures sustainable employment through a job placement organisation such as a JNM (the subject of a previous ANAO audit: *Job Placement and Matching Services*, Audit Report No.49 1999–2000);
- jobseeker account – reimbursement of costs associated with assisting a registered job seeker to obtain sustainable employment (the subject of a previous ANAO audit: *Management of Job Network Contracts*, Audit Report No.44 1999–2000);
- service fees – payments made to JNMs for specific services delivered to individual job seekers including: commencement of Intensive Support job search training (ISjst); commencement of both the first and second periods of Intensive Support customised assistance (ISca); and a set fee called the Quarterly Service Fee (the subject of this ANAO audit); and
- outcome payments – payments made to JNMs after a registered job seeker starts and remains in continuous paid employment or education for a period of at least 13 weeks ‘interim outcome’ or 26 weeks ‘final outcome’ (the focus of a current ANAO audit scheduled to table by early 2009).

Service Fees

7. JNMs are paid service fees for each registered and eligible job seeker based on the: classification of the job seeker as Highly Disadvantaged or not; length of time the job seeker has been registered as looking for work; and type of service being provided.

8. Service fees form a significant portion of the expenditure made under the Job Network Program (\$404 million from a total of \$1056 million in 2006–07). The types of services that attract service fees are:

³ A Highly Disadvantaged job seeker is one who has been identified through the Job Seeker Classification Instrument as having a high risk of long-term unemployment or as having greater difficulty relative to other job seekers in the labour market in finding employment because of the job seeker’s personal circumstances and labour market skills.

- Employment Preparation⁴ (paid at commencement of Job Search Support)
 - \$3 million in 2006–07;
- Intensive Support job search training (ISjst) or Intensive Support job search training refresher (ISjstr). This fee is paid to JNMs in advance to cover the cost of job seekers participating in a program of structured job skills training
 - \$78 million in 2006–07;
- Intensive Support customised assistance periods 1 and 2 (ISca1, ISca2). This fee is paid to JNMs in advance to cover the cost of job seekers participating in intensive work preparation, training, work experience and counselling
 - \$194 million in 2006–07; and
- a set fee called the Quarterly Service Fee (QSF). The fee is paid in advance to cover the cost of the Intensive Support reviews, maintaining resumes and activity agreements, and the scheduling and conduct of appointments that occur as the job seeker progresses through the APM continuum when not receiving Intensive Support services
 - \$129 million in 2006–07.

Audit objective and scope

9. The objective of this audit was to assess the effectiveness of DEEWR's administration of Job Network service fees. The ANAO examined DEEWR's arrangements to:

- specify the nature and level of services to be supplied by JNMs and to communicate this to the JNMs;
- calculate and pay service fees in accordance with the Employment Services Contract (ESC) 2006–2009 it has with JNMs; and
- obtain assurance that JNMs have delivered services in accordance with the contract.

10. The audit covered service fees associated with Intensive Support services delivered under the ESC 2006–2009 for job seekers eligible for ISjst, ISjstr and both periods of ISca. The audit did not include the funding of job search touch screen kiosks available at Centrelink Customer Service Centres and JNM sites or the provision of Employment Preparation assistance.

⁴ The Employment Preparation component of Job Network commenced on 1 June 2006 and was not included within the scope of this audit.

Overall audit conclusion

11. The Job Network Program is in its tenth year of operation and is an established and mature program. Overall, the Department of Education, Employment and Workplace Relations (DEEWR) was effectively administering Job Network service fees. DEEWR's business model for specifying, paying and monitoring service fees paid to Job Network Members (JNMs) is based on:

- a contract that specifies the services to be delivered by JNMs, supported by DEEWR's IT system and guidelines to assist JNMs to understand their contractual obligations;
- mechanisms to calculate and provide advance payments made to JNMs; and
- a contract monitoring program designed to provide assurance that the JNM services have been appropriately delivered.

Clarity of contractual obligations and guidelines

12. The services that DEEWR requires JNMs to provide to job seekers are appropriately specified in Employment Services Contract (ESC) 2006–2009. DEEWR's contract with JNMs clearly sets out the obligations of JNMs to adequately deliver Intensive Support services for Intensive Support job search training (ISjst) and Intensive Support customised assistance (ISca). DEEWR provides additional means, including the functionality of DEEWR's IT system EA3000, to assist JNMs to understand their contractual obligations.

Mechanisms to calculate and provide advance payments made to JNMs

13. DEEWR relies on the functionality of its IT system EA3000 to assist JNMs in determining the eligibility of job seekers to receive Intensive Support services, and to both raise and process claims for payment. EA3000 automatically assigns a completion date to signify the completion of service delivery and does not require the JNM to confirm that the services have been delivered. DEEWR's payment strategy is based on paying JNMs to provide ISjst and ISca in advance of these services being provided to job seekers. Payment at the commencement of Intensive Support services was designed to provide JNMs with the ongoing capacity to schedule, to conduct and if need be follow-up job seekers who fail to attend the scheduled appointments. The fees are not subjected to a formal acquittal process. This approach increases DEEWR's reliance on the effectiveness of its contract monitoring activities for assurance that services paid for have been delivered.

14. DEEWR also pays JNMs a Quarterly Service Fee (QSF), provided to JNMs in advance based on their national business allocation. The QSF was introduced in mid 2003 and recognises the expenses incurred by JNMs in terms of infrastructure, staffing and other costs required to accommodate anticipated job seeker flows. The QSF is not subject to acquittal, but ongoing payments to JNMs are subject to the satisfactory provision of the services as assessed by DEEWR's contract monitoring activities.

15. A benefit of DEEWR's advance payment model is the reduced administration costs associated with JNMs not being required to make claims for thousands of individual appointments. However, this payment model requires an effective administrative framework to ensure that service fees paid to JNMs have been used for the purpose for which they were provided.

Contract monitoring

16. To effectively manage the Job Network and the advance payment of service fees, DEEWR requires reliable feedback on the performance of JNMs in meeting their contractual commitments. Accordingly, DEEWR has developed a corporate framework for managing its employment contracts which is called the National Contract Management Framework. This framework is underpinned by risk assessments of JNMs and JNM sites by DEEWR contract managers, and a range of monitoring activities. The department's post-payment monitoring is based on checking a sample of service fee payments to determine if there is sufficient evidence available to substantiate that the services have been delivered.

17. DEEWR relies on its monitoring activities to ensure contractual compliance by JNMs and, as a result, obtain assurance that service fees have been used for the purpose for which they were provided. Overall, the post-payment checking model adopted by DEEWR to administer the service fees of the Job Network Program is adequate. Consequently, the ANAO has not made any recommendations in this audit.

18. Nevertheless, in the absence of a formal acquittal process, a higher level of risk is being carried by the Commonwealth under the payment arrangements in place and the model requires ongoing vigilance. A risk going forward is the potential for changes in the status or competence of JNMs that adversely affects their ability to deliver contracted Job Network services. Should DEEWR's contract monitoring detect such a trend, an appropriate mitigation strategy would be to introduce more formal acquittal arrangements

for all or part of the Job Network Program depending on the risk to compliance or service delivery.

Key findings by chapter

Nature and Level of Services (Chapter 2)

19. The ability of Job Network Members (JNMs) to provide the required services to job seekers is contingent upon DEEWR's Employment Services Contract (ESC) 2006–2009 and associated guidelines clearly articulating the services that are required, when the services are to be provided and under what circumstances. In addition, information/documentation is required from JNMs to enable DEEWR to substantiate that the services have been provided.

20. DEEWR's contract ESC 2006–2009 contains clauses that adequately address the Intensive Support services to be provided to job seekers. DEEWR also makes available additional guidance for JNMs in the form of companion guides that provide a greater level of detail. The guidelines are consistent with the contractual clauses and are regularly updated to ensure their ongoing relevance.

21. In addition, DEEWR provides on-line resources including access to previous JNM questions, reports and reviews to assist JNMs to find the answer to their queries. JNMs are also able to discuss any issues and seek clarification through DEEWR contract managers at site level and DEEWR account managers through the JNM's head office. Further, DEEWR has in place a well developed process of incorporating the latest updates and improvements to the contract through the use of General Contract Variations (GCVs).

22. The requirement for JNMs to collect and maintain documentary evidence to substantiate service delivery for Intensive Support job search training (ISjst) and Intensive Support customised assistance (ISca) is set out in the Employment Services Contract. DEEWR has also developed a guide addressing documentary evidence that assists JNMs to identify the evidence they need to collect and make available to DEEWR when requested. DEEWR adequately monitors the claims for these fee payments to JNMs by examining a small sample of this documentation during site visits which are undertaken by DEEWR contract managers as part of contract monitoring. See Chapter 4 for an examination of DEEWR's approach to contract monitoring.

Payment of Service Fees (Chapter 3)

23. Service fees form a significant portion of the expenditure made under the Job Network Program, \$404 million from a total of \$1056 million in 2006–2007. Job Network service fee payments in 2006–07 include: \$78 million for Intensive Support job search training (ISjst) and Intensive Support job search refresher (ISjstr); \$194 million for Intensive Support customised assistance (ISca) periods 1 and 2; and \$129 million for Quarterly Service Fees.

24. Service fees are paid for specific services to be delivered to individual job seekers. DEEWR has a set fee structure in relation to Intensive Support service fees that are fixed for the term of the contract. Payment of ISjst/ISjstr and ISca1/ISca2 are made in advance of these services being provided to job seekers. The fees are not subjected to a formal acquittal process. The stated purpose of these service fees is to fund the capacity to schedule and conduct the training/appointments.

25. There is no requirement for JNMs to certify that they have successfully delivered either ISjst or ISca services for each individual job seeker. EA3000 automatically assigns the completion date for ISjst or ISca based on the length of time from commencement rather than requiring a definitive action on behalf of the JNM to confirm that the services have actually been successfully delivered. This approach increases DEEWR's reliance on the effectiveness of its program assurance activities, which include site visits and desktop monitoring, to ensure services have been adequately delivered or service fees are recovered when appropriate. See Chapter 4 for an examination of DEEWR's approach to contract monitoring.

26. DEEWR also pays JNMs a set fee called the Quarterly Service Fee (QSF). The QSF is paid quarterly in advance to cover the cost of the Intensive Support reviews, maintaining resumes and activity agreements, and arranging and conducting appointments that occur as the job seeker progresses through the Active Participation Model continuum when not receiving Intensive Support services. The department bases the QSF payment on its modelling of job seeker flows rather than actual attendance at appointments.

27. The department's modelling for job seeker flows and expected take-up of Job Network services is based on DEEWR's Forward Estimates Model (FEM). The ongoing internal validation by DEEWR and external scrutiny by the Department of Finance and Deregulation provides assurance that the FEM remains an appropriate tool for calculating QSF payment amounts.

28. A benefit of DEEWR's advance payment model is the reduced administration costs associated with JNMs not being required to make claims for thousands of individual appointments. However, the absence of a formal acquittal process means that a higher level of risk is being carried by the Commonwealth.

29. In order to manage advance payments of this kind, DEEWR requires assurance that Intensive Support payments and Quarterly Service Fees are being used for the purposes for which they were provided. To obtain this assurance, DEEWR undertakes a range of monitoring activities as part of its contract assurance. DEEWR's National Contract Management Framework, which includes contract monitoring, is examined in detail in Chapter 4.

Contract monitoring (Chapter 4)

30. The central objective of contract management is to ensure goods and services are delivered as specified in the contract according to time, cost, quantity and/or quality standards specified in the contract.

31. As stated above, DEEWR does not acquit service fees for Intensive Support job search training (ISjst); Intensive Support customised assistance (ISca) or for the services covered by the Quarterly Service Fee. Instead, DEEWR relies on its contract monitoring to ensure that the Intensive Support services for which it has paid in advance have been appropriately delivered.

32. Accordingly, DEEWR has developed a corporate framework for managing all employment program contracts, such as the Job Network contract, which is called the National Contract Management Framework. This approach is underpinned by risk assessments and monitoring activities such as regular site visits, monitoring of performance data, quality audits and program assurance activities.

33. DEEWR adequately monitors the claims for Intensive Support service fee payments that are made by JNMs. The process relies on DEEWR checking a sample of service fee payments during site visits, and using desk top monitoring and program assurance activities at both State and head office level to determine if there is sufficient evidence available to substantiate that the services have been delivered. This consists of reviewing the case files of up to 15 job seekers who have completed either ISjst and or ISca at each JNM site. This represents approximately 15 000 claims for payment out of a possible 135 000 claims for ISjst and 235 000 claims for payment for ISca each year. The JNMs can also be asked to provide the evidence as part of quality audits and

program assurance activities. Of the 600 job seeker files reviewed in detail during this audit, the ANAO did not find discrepancies that had not already been identified and dealt with by the relevant DEEWR contract manager.

