

The Auditor-General  
Auditor-General Report No.8 2021–22  
Performance Audit

# **Use and Administration of Wage Subsidies**

Department of Education, Skills and Employment

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ISSN 1036–7632 (Print)

ISSN 2203–0352 (Online)

ISBN 978-1-76033-685-1 (Print)

ISBN 978-1-76033-686-8 (Online)

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Canberra ACT  
8 November 2021

Dear Mr President  
Dear Mr Speaker

In accordance with the authority contained in the *Auditor-General Act 1997*, I have undertaken an independent performance audit in the Department of Education, Skills and Employment. The report is titled *Use and Administration of Wage Subsidies*. Pursuant to Senate Standing Order 166 relating to the presentation of documents when the Senate is not sitting, I present the report of this audit to the Parliament.

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

Yours sincerely



Grant Hehir  
Auditor-General

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

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# Audit snapshot

## Auditor-General Report No.8 2021–22 *Use and Administration of Wage Subsidies*



### Why did we do this audit?

- ▶ Wage subsidies have been a long-standing part of employment programs in Australia. They aim to increase employment opportunities for job seekers by providing a financial incentive to employers, primarily by contributing to the initial costs of hiring a new employee.
- ▶ This audit was an opportunity to examine the effectiveness of the administration of wage subsidies, and the extent to which DESE monitored and evaluated if wage subsidies improved employment opportunities for employment program participants, by assisting job seekers into work and meeting employer needs.



### What did we find?

- ▶ The Department of Education, Skills and Employment's (DESE) administration of wage subsidies is largely effective.
- ▶ DESE's contractual framework, program guidelines, systems, and compliance program support the assessment, processing and payment of wage subsidies.
- ▶ The monitoring, reporting and evaluation of wage subsidies have been largely effective in ensuring policy objectives are being achieved.



### What did we recommend?

- ▶ One recommendation was made to DESE related to performance measurement and reporting.
- ▶ DESE agreed to the recommendation.



### Key facts

- ▶ In 2020–21 wage subsidies were available to employers of up to \$6,500, or up to \$10,000, depending on the job seeker cohort. In 2020–21, a wage subsidy placement had to average at least 20 hours of work per week over a 26-week period, and can be casual, part-time or full-time.

\$1,006.4m

Total expenditure on wage subsidies from 1 July 2015 to 30 June 2021

258,306

Total wage subsidy placements from 1 July 2014 to 30 June 2021

50%

Average percentage of participants for whom a 26 week employment outcome was payable in a wage subsidies placement between 1 July 2014 to 30 June 2021

# Summary and recommendations

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## Background

1. Wage subsidies are a discretionary financial incentive to encourage employers to hire eligible job seekers by contributing to the initial costs of hiring a new employee. Wage subsidies can help overcome employers' reluctance to hire certain groups by compensating employers for real or perceived lower levels of productivity, can increase employment opportunities for disadvantaged job seekers, and lower the reliance on income support. Wage subsidies also contribute to the broader employment program objectives to promote stronger workforce participation and help job seekers move from welfare to work.
2. Wage subsidies in various forms have formed part of Australian Government employment programs since 1976. The current wage subsidies were introduced progressively, beginning with the introduction of the Restart wage subsidy in 2014–15, and the implementation of the jobactive employment program in 2015–16.
3. Wage subsidies are offered under a number of employment programs that includes: jobactive; Transition to Work; Youth Jobs PaTH; ParentsNext; Disability Employments Services; and the Community Development Program.
4. In 2020–21, the wage subsidy amount (either up to \$6,500 or up to \$10,000) depended on which employment services cohort a job seeker was categorised under: aged between 15–24 years; aged between 25–29 years; 50 years of age and over; Indigenous; Parents; and Long-Term Unemployed.
5. To receive a wage subsidy in 2020–21, an eligible employer must offer an employment placement to an eligible job seeker and the placement must average at least 20 hours of work per week over the 26-week wage subsidy period, with an expectation that the employment will extend beyond the 26-week period; and the employment can be casual, part-time or full-time.
6. Wage subsidies are the responsibility of the Department of Education, Skills and Employment (DESE) and are administered through contracted employment services providers.