34. When DEEWR identifies that there is an issue with a service fee payment through either: a site visit; desk top monitoring; program assurance projects; or any other means such as customer feedback lines, a letter may be sent to the JNM requesting sufficient evidence to justify the retention of the service fee. Depending on the response from the JNM and the adequacy of the documentation provided, DEEWR's account manager will decide whether to recover the service fee or not. When the decision is made to recover the service fee the process consists of issuing a debit notice and offsetting the amount against a future payment to the JNM or by issuing a tax invoice for payment by the JNM.

35. The recovery rates for ISjst and ISca is now quite low, in the order of three to five per cent of all claims. This represents a decrease from approximately 12 000 claims per year four years ago to just over 4000 in 2006–07. This decrease in recoveries has occurred over a period when DEEWR has placed considerable attention on refining the effectiveness of its National Contract Management Framework which includes its approach to monitoring contractual compliance and the administrative arrangements used to manage the contract.

DEEWR's response to the audit

36. DEEWR's full response is provided at Appendix 3.

DEEWR's response

The department welcomes the ANAO's conclusion that 'DEEWR has been effectively administering Job Network Service Fees'.

DEEWR notes that, since the audit fieldwork, the Government has announced a new integrated employment services model for implementation from 1 July 2009. This will mean very significant change to the Job Network program that is the subject of this audit. The work of the ANAO in this audit, together with consultations with and input from stakeholders, will assist in informing the department's ongoing work in order to continuously improve the administration of current and future employment service programs.

Audit Findings and Conclusions

1. Introduction

This chapter describes Job Network Program, the service fees paid to Job Network Members and the objective, scope and methodology of the ANAO's performance audit.

The Job Network Program

1.1 The Australian Government has provided employment services to unemployed job seekers since 1946. In May 1998, the Government replaced the Commonwealth Employment Service with the Job Network Program, which is now managed by the Department of Education, Employment and Workplace Relations (DEEWR).⁵

1.2 Under the Job Network program, DEEWR does not directly provide services to job seekers. Rather, it purchases the provision of services to job seekers from a national network of government and non-government organisations. These are:

- Centrelink, the Australian Government organisation responsible for administering social security entitlements. DEEWR pays Centrelink for services it delivers to job seekers under a Business Partnership Arrangement. Centrelink provides services to job seekers, including assessing job seekers' relative labour market disadvantage and referring job seekers to Job Network Members (JNMs); and
- JNMs which comprise not-for-profit and commercial organisations that have been contracted by DEEWR to help eligible job seekers into employment. There are currently around 100 JNMs operating at approximately 1150 locations throughout Australia. Under Employment Services Contracts (ESC), DEEWR paid JNMs \$1056 million in 2006–07 to deliver Job Network services.

1.3 While DEEWR contracts the delivery of Job Network services to JNMs, the department retains responsibility for the quality of the services provided to job seekers and the achievement of employment results consistent with the department's outcomes.

⁵ The Department of Education, Employment and Workplace Relations (DEEWR) was established on 3 December 2007. During the fieldwork for this audit, the former Department of Employment and Workplace relations (DEWR) was responsible for managing the Job Network Program. This change did not affect the conclusions in this audit report.

Eligible job seekers

1.4 There are two main classes of job seekers who are eligible for services under the Job Network Program:

- Fully Job Network Eligible (FJNE) – these are job seekers who are registered as looking for work and who either receive a specified type of income support payment or are aged 15 to 20 years and not in full time education or training. Around 75 per cent of FJNE job seekers are Newstart Allowance or Youth Allowance (Other) recipients. The remaining 25 per cent of job seekers are receiving payments such as Non Allowance Youth, Parenting or Personal Support Program; or
- Job Search Support Only (JSSO) – these are job seekers who are looking for work and are not FJNE.

1.5 A Job Search Classification Instrument (JSCI) is administered by Centerlink on registration by a job seeker and is used to determine if a job seeker should be classified as Highly Disadvantaged⁶ or not.

Job Network Program payments

1.6 The ESC3 (2003–06) version of the contract applied a fixed fee structure for the payment of fees for the life of the contract. This approach was carried over into the ESC 2006–2009 when the contract was extended in 2006. The RFT documentation issued in 2002 set out DEEWR's intended approach, and highlighted that the fees were not to be subject to price competition and were to remain fixed for the life of the contract. There has been one increase of 4.7 per cent in service fees, which occurred when the contract was extended in 2006.

1.7 The balance between the major types of fees a JNM could potentially earn under ESC 2006–2009 was designed to create a mix of incentives to encourage increased placements and sustained employment outcomes, increased job seeker activity and improved service and assistance. It was designed to encourage JNMs to focus on getting the long-term unemployed and Highly Disadvantaged job seekers into the labour market by providing more assistance and support. Under ESC 2006–2009, a JNM can receive four major types of payment:

⁶ A Highly Disadvantaged job seeker is one who has been identified through the Job Seeker Classification Instrument as having a high risk of long-term unemployment or as having greater difficulty relative to other job seekers in the labour market in finding employment because of the job seeker's personal circumstances and labour market skills.

- job placements – fees paid when a job seeker secures sustainable employment through a job placement organisation such as a JNM (the subject of a previous ANAO audit: *Job Placement and Matching Services*, Audit Report No.49 1999–2000);
- jobseeker account – reimbursement of costs associated with assisting a registered job seeker to obtain sustainable employment (the subject of a previous ANAO audit: *Management of Job Network Contracts*, Audit Report No.44 1999–2000);
- service fees – payments made to JNMs for specific services delivered to individual job seekers including: commencement of Intensive Support job search training (ISjst); commencement of both the first and second periods of Intensive Support customised assistance (ISca); and a set fee called the Quarterly Service Fee (QSF) (the subject of this ANAO audit); and
- outcome payments – payments made to JNMs after a registered job seeker commences and remains in continuous paid employment or education for a period of at least 13 weeks ‘interim outcome’ or 26 weeks ‘final outcome’ (the focus of a current ANAO audit scheduled to be tabled by early 2009).

1.8 Table 1.1 details the actual costs of the Job Network Program by the four major payment types for the last three years.

Table 1.1

Job Network Program Payments

Service	\$2004–05	\$2005–06	\$2006–07
Job Placements	122 632 929	118 184 584	106 052 385
Jobseeker Accounts	289 986 202	208 169 575	163 403 226
Service Fees	472 854 660	403 671 459	403 655 848
Outcome Payments	412 839 900	414 167 401	383 439 900
Total	1 298 313 691	1 144 193 019	1 056 551 359

Source: DEEWR⁷

1.9 Service fees represent a significant portion of Job Network Program expenditure. However, the key financial driver of performance for most JNMs

⁷ The number of job seekers receiving income support decreased over the three year period shown which has resulted in a reduction in overall program costs. Payments within the Job Placement fee category also include Job Search Support payments.

is outcome payments. The JNMs contacted during this audit highlighted the fact that while service fees were a major contribution to the on-going costs of their businesses the real financial rewards came from outcome payments.

1.10 Table 1.2 details the ratio between each of the payment types and the total payments of Job Network. This highlights the balance between service fees and outcome payments and shows that, as a proportion of total payments, they are very similar. The balance between service fees and outcome payments is consistent with the objective of the program which is to encourage JNMs to focus on achieving job placement outcomes for job seekers rather than to continue servicing the job seekers.

Table 1.2

Job Network Program payment ratios

Service	2004–05 (%)	2005–06 (%)	2006–07 (%)
Job Placements	9.44	10.33	10.04
Jobseeker Accounts	22.33	18.19	15.47
Service Fees	36.42	35.28	38.21
Outcome Payments	31.80	36.20	36.29
Total	100.00	100.00	100.00

Source: DEEWR

The Active Participation Model

1.11 The Job Network Program is in its tenth year of operation and is currently based on the Employment Services Contract 2006–2009 (ESC 2006–2009). The ESC 2006–2009 continues the Active Participation Model (APM) which was designed to simplify access to services for job seekers and to link services provided by Centrelink, JNMs and related service providers.⁸

1.12 Under the APM, job seekers remain continuously engaged in employment assistance until they find suitable employment. After three months, most job seekers who remain unemployed receive specialised one-on-one assistance from a JNM. This assistance, referred to as Intensive Support, starts with job search training. Job seekers who remain in a position of being unable to find work after six months of unemployment move into a period of mutual obligation, involving participation in the *Work for the Dole* or

⁸ The Government announced the Active Participation Model in the 2002–03 Budget.

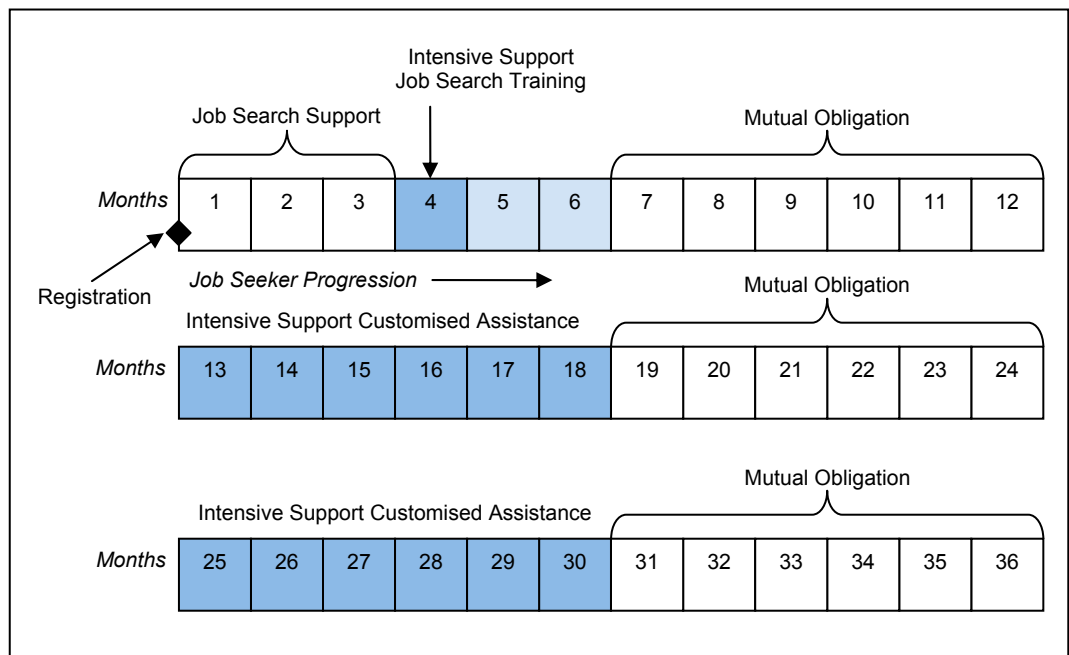
other programs, and then move onto customised assistance involving a more intensive form of personalised assistance to disadvantaged job seekers.

1.13 The services provided by JNMs and the mutual obligation activities form a continuum of service which increases with intensity the longer a job seeker remains unemployed. The APM continuum is illustrated in Figure 1.1 with explanations for each phase of the continuum provided in Table 1.3 including:

- Job Search Support; and
- Intensive Support, including job search training and customised assistance.

Figure 1.1

APM continuum



Source: ANAO

Table 1.3

APM continuum description of phases

Phase and Services	Description
Day One Registration and referral	An unemployed person registers with Centrelink to receive Job Network services. Centrelink uses the Job Seeker Classification Instrument (JSCI) to establish the job seeker's starting point within the continuum. Job seekers who are identified as Highly Disadvantaged have immediate access to Intensive Support - customised assistance (ISca). The job seeker may choose or will be allocated a Job Network provider. An appointment is made for them to attend a meeting with the Job Network provider.
0 to 3 months Job Search Support	Job seekers receive job search support from their Job Network provider. These services include: registration for Job Network services; job search advice; access to job search facilities; development, lodgement and updating of vocational profiles and resumes on the Australian JobSearch System; access to Employment Preparation for eligible job seekers.
4 to 6 months Intensive Support – Job Search Training	A job seeker is required to attend a minimum of 100 hours job search training and related activities, normally conducted over a three week period. An alternative is refresher job search training for 30 hours.
7 to 12 months Mutual Obligation	Mutual Obligation is an additional activity for an eligible Job Seeker, who has been receiving a relevant Income Support Allowance for six months or more.
13 to 18 months Intensive Support – Customised Assistance (ISca1)	A job seeker is required to negotiate and undertake job preparation and search activities including attending approximately 12 appointments with the JNM over the six month period.
19 to 24 months Mutual Obligation	Mutual Obligation is an additional activity for an eligible Job Seeker, who has been receiving a relevant Income Support Allowance for six months or more.
25 to 30 months Intensive Support – Customised Assistance (ISca2)	A job seeker is required to negotiate and undertake job preparation and search activities including attending between 3 and 8 appointments with the JNM during the six month period. Access to Very Long Term Unemployment (VLTU) assessments/assistance is also provided.
31 to 36 months Mutual Obligation	Mutual Obligation is an additional activity for an eligible Job Seeker, who has been receiving a relevant Income Support Allowance for six months or more.
37 months and longer	A job seeker continues to receive access to the VLTU, ongoing Job Network contact, and continued access to Job Seeker Account. Mutual Obligation activities occur every year.

Source: DEEWR

Job Search Support

1.14 Job Search Support services utilise computer based job search facilities and online vacancy matching to job seeker vocational profiles using the Australian JobSearch database. Job Seeker resumes compiled by JNMs enable each job seeker to be automatically matched with and subsequently notified of available employment vacancies. Job Search Support also includes guidance on the use of job search facilities and assistance with resume preparation.

Intensive Support

1.15 Intensive Support services aim to maximise sustainable employment results for eligible job seekers – particularly the long-term unemployed and those at most risk of long-term unemployment. Job seekers generally access Intensive Support after three months from registration, unless they are classified as Highly Disadvantaged in which case they are able to access Intensive Support immediately. On commencement of Intensive Support, the JNM will negotiate the job seeker's Activity Agreement setting out the activities the job seeker will undertake to improve their employment prospects and find sustainable employment. This agreement is then updated regularly to ensure that activities remain appropriate to the job seeker's circumstances. Intensive Support usually begins with a program of job search training.

Intensive Support job search training (ISjst)

1.16 Intensive Support job search training (ISjst) involves the job seeker participating in a program of structured job search skills training, and both assisted and supervised job search activities utilising their job search skills. The program must consist of 100 hours minimum of on-site job search training and related activities at the JNM site, and off-site activities at potential employer locations or similar and completed within three weeks.

Intensive Support job search training – refresher (ISjstr)

1.17 Intensive Support job search training – refresher (ISjstr) involves the job seeker participating in a shorter version of ISjst with both training and job search activities consisting of a minimum 30 hours, to be completed within one week. ISjstr is often provided to those job seekers who have completed ISjst within the previous 12 months or who have adequate job search skills and only require an update or enhancement to their job search skills or some assistance with their job search activities.

Intensive Support customised assistance (ISca)

1.18 After 12 months (or on registration if the job seeker is classified as Highly Disadvantaged) the job seeker will participate in the Intensive Support customised assistance (ISca1) which is tailored to the needs of the job seeker and available job opportunities. Within customised assistance a job seeker may receive intensive work preparation, training, work experience and counselling. Additional services may be funded through the use of job seeker account funds.

1.19 After 24 months of registration job seekers will undertake a second period of customised assistance (ISca2). Job seekers classified as Highly Disadvantaged will access these services after 12 months of registration. The nature of the assistance is influenced by the job seeker's job prospects and local labour market conditions.

1.20 In delivering Intensive Support services to job seekers who have completed their second period of customised assistance JNMs will assess whether a job seeker may benefit from a range of options targeted at very long-term unemployed people. A primary tool used to facilitate this service is the Very Long Term Unemployed assessment tool, which is applied at the end of the ISca2 period of service and is available on an ongoing basis. In addition JNMs continue to work with long-term unemployed job seekers to keep up their active participation in employment-focussed activities, to maintain their job readiness and help them into employment.

Service Fees

1.21 JNMs are paid service fees for each registered and eligible job seeker based on the: classification of the job seeker as Highly Disadvantaged or not; length of time the job seeker has been registered as looking for work; and type of service being provided.

1.22 The types of services that attract service fees are:

- Employment Preparation⁹ (paid at commencement of Job Search Support)
 - \$3 million in 2006–07;
- Intensive Support job search training (ISjst) or Intensive Support job search training refresher (ISjstr). This fee is paid to JNMs in advance to

⁹ The Employment Preparation component of Job Network commenced on 1 June 2006 and was not included within the scope of this audit.

cover the cost of job seekers participating in a program of structured job skills training

- \$78 million in 2006–07;
- Intensive Support customised assistance periods 1 and 2 (ISca1, ISca2). This fee is paid to JNMs in advance to cover the cost of job seekers participating in intensive work preparation, training, work experience and counselling
 - \$194 million in 2006–07; and
- a set fee called the Quarterly Service Fee (QSF). The fee is paid in advance to cover the cost of the Intensive Support reviews, maintaining resumes and activity agreements, and the scheduling and conduct of appointments that occur as the job seeker progresses through the APM continuum when not receiving Intensive Support services
 - \$129 million in 2006–07.

Previous audits

1.23 This audit is one in a series of audits that have been conducted in recent years looking at various aspects of the Job Network Program. The Job Network audits conducted by the ANAO have included:

- Management of Job Network Contracts – Audit Report No.44 1999–2000;
- Management of the Provision of Information to Job Seekers – Audit Report No.39 2001–02;
- DEWR’s oversight of Job Network Services to Job Seekers – Audit Report No.51 2004–05;
- Implementation of Job Network Employment Services Contract 3 – Audit Report No. 6 2005–06;
- Job Placement and Matching Services – Audit Report No.49 2005–06; and
- Administration of the Job Seeker Account – Audit Report No.32 2006–07.

Audit objective, scope and methodology

Audit objective

1.24 The objective of this audit was to assess the effectiveness of DEEWR's administration of Job Network service fees. The ANAO examined DEEWR's arrangements to:

- specify the nature and level of services to be supplied by JNMs and to communicate this to the JNMs;
- calculate and pay service fees in accordance with the Employment Services Contract (ESC) 2006–2009 it has with JNMs; and
- obtain assurance that JNMs have delivered services in accordance with the contract.

Audit scope

1.25 The audit covered service fees associated with Intensive Support services delivered under the ESC 2006–2009 for job seekers eligible for ISjst, ISjstr and both periods of ISca. The audit did not include the funding of job search touch screen kiosks available at Centrelink Customer Service Centres and JNM sites or the provision of Employment Preparation assistance.

Audit methodology

1.26 The ANAO audit fieldwork included:

- a review of documentation and files in DEEWR Head Office;
- interviews with DEEWR program managers and staff at Head Office;
- a review of the major IT systems used by DEEWR to manage the Job Network, including EA3000, Contract Managers Portal, DEEWR Intranet, Internet sites and secure Job Network sites;
- interviews with DEEWR account managers and contract managers responsible for the JNM sites visited during the Audit;
- visits to 15 JNM sites in the South Queensland Labour Market Region (LMR);
- interviews with JNM site staff including, in some cases, JNM State and Head Office staff;

- a review of JNM Site files and Job Seeker records based on a random sample (600 job seekers consisting of 40 files per each of 15 sites); and
- a review of DEEWR's internal controls in relation to the management and administration of Job Network service fees.

1.27 The audit was conducted in accordance with ANAO Auditing Standards at a cost of \$430 000. A consultant firm, KNJ Professional Services Pty Ltd, assisted with the conduct of the audit.

2. Nature and Level of Services

This chapter analyses DEEWR's approach to specifying the Intensive Support services JNMs are required to provide to job seekers to meet the objectives of the Job Network Program.

Introduction

2.1 In order for the Job Network Members (JNM) to provide the required services to job seekers, the Employment Services Contract (ESC) 2006–2009 and the associated guidelines need to clearly articulate the services that are required, when the services are to be provided, and under what circumstances. In addition JNMs need to know and understand the information/documentation required to enable DEEWR to substantiate that the services have been provided.

Nature and level of services

2.2 DEEWR uses three approaches to specify and describe Intensive Support services. The first approach is based on the provisions contained in the contract. The second is through the use of companion guides. The third is based on the functionality contained within the EA3000 IT system. JNMs also have access to related information via the secure Job Network internet portal – Employment Services Network (ESN), which includes access to the National Policy Clearing House¹⁰ and Frequently Asked Questions (FAQ) via a bulletin board. In addition, JNMs are able to ask their contract managers for clarification or additional detail concerning the services.

Work undertaken by ANAO

2.3 The ANAO assessed:

- the clarity of the contractual obligations in the standard contract used to contract JNMs;
- whether DEEWR's guidelines were consistent with contractual clauses; and

¹⁰ The National Policy Clearing House is an online resource which enables JNMs (through their Account Managers) to post questions regarding Job Network which are then addressed by the appropriate program area within DEEWR.

- whether the functionality of DEEWR's IT system, EA3000, assisted JNMs to understand their contractual obligations.¹¹

2.4 The ANAO also sought the views of several JNMs in regards to their understanding of the Intensive Support services contractual obligations. These views were obtained during visits to JNM sites conducted as part of fieldwork.

Clarity of contractual obligations in ESC 2006–2009

2.5 DEEWR uses a standard contract titled Employment Services Contract 2006–2009 which is used to contract JNMs who provide Job Network services. The contract is the primary and binding means by which DEEWR specifies the nature and level of services to be provided by JNMs to job seekers.

2.6 The initial version of ESC 2006–2009 was titled Employment Services Contract 3 2003 – 2006 (ESC3) and was established in July 2003. DEEWR originally intended to develop a new contract for employment services when the ESC3 expired in 2006. However, the decision was made in 2006 to use the extension clauses of ESC3 and extend the contract through until 2009. The contract was subsequently titled ESC 2006–2009.

2.7 Since the establishment of ESC3 in 2003 the contract has had a number of amendments. The amendments were undertaken using a standard General Contract Variation (GCV) process. These amendments have addressed issues such as minor changes to the Job Network Program, and therefore some of the deliverables, as well as better defining some contractual obligations. There were ten GCVs made to ESC3 during 2003 to 2006 and there have subsequently been three GCVs made to the ESC 2006–2009 version of the contract up to this point.

2.8 Part A of the ESC 2006–2009 addresses a range of standard clauses used by Commonwealth agencies when contracting with third parties for the provision of goods and services. Part B details the specific conditions that relate to the provision of Job Network Services. The focus of this audit has been on specific clauses contained in Part B that address the provision of Intensive Support services.

¹¹ EA3000 is an application developed for use by Job Network Members (the external service providers) and departmental staff to manage the operation of Job Network services and to enable the department to monitor and regulate job seeker flows.

Intensive support services - contractual obligations

2.9 Clause 4 of Part B of the ESC 2006–2009 describes the contractual obligations of the JNMs in relation to the delivery of Intensive Support services. A summary version of the relevant contractual clauses for Intensive Support services has been attached as Appendix 1 of this report.

2.10 The contractual obligations are quite detailed and specific, and clearly identify what services are to be delivered, to whom and under what circumstances. This level of detail is important in ensuring that the contractual basis for the provision of services to a third party, i.e. job seekers, is clearly articulated. The wording of the contract clauses also addresses the need for JNMs to be flexible in terms of tailoring the services to meet individual job seeker needs while also being quite clear on what must be delivered and when.

2.11 There is one notable difference between the delivery of Intensive Support job search training (ISjst) and Intensive Support customised assistance (ISca). Due to either the longer duration of unemployment or degree of disadvantage of participants, ISca has a greater emphasis on case management rather than the concentrated training focus of ISjst. The purpose of ISca is to provide more intensive hands on one-on-one case management services to job seekers in order to assist them in overcoming their barriers to gaining sustained employment. While the contract does stipulate 12 contacts for ISca1 and on average 8 contacts for ISca2 there is flexibility built into the contract to enable the JNM to vary the number of contacts to better meet the needs of the job seeker provided the job seeker agrees. DEEWR's intention is to encourage the JNMs to better meet the needs of the job seekers by working with them rather than to be constrained by an arbitrary number of contacts.

2.12 The requirement for 100 hours for ISjst and the 30 hours of Intensive Support job search training refresher (ISjstr) is to ensure job seekers are engaged in an intensive period of continuous job search training. This approach assists in developing job seeker's job search skills and reinforces positive work habits. While most job seekers are receptive, some prefer to find employment or cease receiving income support rather than attend compulsory training sessions.