## Rationale for undertaking the audit

7. Job seekers who have been unemployed for a long time generally experience greater difficulty finding subsequent work, as their paid work prospects decline.<sup>1</sup> This audit is an opportunity to examine the effectiveness of the administration of wage subsidies, and the extent to which DESE monitored and evaluated if wage subsidies improved employment opportunities for employment program participants, by assisting job seekers into work and meeting employer needs. This audit also has the potential to inform any changes to wage subsidies that could be considered as part of DESE's reforms to employment programs, currently in the development and piloting phase and due for implementation in July 2022.

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1 Education and Employment References Committee, *Jobactive: failing those it is intended to serve*, inquiry report February 2019, p. 29, available from [https://parlinfo.aph.gov.au/parlInfo/download/committees/reportsen/024217/toc\\_pdf/Jobactivefailingthoseitisintendedtoserve.pdf;fileType=application%2Fpdf](https://parlinfo.aph.gov.au/parlInfo/download/committees/reportsen/024217/toc_pdf/Jobactivefailingthoseitisintendedtoserve.pdf;fileType=application%2Fpdf) [accessed 22 July 2021].

## **Audit objective and criteria**

8. The objective of the audit was to assess the effectiveness of the DESE's arrangements in administering wage subsidies linked to employment programs.
9. To form a conclusion against the audit objective, the following criteria were applied:
  - Are wage subsidies assessed, processed and paid in accordance with program requirements and contractual obligations?
  - Is the application and use of wage subsidies effectively monitored, evaluated and reported to ensure policy objectives are being achieved?

## **Conclusion**

10. DESE's administration of wage subsidies is largely effective.
11. DESE's contractual framework, program guidelines, systems, and compliance program largely supports the assessment, processing and payment of wage subsidies in accordance with program guidelines. Guidelines and supporting documentation are clear and updated at regular intervals. System controls support the accurate processing and management of wage subsidies. There is a largely effective compliance program in place, based on risk. However, the results of the Rolling Random Sample (RRS) for wage subsidies is consistently below the overall compliance target.
12. The monitoring, reporting and evaluation of wage subsidies have been largely effective in ensuring policy objectives are being achieved. Evaluation and funding arrangements are appropriate, however monitoring and performance reporting could be improved as reporting is focused on participation outputs rather than the impact of wage subsidies on improving employment outcomes. The final evaluation report is outstanding and could more clearly feed into policy development.

## **Supporting findings**

### **Guidance, systems and compliance**

13. DESE has an appropriate contractual framework and clear wage subsidy guidelines that are regularly updated. Changes to the wage subsidy guidelines are communicated to providers and to DESE regional contract and account managers to support the correct administration of wage subsidies. DESE regional contract and account managers have access to a range of additional guidance and are supported by the national office in resolving provider queries.
14. The system used to manage employment programs, the Employment Services System (ESSWeb), supports the accurate processing and management of wage subsidies. ESSWeb contains reliable system controls that maximise automated completion of key processes and minimise manual interventions.
15. DESE has a largely effective compliance program for employment programs, including wage subsidies, based on risk. However, the results of the RRS for wage subsidies consistently do not meet the overall 95 per cent compliance target. DESE should document, and seek endorsement of, the methodology for the RRS.



## Performance, evaluation and funding arrangements

16. DESE's reporting on wage subsidies is focused on outputs. A more effective method of measuring wage subsidy performance was developed as part of the jobactive evaluation, however this method is not being used for ongoing monitoring and performance reporting. Wage subsidy performance contributes to DESE Corporate Plan employment outcomes performance measures and to jobactive provider performance ratings, but it is not possible to quantify the extent of that contribution.

17. DESE developed an evaluation strategy for jobactive when the program was designed, and there was suitable coverage of wage subsidies in the draft jobactive evaluation report. There is some evidence that evaluation findings and related recommendations have informed policy changes to wage subsidies, although the final evaluation report has not been released and is overdue.