2.13 While the contract clauses are quite prescriptive on their own, DEEWR also provides additional information to assist JNMs in order to clarify the contractual obligations.

DEEWR's guidelines and consistency with contract clauses

2.14 DEEWR has developed a number of companion guides, many of which specifically address Intensive Support services. The guides provide additional detail concerning the services as well as the intention or purpose of the services. The guides also describe in detail how to perform various functions and procedures using the functionality of EA3000. All of the guides provided by DEEWR have been recently or are in the process of being updated.

2.15 The guides reviewed as part of this audit included:

- A guide to Intensive Support job search training;
- Helpful Hints guide for delivery of Job Search Training;
- Job Network Service Fees June 2006;
- IS Customised Assistance Guide;
- IS Customised Assistance Helpful Hints; and
- Documentary Evidence for Job Network Services Consolidated Edition Oct 2006.

2.16 The contents of the guides are consistent with the relevant clauses of the contract. JNMs contacted during this audit indicated their satisfaction with the quality of the guides.

Assistance to JNMs using DEEWR's EA3000 IT system

2.17 EA3000 is the IT system DEEWR uses to capture data in relation to each job seeker's progression through the APM continuum. EA3000 has inbuilt functionality that assists in monitoring job seeker contacts with the JNM. EA3000 will automatically notify a JNM when a job seeker is due for one of the prescribed reviews or contacts as detailed in the contract. The JNM will receive a notice on the EA3000 noticeboard of any pending appointments for any of the job seekers allocated to the JNM as a reminder for the JNM to contact the job seeker and arrange the relevant appointment(s). The system was also designed to assist decision-making as to whether a job seeker has met the eligibility requirements before allowing a job seeker to commence either Intensive Support job search training (ISjst) or Intensive Support customised assistance (ISca) or allow the JNM to claim payment.

2.18 The ANAO found that EA3000 assists JNMs in understanding and managing their contractual obligations under the ESC 2006–2009 contract.

2.19 The system cannot, however, capture all of the data needed to substantiate that ISjst or ISca has been delivered, or that the activities undertaken as part of either are directly relevant to the job seeker's needs. In order for DEEWR to determine that the appropriate numbers of hours of ISjst have been delivered, or to monitor that the ISjst or ISca activities are appropriate to the individual job seekers requirements, DEEWR needs to review primary evidence such as JNM's training records, job seeker attendance sheets and associated case notes pertaining to each job seeker.

2.20 The requirement for JNMs to collect and maintain documentary evidence to substantiate service delivery for ISjst and ISca is set out in clause 4.13 (i) of the contract. DEEWR has also developed a guide addressing documentary evidence that assists JNMs to identify the evidence they need to collect and make available to DEEWR when requested. DEEWR reviews a sample of this documentation during site visits which are undertaken by contract managers as part of contract monitoring. The JNMs may also be asked to provide the evidence as part of quality audits and program assurance activities.

Other sources of assistance

2.21 JNMs also have access to a range of information and assistance via the secure Employment Services Network (ESN) internet site. This secure site contains information on all aspects of the program including past reviews and studies as well as a comprehensive list of frequently asked questions. There is also the functionality, provided by the Policy Clearinghouse, for JNMs to post questions through their Account Managers. The questions are then allocated to the appropriate policy or operational area within DEEWR to answer the question and then post the answer back on the clearinghouse portal for all to see.

2.22 DEEWR also has the ability, used by the various policy and operational branches within DEEWR, to post important notices and bulletins on the Internet site informing all JNMs (and sites) of any relevant issues or information.

2.23 In addition, JNMs can make contact with their contract manager or account manager and ask for clarification or to pose a question. Should the contract manager or account manager consider it worthwhile the answers can

then be uploaded to the Internet site. The contract or account managers are able to access specialist advisors in the various branches within DEEWR.

JNM feedback

2.24 Discussions with several JNMs undertaken during audit fieldwork indicated that they had a good understanding the contractual obligations in relation to Intensive Support services. The main issue raised by the JNMs contacted during this audit were in relation to the documentary evidence needed by DEEWR to substantiate that the Intensive Support services had in fact been delivered.

2.25 Each JNM has to rely on their job seekers to provide feedback and evidence that they undertook the required off-site activities required as part of ISjst and that the activities did take as long as they the job seeker has indicated.

2.26 All of the JNMs contacted by the ANAO understood DEEWR's need to be able to substantiate that the services had been delivered, especially since the service fees were paid at the commencement of service delivery rather than at the completion of service delivery. Some JNMs considered this was difficult for them to control as they had no direct control over the job seeker and no means by which to encourage the job seeker to comply with the JNM's request to provide evidence of off-site activities. The ANAO notes that the need to undertake individual and practical job search activities is an essential element of ISjst.

Conclusion

2.27 The ability of Job Network Members (JNMs) to provide the required services to job seekers is contingent upon DEEWR's Employment Services Contract (ESC) 2006–2009 and associated guidelines clearly articulating the services that are required, when the services are to be provided and under what circumstances. In addition, information/documentation is required from JNMs to enable DEEWR to substantiate that the services have been provided.

2.28 DEEWR's contract ESC 2006–2009 contains clauses that adequately address the Intensive Support services to be provided to job seekers. DEEWR also makes available additional guidance for JNMs in the form of companion guides that provide a greater level of detail. The guidelines are consistent with the contractual clauses and are regularly updated to ensure their ongoing relevance.

2.29 In addition, DEEWR provides on-line resources including access to previous JNM questions, reports and reviews to assist JNMs to find the answer to their queries. JNMs are also able to discuss any issues and seek clarification through DEEWR contract managers at site level and DEEWR account managers through the JNM's head office. Further, DEEWR has in place a well developed process of incorporating the latest updates and improvements to the contract through the use of General Contract Variations (GCVs).

2.30 The requirement for JNMs to collect and maintain documentary evidence to substantiate service delivery for Support job search training (ISjst) and Intensive Support customised assistance (ISca) is set out in the Employment Services Contract. DEEWR has also developed a guide addressing documentary evidence that assists JNMs to identify the evidence they need to collect and make available to DEEWR when requested. DEEWR adequately monitors the claims for these fee payments to JNMs by examining a small sample of this documentation during site visits which are undertaken by DEEWR contract managers as part of contract monitoring. See Chapter 4 for an examination of DEEWR's approach to contract monitoring.

3. Payment of Service Fees

This chapter analyses how DEEWR calculates and pays Intensive Support services fees.

Introduction

3.1 Service fees form a significant portion of the expenditure made under the Job Network Program (\$404 million from a total of \$1056 million in 2006–07). The types of services that attract service fees are:

- Employment Preparation¹² (paid at commencement of Job Search Support);
- Intensive Support job search training (ISjst) or Intensive Support job search training refresher (ISjstr);
- Intensive Support customised assistance periods 1 and 2 (ISca1, ISca2); and
- a set fee called the Quarterly Service Fee (QSF).

3.2 DEEWR pays JNMs to deliver Job Network services under Employment Services Contracts (ESC). The procedures and controls used by DEEWR to process legitimate claims for payment of Intensive Support services are essential in DEEWR fulfilling its contractual obligations under ESC 2006–2009.

Work undertaken by ANAO

3.3 In examining DEEWR's payment of service fees, the ANAO considered:

- the service fee structure, amounts paid and number of claims;
- DEEWR's process to determine and pay service fees;
- DEEWR's payment strategy and cash flow to JNMs.

¹² The Employment Preparation component of Job Network commenced on 1 June 2006 and was not included within the scope of this audit.

Service fee structure, amounts paid and number of claims

Intensive Support job search training (ISjst)

3.4 Intensive Support job search training (ISjst) involves the job seeker participating in a program of structured job search skills training, and both assisted and supervised job search activities utilising their job search skills.

3.5 The program consists of 100 hours minimum of on-site job search training and related activities at the JNM site, and off-site activities at potential employer locations or similar. The 100 hours is expected to be completed within three weeks, though it is possible to get an extension. The training and related job search activities are expected to be tailored to meet individual job seeker needs taking into consideration the labour market characteristics.

Intensive Support job search training – refresher (ISjstr)

3.6 Intensive Support job search training – refresher (ISjstr) involves the job seeker participating in a shorter version of ISjst with both training and job search activities consisting of a minimum 30 hours, to be completed within one week. ISjstr is often provided to those job seekers who have completed ISjst within the previous 12 months or who have adequate job search skills and only require an update or enhancement to their job search skills or some assistance with their job search activities.

Intensive Support customised assistance (ISca)

3.7 Intensive Support customised assistance (Period 1) (ISca1) consists of, on average, 12 appointments conducted fortnightly for a period of six months to provide intensive one-on-one assistance to the job seeker. The assistance is meant to address and provide support to the job seeker in their job search efforts. The support is expected to be tailored to address the job seeker's employment barriers as well as provide direct assistance in finding and applying for suitable employment.

3.8 Intensive Support customised assistance (Period 2) (ISca2) consists of, on average, eight one-on-one appointments with the job seeker over a period of six months to provide intensive support to address their barriers to employment, and to assist them in searching and applying for suitable employment.

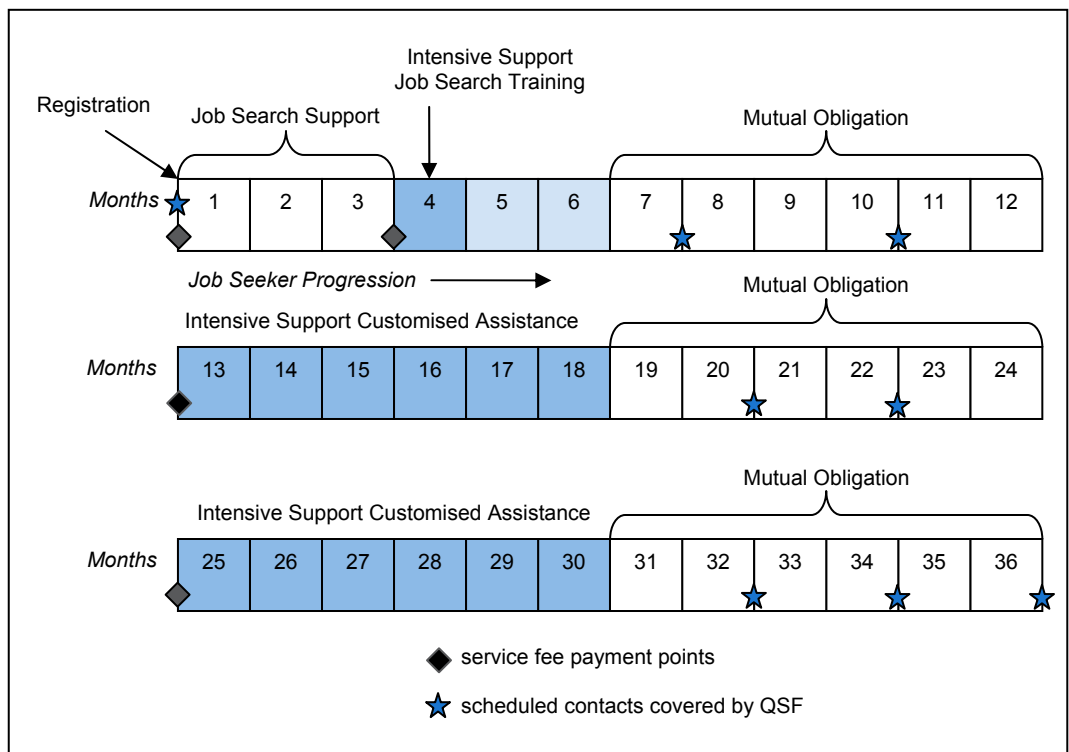
Quarterly Service Fee (QSF)

3.9 DEEWR also pays JNMs a set fee called the Quarterly Service Fee (QSF). The fee is paid in advance to cover the cost of the Intensive Support reviews, maintaining resumes and activity agreements, and appointments that occur as the job seeker progresses through the APM Continuum when not receiving Intensive Support services.

3.10 Figure 3.1 below shows the reviews and appointments addressed by the QSF. Appointments continue to be provided at two month intervals from 32 months until such time as the job seeker gains employment or ceases receiving income support.

Figure 3.1

QSF reviews and contact points



Source: ANAO

Fees payable

3.11 The ESC 2006–2009 details the fee structure for Job Network services. The rates for each type of Intensive Support service are shown in Table 3.1.

Table 3.1**Service Fee rates**

Types of Service	\$ Non-Highly Disadvantaged	\$ Highly Disadvantaged
Intensive Support – job search training	688	*
Intensive Support – job search training refresher	299	*
Intensive Support – customised Assistance period	834	1 250
Intensive Support – customised Assistance period two	495	742

* Job seekers who are classified as Highly Disadvantaged go straight into ISca. As such, providers do not receive ISjst or ISjstr for these job seekers.

Source: DEEWR

3.12 The rates for each of the types of contacts addressed by the Quarterly Service Fee (QSF) are shown in Table 3.2.

Table 3.2**Intensive Support Service Fee QSF rates**

Types of Service	\$ Non-HD	\$ HD
New referral to Job Search Support appointment	63	94
Re-referral to Job Search Support appointment	26	39
Intensive Support (IS) assessment appointment payment for those FJNE job seekers not commenced in ISjst or ISjstr	42	*
IS – job search reviews at seven and ten months	94	*
IS – job search reviews at 20 and 22 months	73	109
IS – job search reviews at 32, 34 and 36 months	104	156
IS – job search reviews at 38, 40 and 42 months and every two months thereafter (payment is for three contacts)	104	156

* Not applicable for Highly Disadvantaged job seekers.

Source: DEWR – ESC 2006–2009, Part B, Schedule B1 – Payments and Contacts Table 1

3.13 Service fees for ISjst, ISjstr, ISca1 and ISca2 are paid at the commencement of service delivery. The QSF is paid in advance to cover the reviews and appointments expected to be conducted during the next three months.

3.14 The QSF is calculated using the following formula as set out in Clause 10.4A of the ESC 2006–2009: the volume of the relevant types of services expected by DEEWR to occur in each financial year *multiplied* by the relevant job network service fee for each type of service *multiplied* by the JNMs national business allocation *divided* by 4.

Number of Claims

3.15 The numbers of claims for the various Intensive Support services for the last three years are shown in Table 3.3. There have been approximately 130 000 to 135 000 claims for ISjst and ISjstr per year. ISca1 and ISca2 represent in excess of 235 000 claims per year.

Table 3.3

Service Fee claims

Service	2004–05	2005–06	2006–07
Intensive Support – job search training	142 009	120 955	117 813
Intensive Support – job search training refresher	11 216	15 352	21 364
Intensive Support – customised assistance period one	237 783	185 677	169 940
Intensive Support – customised assistance period two	80 416	81 283	64 077
Quarterly Service Fee	1 626 997	1 477 383	1 485 099
Employment Preparation	-	-	19 223
Total	2 098 421	1 880 650	1 877 516

Source: DEEWR

Service fees

3.16 The following Table 3.4 provides a breakdown of the total paid for the various service fees over the last three years.

Table 3.4

Service Fees paid

Service	2004–05	2005–06	2006–07
Intensive Support – job search training	85 205 640	72 572 800	73 686 125
Intensive Support – job search training refresher	2 243 109	3 070 400	4 447 583
Intensive Support – customised assistance period one	220 005 116	170 116 650	158 537 800
Intensive Support – customised assistance period two	41 999 805	43 528 116	35 745 233
Quarterly Service Fee	123 400 990	114 383 493	128 443 122
Employment Preparation	-	-	2 795 985
Total	472 854 660	403 671 459	403 655 848

Source: DEEWR

DEEWR's process to determine and pay service fees

Intensive Support job search training (ISjst) and Intensive Support customised assistance (ISca)

IT support for Employment Services Contracts (ESC) 2006–2009

3.17 To a significant extent, ESC 2006–2009 relies upon a major DEEWR IT system, Employment Assistant 3000 (EA3000). EA3000 is an application developed for use by Job Network Members (the external service providers) and departmental staff to manage the operation of Job Network services and to enable the department to monitor and regulate job seeker flows.

3.18 Once a job seeker has been identified as eligible for either Intensive Support job search training (ISjst) or Intensive Support customised assistance (ISca), DEEWR's IT system EA3000 will 'flag' the job seeker as pending for the relevant service. The job seeker's JNM will then request the job seeker to attend an appointment where an assessment will be undertaken to determine the job seeker's needs, barriers to employment and their employment preferences. The JNM will also assist the job seeker in updating their resume and completing or updating an Activity Agreement which will include attendance at either the ISjst or ISca activities. The JNM is then required to update the job seeker's circumstances and details on EA3000.

3.19 When the JNM enters the date that the job seeker commences attending ISjst or ISca EA3000 will present a payment screen. The JNM then has the option to claim payment for the service.

3.20 When the JNM claims the payment, EA3000 produces a tax invoice for the appropriate amount (the fees for each service are fixed under the contract) with the appropriate details such as site code, job seeker id, service code, dates etc. The tax invoice is then automatically processed by DEEWR with payment occurring in the next fortnightly payment run.

3.21 Where a JNM declines to claim the payment the system identifies the payment as outstanding. The JNM then has 28 days (as specified in the contract) in which to make the claim for payment. The system produces a standard report that identifies, by site and service type, those eligible payments not taken by the relevant JNMs. JNMs access this report on a regular basis, normally weekly, though in some cases more often.

3.22 The same process occurs for ISca. Once the job seeker has commenced attending ISca appointments the JNM will be presented with a payment screen. The JNM also has 28 days in which to raise a claim for payment.

3.23 Once the job seeker has commenced receiving the services EA3000 will 'flag' the job seeker as 'commenced' in the services. The system will automatically 'flag' the job seeker as 'completed' after four weeks for ISjst, two weeks for ISjstr, and six months for either ISca1 or ISca2. This approach is used to ensure job seekers move through the continuum and receive appropriate levels of servicing.

3.24 The system uses a date trigger based on the date the job seeker commenced to change the job seeker's flag from 'commenced' to 'completed'. JNMs can request an extension which will then delay the date that EA3000 will 'flag' the job seeker as 'completed'. The JNMs are not required by DEEWR to confirm that the services have been delivered as EA3000 automatically determines the completion date.

3.25 Not all job seekers complete either ISjst or ISca before the services have been delivered and, as such, the system has the functionality to 'exit' job seekers from ISjst or ISca. The valid reasons for exiting a job seeker are: the job seeker has found full time employment; the job seeker has commenced full time study or training; the job seeker has an exemption such as a long term medical exemption; the job seeker has relocated or changed JNM; the job seeker has ceased income support, and is no longer eligible for Intensive Support services; or the services cannot continue to be delivered due to the declaration of a natural disaster such as fires or floods in the area of service.

3.26 If a job seeker does not complete or attend the required activities as part of their Activity Agreement the JNM must ensure they follow up with the job seeker and find out why they did not attend. If the job seeker does not have a valid reason for failing to attend then the JNM is required to raise a Participation Report (PR).¹³

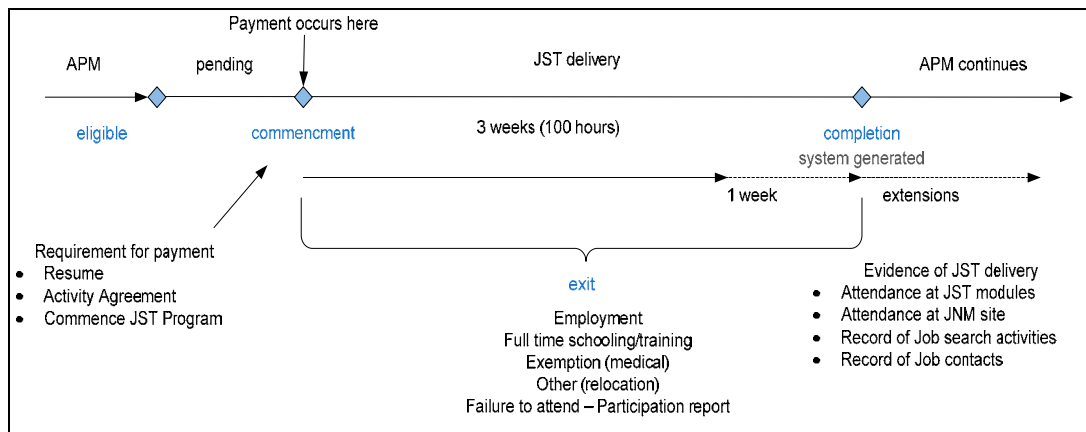
3.27 Where there has been a valid reason for 'exiting' a job seeker before they complete the services or the JNM has raised one or more Participation Reports then the JNM is entitled to retain the service fee or in the case of ISca a pro rata portion of the fee.

¹³ A PR is raised by the JNM and submitted on EA3000. This document then informs Centrelink of a job seeker's failure to fulfil their obligations agreed to as part of accepting income support. This may lead to a decision by Centrelink to either suspend or reduce the amount of income support that the job seeker receives in accordance with the *Social Security Act* and guidelines issued by DEEWR.

3.28 Figure 3.2 below illustrates the payment process as it applies to ISjst.

Figure 3.2

ISjst process diagram



Source: ANAO

3.29 DEEWR relies on the functionality of its IT system EA3000 to assist JNMs in determining the eligibility of job seekers to receive Intensive Support services, and to both raise and process claims for payment. EA3000 automatically assigns a completion date to signify the completion of service delivery and does not require the JNM to confirm that the services have been delivered. This approach increases DEEWR’s reliance on the effectiveness of its program assurance activities, including site visits and desktop monitoring, to ensure services have been adequately delivered or fees are recovered when appropriate. See Chapter 4 for an examination of DEEWR’s approach to contract monitoring.

Quarterly Service Fee

3.30 DEEWR also pays JNMs a set fee called the Quarterly Service Fee (QSF). The QSF is paid quarterly in advance to cover the cost of the Intensive Support reviews, maintaining resumes and activity agreements, and arranging and conducting appointments that occur as the job seeker progresses through the Active Participation Model continuum when not receiving Intensive Support services.

3.31 DEEWR calculates the QSF amount for each JNM (at a national provider level) prior to the commencement of each quarter and advises the JNM, through the DEEWR account manger, of the amount they, the JNM,

should raise a Tax Invoice for. DEEWR then, after verification, will approve and pay the Tax Invoice.

3.32 The department bases the QSF payment on its modelling of job seeker flows rather than actual attendance at appointments. This recognises the expenses incurred by JNMs in terms of infrastructure, staffing and other costs in order to accommodate anticipated job seeker flows as well as the costs associated with following-up and rescheduling missed appointments.¹⁴ In effect the department pays for the JNMs capacity to schedule and conduct the appointments rather than to pay for the actual delivery of the appointments. The payment is not subject to acquittal based on actual attendance but, rather, through ongoing satisfactory provision of the services as assessed by contract managers through the National Contract Management Framework (NCMF).

3.33 A benefit of this approach was an expected reduction in administration associated with JNMs claiming payment for thousands of individual appointments.

Forward Estimates Model

3.34 The department's modelling for job seeker flows through the APM continuum and expected take-up of the Job Network services is based on DEEWR's Forward Estimates Model (FEM). The FEM is a spreadsheet based time series model that incorporates economic forecast data provided by Treasury and actual Job Network data from previous years to develop estimates of future expenditure. The department uses this model to assist in the development of budget submissions as well as calculating the QSF payment to JNMs.

3.35 The FEM is provided to the Department of Finance and Deregulation (Finance) annually as part of DEEWR's budget submission process. Finance is also involved in on-going reviews of the FEM. DEEWR updates the FEM monthly with actual customer and expenditure data and undertakes on-going internal validation of the model on a regular basis to ensure it remains both reliable and valid.

3.36 DEEWR's use of the FEM (which is based on job seeker flows) to calculate the QSF payments each quarter, is appropriate. By doing so DEEWR has adequately addressed the Ministerial directions given in 2003 to ensure JNMs are paid for their capacity to both schedule and conduct the QSF

¹⁴ Active Participation Model Implementation Sub-committee Agenda Item 3c – Revised Financial Arrangements for JNMs, dated 1 September 2003.

appointments and reviews rather than for successful delivery. The ongoing internal validation by DEEWR and external scrutiny by Finance provides assurance the FEM remains an appropriate tool for determining QSF payment amounts.

DEEWR's payment strategy and cash flow to JNMs

3.37 Cash flow for the independent organisations that comprise the Job Network is the responsibility of the management of each of them. However, many are substantially dependent on the business they obtain from DEEWR. In this environment, a consideration for DEEWR is its payment strategy, which includes the timing of service fee payments, and whether payments are designed to provide the capacity to deliver the services or are conditional on successful service delivery being demonstrated.

3.38 An appropriate payment strategy is an important component in the efficient and effective administration of contracts such as the Job Network Program. Generally, large amounts should not be paid in advance owing to the risk of non-performance of obligations, or non-compliance with the terms of the contract. Considerations when developing payment strategies include the:

- cash flow needs of service providers;
- administrative costs incurred by both the government purchaser and the service provider; and
- potential for changes in the status or competence of the service providers that adversely affects their ability to deliver contracted services.

3.39 An advance payment model works best where there is an ongoing and long term relationship with contractors and there is a strong post-payment checking model that is able to provide adequate assurance on the integrity of the claims.

3.40 Payment of ISjst/ISjstr and ISca1/ISca2 are made to JNMs in advance of these services being provided to job seekers. The fees are not subjected to a formal acquittal process. The QSF is also paid quarterly in advance. This payment model requires an effective administrative framework to ensure that DEEWR is achieving value for money. The department's approach to providing advance payment of these fees is examined below.

Payment points

Quarterly Service Fee (QSF)

3.41 In mid-2003, just after the introduction of the ESC3 2003–2006, an issue emerged where the actual number of job seekers who attended scheduled appointments (other than those that occur during ISjst and ISca) was significantly lower than the number that had been anticipated. The funding model for ESC3 2003–2006 was initially based on JNMs claiming payment for these appointments once the job seeker had attended the interview. The 2003 shortfall in attendance by job seekers had a detrimental impact on the cash flows of JNMs. Representation was made to the then Minister for Employment Services which resulted in a direction to DEEWR to make administrative changes to payment points to ensure the JNMs were paid for their efforts in scheduling and following up to get job seekers to attend the schedule appointments.¹⁵

3.42 The department subsequently changed the payment arrangements associated with the review appointments, referral and re-referral appointments that occur as a job seeker progresses through the APM continuum other than during ISjst and ISca. The decision included making a payment at the beginning of each quarter to each JNM to cover all of the expected appointments to be scheduled for the quarter based on the department's modelling. The payment is paid to JNMs (at the national or provider level) rather than to individual JNM sites.¹⁶

Intensive Support customised assistance

3.43 DEEWR has applied the same logic to Intensive Support customised assistance in that payment of the service fees at the commencement of the six month service delivery periods for both ISca1 and ISca2 ensures that the JNMs have the capacity to schedule, conduct and if need be follow-up job seekers who fail to attend the scheduled appointments. Payment at the commencement of service delivery ensures the JNMs have the cash flow to sustain service delivery rather than have to wait more than six months to be paid.

Intensive Support job search training

3.44 ISjst and ISjstr on the other hand are based on the successful delivery of a program of job search training and related activities that are conducted over

¹⁵ Minister for Employment Services – Media release – Job Network achieving record results, dated 9 September 2003.

¹⁶ Active Participation Model Implementation Sub-committee Minutes, 1 September 2003.

three weeks for ISjst or one week for ISjstr unless extensions or part time requirements are applied. The emphasis is on job seekers participating in a concentrated program delivered over a short period of time. The practice of paying upfront for job search training was included in the ESC2 contract which was in place prior to 2003 and the practice has continued through to the current contract ECS 2006–2009.

3.45 At present JNMs are not required to certify that they have successfully delivered either ISjst or ISca services for each individual job seeker. EA3000 automatically assigns the completion date for ISjst or ISca based on the length of time from commencement rather than having a definitive action on behalf of the JNM to confirm that the services have actually been successfully delivered. DEEWR has an expectation that if the JNM has taken the service fee that they will deliver the services and this is monitored at an aggregate level through DEEWR's regime of site and desktop monitoring and program assurance activities. Reality is that in some cases the services will not be delivered and service fees will need to be handed back.

3.46 Payment upfront of ISjst and ISjstr service fees places considerable responsibility on to the JNMs to ensure they have the processes/procedures in place to collect the evidence to substantiate that the services have been adequately delivered. Apart from being required to substantiate service delivery, the information is important from a case management perspective and should be collected anyway. Under ESC 2006–2009 the JNMs are contractually obligated to collect this evidence.

3.47 There are, however, a small number of occasions when the internal processes and procedures within JNM sites do break down, services are not adequately delivered or the information/evidence is not collected in an appropriate format or in a timely manner. Because the ISjst fees have been paid at the start of service delivery under the current arrangements either the JNM needs to self recover or DEEWR needs to identify that the service fee needs to be returned. DEEWRs approach for ensuring that service fees are recovered when appropriate is based on its National Contract Management Framework (NCMF), which includes contract monitoring and program assurance activities. DEEWR's approach to contract monitoring is examined in detail in Chapter 4 of this report.

Conclusion

3.48 Service fees form a significant portion of the expenditure made under the Job Network Program, \$404 million from a total of \$1056 million in 2006–2007. Job Network service fee payments in 2006–07 include: \$78 million for Intensive Support job search training (ISjst) and Intensive Support job search refresher (ISjstr); \$194 million for Intensive Support customised assistance (ISca) periods 1 and 2; and \$129 million for Quarterly Service Fees.

3.49 Service fees are paid for specific services delivered to individual job seekers. DEEWR has a set fee structure in relation to Intensive Support service fees that are fixed for the term of the contract. Payment of ISjst/ISjstr and ISca1/ISca2 are made in advance of these services being provided to job seekers. The fees are not subjected to a formal acquittal process. The stated purpose of these service fees is to fund the capacity to schedule and conduct the training/appointments.

3.50 There is no requirement for JNMs to certify that they have successfully delivered either ISjst or ISca services for each individual job seeker. EA3000 automatically assigns the completion date for ISjst or ISca based on the length of time from commencement rather than requiring a definitive action on behalf of the JNM to confirm that the services have actually been successfully delivered. This approach increases DEEWR's reliance on the effectiveness of its program assurance activities, which include site visits and desktop monitoring, to ensure services are adequately delivered or that service fees are recovered when appropriate. See Chapter 4 for an examination of DEEWR's approach to contract monitoring.

3.51 DEEWR also pays JNMs a set fee called the Quarterly Service Fee (QSF). The QSF is paid quarterly in advance to cover the cost of the Intensive Support reviews, maintaining resumes and activity agreements, and arranging and conducting appointments that occur as the job seeker progresses through the Active Participation Model continuum when not receiving Intensive Support services. The department bases the QSF payment on its modelling of job seeker flows rather than actual attendance at appointments.

3.52 The department's modelling for job seeker flows and expected take-up of Job Network services is based on DEEWR's Forward Estimates Model (FEM). The ongoing internal validation by DEEWR and external scrutiny by the Department of Finance and Deregulation provides assurance that the FEM remains an appropriate tool for calculating QSF payment amounts.

3.53 A benefit of DEEWR's advance payment model is the reduced administration costs associated with JNMs not being required to make claims for thousands of individual appointments. However, the absence of a formal acquittal process means that a higher level of risk is being carried by the Commonwealth.

3.54 In order to manage advance payments of this kind, DEEWR requires assurance that Intensive Support payments and Quarterly Service Fees are being used for the purposes for which they were provided. To obtain this assurance, DEEWR undertakes a range of monitoring activities as part of its contract assurance. DEEWR's National Contract Management Framework, which includes contract monitoring, is examined in detail in Chapter 4.

4. Contract Monitoring

This chapter assesses the effectiveness of DEEWR's contract monitoring arrangements for Job Network service fees.

Introduction

4.1 DEEWR's business model for specifying, paying and monitoring service fees paid to JNMs is based on:

- a contract that specifies the services to be delivered by JNMs, supported by DEEWR's IT system and guidelines to assist JNMs to understand their contractual obligations;
- mechanisms to calculate and provide advance payments made to JNMs; and
- a contract monitoring program designed to provide assurance that the JNM services have been appropriately delivered.

4.2 DEEWR's approach to monitoring the delivery of Intensive Support services is based on its National Contract Monitoring Framework (NCMF) and the associated elements that specifically address contractual compliance. As stated, DEEWR does not acquit service fees for Intensive Support job search training (ISjst), Intensive Support customised assistance (ISca) or for the services covered by the Quarterly Service Fee (QSF). Instead DEEWR relies on its contract monitoring to ensure that the Intensive Support services for which it has paid in advance have been appropriately delivered.

Work undertaken by ANAO

4.3 In examining contract assurance arrangements, the ANAO analysed DEEWR's contract monitoring framework and the associated administrative arrangements DEEWR has in place to manage the ESC 2006–2009, including recoveries.

DEEWR's contract monitoring framework

4.4 DEEWR uses a standard approach to the management of all employment service contracts including ESC 2006–2009. This standard approach is based on the NCMF which has the aim of 'achieving excellence in contract management for all Employment Services'.

4.5 The NCMF describes contract management as a process for ensuring the reliable delivery and quality of services by providers and includes ongoing, or day to day management of contracts and overall performance management of contracts. The NCMF is made up of a number of elements which include:

- risk management – a conceptual framework used to develop priorities for monitoring contractual compliance and performance;
- contract and account managers – a network of account and contract managers located in DEEWR’s state and district offices who are responsible for managing employment services contracts;
- desktop monitoring – the regular reviewing of standard and ad hoc reports derived from EA3000 data that address issues of Job Network compliance and performance;
- site visits – regular visits to JNM sites by contract managers to check compliance with contractual clauses and review samples of documentary evidence;
- performance period reviews – six monthly performance reviews of sites and JNMs;
- quality audits – specialist reviews of specific issues undertaken by contract managers or program areas within DEEWR;
- program assurance – a form of concentrated monitoring and investigation that is undertaken in addition to that which is undertaken routinely by contract managers; and
- governance arrangements – departmental management and oversight of Job Network and other employment programs.

4.6 While all elements of the NCMF assist in monitoring contracts; risk management, desk top monitoring, site visits, documentary evidence and program assurance are particularly relevant to monitoring the delivery of Job Network Intensive Support services.

4.7 The ANAO also assessed DEEWR’s arrangements to recover service fees from JNMs when services had not been provided.

Risk management

4.8 The application of risk management allows an agency to identify the key risks inherent in the different types of programs and contracts that it manages. An understanding of these potential risks then assists in determining

priorities and approaches for monitoring contractual compliance and performance.

4.9 The ANAO found that DEEWR has identified a number of risks which are applied to its administered employment programs, including Job Network, which are organised into four separate risk families (or categories). These are:

- performance risks;
- financial risks;
- compliance risks; and
- servicing risks.

4.10 DEEWR derives potential risks (or sources of risk) at both the JNM (provider) level and at the site level from these four risk families.

4.11 A number of the clauses in the ESC 2006–2009 specifically address these potential sources of risk and are contained in the contract as a means of managing these risks. One example is the need for JNMs to collect appropriate evidence to substantiate that the Intensive Support services have been delivered (clause 7.5, Part A). Without this evidence DEEWR would be unable to substantiate that the services had been delivered, and therefore DEEWR would be unable to ensure the monies provided had been used appropriately. While EA3000 does collect data pertaining to job seekers as they progress through the APM continuum, it does not collect all the data that would fully substantiate the delivery of either ISjst or ISca services.

4.12 DEEWR's contract, account and program managers use an IT tool called the Risk Management Module (RMM) to assist in the assessing and recording of potential contract risks. The module enables contract managers to report and rate the risks associated with a particular JNM or JNM site, and to include contextual information supporting the rating and to record what actions are going to be taken to treat the potential risks identified .

4.13 Risk assessments (ratings), consisting of both the likelihood and consequence of these risks occurring, are used to develop a risk management plan. The risk management plan then details the actions the account manager and the relevant contract managers will undertake to ensure the risks are adequately addressed. DEEWR has produced risk management plans for all JNMs. Each plan includes site level risk assessments and action plans. DEEWR's account manager has responsibility for 'accepting' the risk

management plan and ensuring the appropriate actions as detailed in the plan are subsequently completed.

4.14 DEEWR's contract managers are responsible for ensuring the risk management plans are kept up to date and reflect the findings of their site visits, quarterly desk top reviews, other performance data, program assurance project findings as well as other activities including quality audits and complaints. Contract and account managers are then able to highlight issues or potential issues, such as those related to Intensive Support - job search training and Intensive Support - customised assistance, that warrant further attention.

4.15 DEEWR's account managers are required to produce a feedback report on a quarterly basis and rely on the maintenance of the risk module information as part of producing their report. The updated risk assessments and risk management plan are also used extensively in the development of the performance period reports.

4.16 The use of risk assessments to identify and develop appropriate responses to emerging and potential issues, such as those that relate to Intensive Support services is a key component of DEEWR's National Contract Management Framework. For the sample of JNM risk assessments reviewed as part of this audit, the ANAO found that the approach is being used by DEEWR to identify emerging risks and develop appropriate responses to monitoring these risks. The use of a risk based approach also assists DEEWR to prioritise and monitor its assurance effort which is essential for a program as large as the Job Network.

Desktop monitoring

4.17 Desktop monitoring forms part of an effective contract management strategy and should allow an agency to identify trends over time and focus its monitoring resources on those contractors/sites that present the highest level of risk.

4.18 The ANAO found that desktop monitoring has been undertaken by DEEWR contract and account managers and by the relevant program areas within DEEWR Head Office on a regular basis since the Job Network Program commenced. Desktop monitoring involves reviewing standard and ad hoc reports that address specific contractual and performance matters. The reports rely on data entered into EA3000. The ANAO notes that EA3000 does not

capture the full range of contract compliance information required to substantiate the delivery of ISjst or ISca.¹⁷

4.19 While EA3000 does not collect sufficient data to substantiate delivery of ISjst or ISca, the data that is collected can and does provide an indication of the progression of job seekers through ISjst and ISca and are used to indicate potential issues. One example is a report that draws on data from EA3000 that details the names and details of job seekers who have been identified as eligible to commence ISjst. In the EA3000 system the job seeker would be flagged as 'pending'. The contract managers use this report to determine if job seekers allocated to the JNM are waiting too long before they commence ISjst. This can be an indication that the JNM may not have sufficient capacity to deliver the appropriate job search training.

4.20 DEEWR contract managers also look at the details of job seekers who have exited from ISjst before completing the training. This enables a contract manager to identify whether the JNM should keep the ISjst payment received at the commencement of ISjst service delivery even though the training was not completed. In some circumstances, as detailed in ESC 2006–2009, the JNM can keep the payment provided where they attempted to reengage the job seeker.

4.21 DEEWR contract and account managers contacted during audit fieldwork confirmed their use of desktop monitoring as an essential tool that assists them to fulfil their roles and to effectively monitor contractual compliance. The ability to identify anomalies and results not expected or out of the ordinary assists DEEWR to identify emerging issues in a timely manner. The results of desktop monitoring also feedback into DEEWR's risk management module which informs both the site visits and program assurance activities.

Site visits

4.22 Site monitoring visits can be resource intensive but are necessary to both corroborate evidence from desktop monitoring, and assess risks to service delivery that cannot be monitored remotely.

¹⁷ Case management is not EA3000's primary purpose and to add and maintain that level of functionality for use by JNMs may be quite costly. The process of case workers entering additional case management data within EA3000 may also be time consuming and may be perceived as generating 'red tape'.

4.23 The ANAO found that DEEWR contract managers undertake site visits to JNM sites on a regular basis consistent with risk assessments of the JNM and each JNM site. The site visit provides the primary method for reviewing documentation to support claims for payment and in doing so ensure that the services have been delivered consistent with contractual obligations. The process used for site visits has been standardised and, based on our sample, consistently applied.

4.24 The conduct of the site visit is structured around a standardised Job Network Services – Site Visit Checklist that DEEWR has developed and refined over a number of years and is used by all Job Network contract managers. The check list is a comprehensive list of issues that should be checked in order to ensure contractual compliance, and therefore the inherent risks within ESC 2006–2009 are addressed. DEEWR’s contract managers do have some discretion and can tailor the checklist to address any other issues of concern such as those that may have been identified during desktop monitoring or findings from program assurance activities. The use of the checklist ensures a consistent approach while making sure the major elements of contractual compliance are regularly checked but with the flexibility to focus on key issues as the need arises.

4.25 The major difficulty for DEEWR’s contract managers is to adequately review all aspects of the JNMs contract compliance during a limited period of time. There is an appropriate reliance on the updated risk assessments to assist the contract manager to focus on those contractual issues of concern or those that represent the highest risk from a program perspective.

4.26 As part of the site visit, DEEWR contract managers also select a sample of job seekers and use a Job Network Services – Job Seeker Site Checklist for each job seeker. While at the JNM site the contract manager then checks the sample of job seekers’ files and related documentation using the checklist. In most cases the job seeker sample for each site visit is 10 to 15 job seekers depending on the case load of the site. While a sample of 10 to 15 files is not many from a case load of up to two or three hundred at a single site the contract manager chooses those cases that he or she feels are either typical of the case load or are possible exceptions based on the results of desktop monitoring or other monitoring activities (program assurance, quality audits, issues emerging from other sites, client surveys etc). The contract manager is also able to tailor the checklist to focus on key issues. An extract of the job seeker checklist used by contract managers is attached as Appendix 2 to this audit report. Of the 600 job seeker files reviewed in detail during this audit, the

ANAO did not find discrepancies that had not already been identified and dealt with by the relevant DEEWR contract manager.

Documentary evidence

4.27 The requirement for JNMs to collect and maintain documentary evidence to substantiate service delivery for ISjst and ISca is detailed in clause 4.13 (i) of the Employment Services Contract.

4.28 The ESC 2006–2009 requires the JNM to deliver tailored job search training, as agreed in the job seeker’s Activity Agreement, of a minimum of 100 hours including on-site at the JNM and off-site at potential employer and other locations. The JNM, therefore, relies on the job seeker to provide adequate feedback on their off-site activities and suitable evidence, i.e. dates, times and names of interviews etc. The JNM also needs to keep a record of attendance and evidence of completed activities undertaken by the job seeker while on-site at the JNM. All of this information is required to substantiate that the 100 hours (or 30 hours for ISjstr) of suitably tailored job search training was undertaken.

4.29 ISca1 and ISca2 are based on a program of activities designed to address job seekers’ barriers to employment as well as assisting job seekers to apply for potential positions. One of the major techniques used by JNMs during ISca is the use of one-on-one appointments with job seekers before, during and after the job seeker’s activities. The number of appointments scheduled with a job seeker can be seen from diary entries in EA3000 however the purpose of EA3000 is to assist JNMs to schedule the appointments not record what was discussed at the appointments. While JNMs are required to update the EA3000 diary to indicate whether the job seeker attended the appointment or not they are not required to provide any detail. JNMs have a preference to use their own case management systems to record the outcomes of appointments or non-attendance. While it is possible to see within EA3000 how many diary entries are scheduled for individual job seekers and whether the appointments have been attended or not, the only way to determine what was addressed during appointments is to review the JNMs documentation.

4.30 The ANAO found that DEEWR adequately monitors the claims for these fee payments to JNMs by examining a small sample of this documentation during site visits which are undertaken by DEEWR contract managers as part of contract monitoring. This consists of reviewing the case files of up to 15 job seekers who have completed either ISjst and or ISca at each

JNM site. This represents approximately 15 000 claims for payment out of a possible 135 000 claims for ISjst and 235 000 claims for payment for ISca each year. The JNMs can also be asked to provide the evidence as part of quality audits and program assurance activities.

Program assurance

4.31 From DEEWR's perspective, program assurance is essentially concerned with ensuring that job seekers have received the services that JNMs have been contracted to deliver and to quality assure the integrity of claims that JNMs provide in relation to the services that have been delivered.

4.32 The ANAO found that DEEWR undertakes program assurance activities designed to ensure that all employment services that it administers are of a high quality and comply with the respective contracts and associated guidelines. It is a form of concentrated monitoring and investigation that is undertaken in addition to that which is undertaken routinely by contract managers. A dedicated unit in DEEWR Head Office is responsible for program assurance activities across all employment programs while each state office also has its own program assurance team.

4.33 The Program Assurance and Risk Management Sub-committee (PARMS) of the department's Employment Services Committee (EMC) provides oversight of all risk and program assurance activities in relation to the Job Network Program and other employment programs managed by the department. This includes monitoring follow-up action in relation to findings and recommendations as well as ensuring priorities and topical issues of concern are addressed.

4.34 Program assurance work is based on a planned schedule of monitoring and investigation activities where emerging risks or inherently high risks from a program perspective are identified and targeted for review. In addition, any anomalies discovered in the process of general monitoring can be investigated on a case by case basis. Projects usually involve detailed desktop monitoring, data analysis, telephone or mail surveys and/or specific projects required to investigate provider compliance.

4.35 DEEWR has undertaken a number of program assurance projects on a regular basis which have targeted both ISjst and ISca as well as other aspects of the Job Network Program such as the Job Seeker Account. The findings of these assurance projects have been used to; refine contractual clauses, improve guides and information provided to JNMs, as well as assist in the continued

development of the site visit checklists and ISjst/ISca specific desktop monitoring. The frequency of ISjst and ISca specific program assurance projects has understandably been reduced over the last four years consistent with the reduction in the number and severity of contractual issues related to ISjst and ISca. The ANAO considers this approach to be appropriate.

Recoveries

4.36 The ANAO also assessed DEEWR's arrangements to recover service fees from JNMs when services had not been provided.

Recoveries identified by DEEWR

4.37 When DEEWR identifies that there is an issue with a service fee payment through either: a site visit; desk top monitoring; program assurance projects; or any other means such as customer feedback lines, a letter may be sent to the JNM requesting sufficient evidence to justify the retention of the service fee. Depending on the response from the JNM and the adequacy of the documentation provided, DEEWR's account manager will decide whether to recover the service fee or not. When the decision is made to recover the service fee the process consists of issuing a debit notice and offsetting the amount against a future payment to the JNM or by issuing a tax invoice for payment by the JNM.

4.38 The recovery rates for ISjst and ISca is now quite low, in the order of three to five per cent of all claims. This represents a decrease from approximately 12 000 claims per year four years ago to just over 4000 in 2006–07. This decrease in recoveries has occurred over a period when DEEWR has placed considerable attention on refining the effectiveness of its National Contract Management Framework and its approach to monitoring contractual compliance by JNMs, especially the administrative arrangements used to manage the contract.

4.39 The majority of recoveries undertaken by DEEWR over the last four years for ISjst and ISca service fees have been as a result of a lack of evidence to substantiate that the services have been delivered, especially the delivery of the required number of hours or contacts. A small number of recoveries were as a result of the JNM being unable to substantiate why a job seeker was permitted to 'exit' ISjst before completion, or why the JNM did not follow-up the job seeker for failing to attend. The causes of these issues tend to stem from the JNM site's internal processes and a lack of adequate quality assurance within the JNM, to ensure contractual obligations have been met.

4.40 There is flexibility within the contract for JNMs not to claim the service fee for ISjst at the start of service provision but the claim must be made within 28 days of being eligible to make the claim. Some JNMs interviewed only claim the fee at the end of the 28 days. They do this so as to be confident that they have or are in the process of collecting sufficient evidence to substantiate that the services have or are being adequately delivered.

JNM ‘self-identified’ recoveries

4.41 Where a JNM realises that they do not have the evidence to substantiate the claim they are able to ‘self-identify’ a fee to DEEWR for recovery. In isolated cases where a JNM has not delivered the services the JNM is expected to voluntarily return the service fees. When related/ systemic instances of recoveries occur, DEEWR requires JNMs to review the circumstances and where warranted modify their internal procedures accordingly. All JNMs contacted during the fieldwork for this audit indicated that they considered this approach to be reasonable and appropriate.

Conclusion

4.42 The central objective of contract management is to ensure goods and services are delivered as specified in the contract according to time, cost, quantity and/or quality standards specified in the contract.

4.43 As stated above, DEEWR does not acquit service fees for Intensive Support job search training (ISjst); Intensive Support customised assistance (ISca) or for the services covered by the Quarterly Service Fee. Instead, DEEWR relies on its contract monitoring to ensure that the Intensive Support services for which it has paid in advance have been appropriately delivered.

4.44 Accordingly, DEEWR has developed a corporate framework for managing JNM contracts, which is called the National Contract Management Framework. This approach is underpinned by risk assessments of JNM sites by DEEWR contract managers, and monitoring activity, including monitoring of performance data, and site visits. Under its National Contract Management Framework, DEEWR conducts a range of monitoring activities such as regular site visits, monitoring of performance data, quality audits and program assurance activities.

4.45 DEEWR adequately monitors the claims for Intensive Support service fee payments that are made by JNMs. The process relies on DEEWR checking a sample of service fee payments during site visits, and using desk top

monitoring and program assurance activities at both State and head office level to determine if there is sufficient evidence available to substantiate that the services have been delivered. This consists of reviewing the case files of up to 15 job seekers who have completed either ISjst and or ISca at each JNM site. This represents approximately 15 000 claims for payment out of a possible 135 000 claims for ISjst and 235 000 claims for payment for ISca each year. The JNMs can also be asked to provide the evidence as part of quality audits and program assurance activities. Of the 600 job seeker files reviewed in detail during this audit, the ANAO did not find discrepancies that had not already been identified and dealt with by the relevant DEEWR contract manager.

4.46 When DEEWR identifies that there is an issue with a service fee payment through either: a site visit; desk top monitoring; program assurance projects; or any other means such as customer feedback lines, a letter may be sent to the JNM requesting sufficient evidence to justify the retention of the service fee. Depending on the response from the JNM and the adequacy of the documentation provided, DEEWR's account manager will decide whether to recover the service fee or not. When the decision is made to recover the service fee the process consists of issuing a debit notice and offsetting the amount against a future payment to the JNM or by issuing a tax invoice for payment by the JNM.

4.47 The recovery rates for ISjst and ISca is now quite low, in the order of three to five per cent of all claims. This represents a decrease from approximately 12 000 claims per year four years ago to just over 4000 in 2006–07. This decrease in recoveries has occurred over a period when DEEWR has placed considerable attention on refining the effectiveness of its National Contract Management Framework including its approach to contract assurance through monitoring contractual compliance by JNMs.



Ian McPhee
Auditor-General

Canberra ACT
4 June 2008

Appendices

Appendix 1: Intensive Support Services – Contractual Clauses

Intensive Support Services – Contractual Clauses

Clause	Description
4.6	<p>...will provide Intensive Support Services which comprise:</p> <ul style="list-style-type: none"> undertaking an assessment of the job Seeker's employment needs and barriers, including job search skills; negotiating the terms of an Activity Agreement with the Job Seeker; entering details of contacts with the job Seeker on DEEWR IT Systems; and recording changes in the Job Seekers circumstances on DEEWR IT Systems in accordance with the Guidelines.
4.7	<p>...will contact and meet with a Job Seeker face to face at least and at the following times:</p> <ul style="list-style-type: none"> upon referral; to negotiate the terms of an activity agreement; at the commencement of Intensive Support ; during intensive support, after the Job Seeker has been registered for a period of 7, 10, 20, and 22 months duration and once every 2 months after a period of 32 months; at the commencement of intensive Support customised assistance; during the first period of Intensive Support customised assistance, once every two weeks, unless alternative contact arrangements are appropriate and agreed with the Job Seeker; and during the second period of Intensive Support customised assistance, an average of 8 times, ranging between 3 and 12 times, depending on the job prospects of the Job Seeker and local labour market conditions.
4.12	<p>As part of providing Intensive Support Services to a Job Seeker, the provider will also provide:</p> <ul style="list-style-type: none"> Intensive Support Job Search training; and Intensive Support Customised Assistance.

Intensive Support Job Search Training – Contractual Clauses

Clause	Description
4.13	<p>... must provide Intensive Support Job Search Training Services to each Job Seeker, as set out in their Activity Agreement, which must include the following:</p> <ul style="list-style-type: none"> improving the Job Seeker’s job search skills, including interview techniques and ability to favourably present to a potential employer; expanding the Job Seeker’s employment-related networks; motivating the Job Seeker’s to look for work; formal and informal training in job search skills and techniques which must include the following: <ul style="list-style-type: none"> Job Application skills, including writing and updating a resume, preparing job applications and covering letters, obtaining references, approaching employers, following up job leads and organising contacts; interview techniques and skills, including job interview and cold canvassing techniques, and presentation skills; practical job search activities; supervised access to resources including telephones, computers, stationary and vacancy listings; Job placement Services; assistance with resumes and job applications to ensure that the Job Seeker have up to date presentable resumes, are able to submit written job applications when required, and are able to tailor written job applications to different positions; updating Job Seekers resume summaries and resumes on completion of the job search activities; arranging additional work related training where appropriate; updating the Job Seeker’s circumstances on DEEWR It Systems; maintaining a record of the Job Seekers attendance during the period of Intensive Support Job Search Training.
4.14	<p>... must deliver 100 hours of Intensive Support Job Search Training to each Job Seeker.</p>
4.14A	<p>The 100 hours of Intensive Support Job Search training must be delivered within 3 weeks unless extenuating circumstances exist... in which case the period for delivery may be extended to;</p> <ul style="list-style-type: none"> a maximum of 8 weeks in the case of a Job Seeker who is receiving Newstart Allowance or Youth Allowance; or a maximum of 24 weeks in the case of: <ul style="list-style-type: none"> (i) a Job Seeker who is identified as location ally disadvantaged or (ii) any Job Seeker not receiving Newstart Allowance of Youth Allowance
4.15	<p>If:</p> <ul style="list-style-type: none"> a FJNE Job Seeker has completed Intensive Support Job Search training (with any provider) within the 12 months prior to commencing intensive Support ; or ... the FJNE Job Seeker does not require, or is not available for the full 100 hours of intensive Support Job Search Training <p>...may chose to deliver 30 hours of Intensive Support job Search training</p>

Clause	Description
4.15A	<p>The 30 hours of Intensive Support Job Search training ... must be delivered within 1 week unless extenuating circumstances exist..., in which case the period of delivery may be extended to:</p> <p>a maximum of 4 weeks in the case of a Job Seeker who is receiving Newstart Allowance or Youth Allowance</p> <p>a maximum of 6 weeks for those job seekers with a locational disadvantage or not receiving Newstart of Youth Allowance</p>
4.16	<p>... may cease to provide the Intensive Support Job Search training (without having delivered the requisite number of hours) if and when:</p> <p>the job seeker commences full-time employment</p> <p>the job seeker commences full-time study</p> <p>other circumstances arise that allow the cessation of the training as notified by DEEWR</p>
4.16A	<p>On completion of ISjst the provider must:</p> <p>review the job seekers job search progress</p> <p>record changes to the job seekers circumstances on DEEWR IT Systems which may result in the job seeker being:</p> <p>(i) identified as HD</p> <p>(ii) eligible for immediate access to ISca</p> <p>(iii) referred for a JSCI Supplementary Assessment</p>

Intensive Support Customised Assistance – Contractual Clauses

Clause	Description
4.18	<p>... must provide 2 periods of ISca to a job seeker during the job seeker's continuous period of registration</p>
4.19	<p>... must provide the first period for a period of six months, or any further period agreed by DEEWR to:</p> <p>a job seeker who has been registered for at least 12 months</p> <p>a job seeker who has been identified as HD</p> <p>any other person identified by DEEWR</p>
4.20	<p>... must provide the second period for a period of six months to a job seeker who has:</p> <p>been registered for at least 24 months</p> <p>has remained registered for a period of six months since completion of the first period of ISca</p>

Clause	Description
4.21	<p>For both periods of ISca ...will:</p> <p>deliver one or more services to the job seeker to address the job seeker's barriers to employment and to tailor the job seeker's efforts in looking for work</p> <p>undertake an initial detailed assessment of the job seekers capabilities against potential opportunities available within the local labour market</p> <p>based on the above assessment update the Job Seekers Activity Agreement to include:</p> <ul style="list-style-type: none"> (i) intensive job search directed at particular occupations or locations (ii) specific vocational training tailored to job opportunities (iii) subsidised employment <p>work experience which may include community work or volunteer work</p> <p>career counselling</p> <p>participation in Complementary programs</p> <p>other activities to best meet the job seeker's identified employment needs</p> <p>.. engage the job seeker in work preparation activity, which does not need to be supervised directly, but must be monitored, for at least an average of 3 business days each week for at least the first 3 months of ISca</p> <p>negotiate an Activity Agreement</p> <p>meet with the job seeker for an average total of 10.5 hours for ISca1</p> <p>monitor the job seekers activities to ensure that they:</p> <ul style="list-style-type: none"> (i) are activity participating in the activities detailed in the Activity Agreement (ii) continuing to use the self-help job search facilities (iii) accessing vacancies <p>access the Job Seeker Account to purchaser assistance relevant to the job seeker's needs</p> <p>arrange additional work related training</p>
4.22	<p>Before completing ISca1 assist the job seeker to select a suitable Mutual Obligation Activity</p>
4.22A	<p>Before or upon completion of ISca2 assist the job seeker to participate in one or more of the following:</p> <ul style="list-style-type: none"> referral to a JCA place in a Wage Assist Job referral to a CWC <p>assist to select a suitable Mutual Obligation Activity or complementary program</p>

Appendix 2: Job Seeker Site Checklist Guide

Aspect	Questions
Job Search Support Services	
Employee Preparation	
Assessment	<p>Is there evidence of assessment of the job seeker's needs?</p> <p>Was an initial assessment conducted? (EP, JST, ISca1, ISca2)</p> <p>Is there evidence of ongoing assessment on file? (ISca1, ISca2)</p>
Contacts	<p>Is there evidence of appropriate contacts with the job seeker on file?</p> <p>Is there evidence of post placement support?</p>
JST	<p>How is ISjst being delivered? (Block or rolling starts)?</p> <p>Is there evidence for off-site activity participation?</p> <p>Was the job seeker appropriately assessed prior to commencement into ISjst/r?</p> <p>Has the job seeker received 100/30 hours of ISjst/r? If not why?</p> <p>Was commencement fee claimed prior to actual commencement? If so why?</p> <p>Are attendance records satisfactory?</p> <p>Where appropriate, was ISjst delivered flexibly?</p>
Mutual Obligation	
ISca1	<p>What types of services/activities have been delivered during the first 3 months of ISca1?</p> <p>Has the job seeker been engaged in work preparation activity?</p>
ISca2	<p>What type of services/activities has been delivered during ISca2?</p>
VLTU Assessments	
Participation reporting	<p>Is there evidence of non-attendance/non-compliance?</p> <p>Are Participation Reports being submitted where appropriate?</p>
Activity Agreements	<p>Are Activity Agreements/JSPs appropriate for Assistance Type and job seeker capabilities?</p> <p>Is there evidence that the Activity Agreement/JSP activities are being undertaken by the job seeker and delivered by the JNM?</p> <p>Are Activity Agreements/JSPs signed and dated appropriately?</p> <p>Is there evidence of the Activity Agreement/JSP being reviewed?</p>
Job Seeker Account and Training Account	

Aspect	Questions
Partial Work Capacity	
Job Seeker Classification Instrument (JSCI)	
Documentary Evidence	<p>IS there appropriate evidence available to support payment for commencement/outcome claims?</p> <p>Does evidence meet requirements of the documentary evidence guide?</p> <p>Was commencement in employment/study prior to IS Start Date?</p> <p>Are Activity Agreements/JSPs signed and dated appropriately to verify commencement fees?</p>
Overall Service Quality	<p>Has the job seeker been actively engaged with the view of obtaining a sustainable outcome?</p> <p>Is there evidence on file of JNM engaging job seeker in agreed activities?</p> <p>Has commencement in EP, ISJST and ISCA been timely?</p> <p>Are Exit requests appropriate?</p> <p>Are services being tailored to individual job seeker's needs, particularly if W2W or NAT job seeker?</p>

Appendix 3: DEEWR's Formal Comments on the Proposed Report

The Department of Education, Employment and Workplace Relations (DEEWR) welcomes the opportunity to participate in the performance audit of Job Network Service Fees under the Employment Services Contract 3 (2003–2009).

DEEWR welcomes the ANAO's conclusion that the department has been effectively administering Job Network Service Fees and notes the overall positive findings that have resulted in no formal Recommendations being made.

DEEWR has noted the Report's examination of current practices, including the acknowledgement of the role of risk based approaches in assuring the operation and oversight of the current program. DEEWR also notes the Report's recognition of the importance of ongoing reviews to ensure the continued good fit and efficacy of practices and approaches, in light of experience and the evidence base. DEEWR is conscious of the need for continuous improvement and ways to ensure continued value for money while at the same time ensuring effective and efficient, good practice approaches.

Since the audit fieldwork, the Government has announced a new integrated employment services model for implementation from 1 July 2009. This will mean very significant changes to the Job Network program and the specific services and service fee payments that are the subject of this audit. The work of the ANAO in its audit of the Administration of Job Network Service Fees, together with consultations with and input from service providers, advocacy, and employer organisations and individuals who are key stakeholders, provide valuable input to informing the department's ongoing work in order to continuously improve its administration of current and future employment service programs.

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