18. The funding arrangements for wage subsidies have been monitored and adjusted over time in line with the policy changes and program requirements, and were partly informed by lessons learned or evaluation findings.

## Recommendations

**Recommendation no. 1** Under the New Employment Services Model, DESE develops methods to improve the monitoring and reporting of wage subsidy impact against the employment program policy objective.  
**Paragraph 3.27**

**Department of Education, Skills and Employment response:**  
*Agreed.*

## Summary of the Department of Education, Skills and Employment's response

19. DESE's summary response is provided below and its full response is included at Appendix 1.

The Department of Education, Skills and Employment welcomes this report. The report recognises the significant program of work the Department has in place to assure the effective administration of wage subsidies and found this to be largely effective.

As highlighted in the report, the Department's contractual framework, program guidelines, systems and compliance program largely support the assessment, processing, and payment of wage subsidies in accordance with program guidelines and contractual obligations. The report also finds that the monitoring, reporting and evaluation of wage subsidies have been largely effective in ensuring policy objectives are being achieved.

The Department acknowledges that enhancements to monitoring can be considered in future arrangements for employment programs, to more effectively assess wage subsidy performance against policy objectives. The recommendation to improve monitoring and reporting of wage subsidy impact supports the Department's ongoing effort to enhance performance measures and reporting on wage subsidies.

20. Appendix 2 sets out improvements observed by the ANAO during the course of the audit.

## Key messages from this audit for all Australian Government entities

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

### **Performance and impact measurement**

- Where sub-program activities are implemented to contribute to the performance or achievement of program objectives, it is important that the sub-program activity can be tracked and monitored to demonstrate that it is achieving the intended purpose and meeting performance targets.
- Regularly updating program guidelines ensures that departmental staff and providers are aware of changes, supporting program administration in accordance with current requirements.
- A comprehensive evaluation strategy should be developed at the outset of a program, and include clear evaluation objectives, robust performance measures including identification of baseline data, and seek the input of relevant stakeholders.
- Evaluating the effectiveness of the program can help to build an evidence base to inform future policy changes.

### **Governance and risk management**

- A compliance program that is linked to risk can facilitate continuous improvement and better practice in program administration. Where relevant, compliance monitoring activities should also be consistent with broader organisational compliance frameworks.

## **Audit findings**

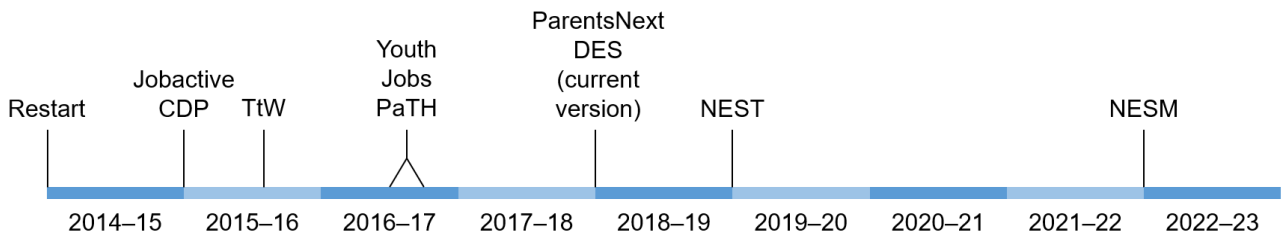
# 1. Background

## Introduction

1.1 Wage subsidies are a discretionary financial incentive to encourage employers to hire eligible job seekers by contributing to the initial costs of hiring a new employee. Wage subsidies can help overcome employers' reluctance to hire certain groups by compensating employers for real or perceived lower levels of productivity<sup>2</sup>, can increase employment opportunities for disadvantaged job seekers, and lower their reliance on income support. Wage subsidies also contribute to the broader employment program objectives to promote stronger workforce participation and help job seekers move from welfare to work.<sup>3</sup>

1.2 Wage subsidies in various forms have formed part of Australian Government employment programs since 1976.<sup>4</sup> The current wage subsidies were introduced progressively, beginning with the introduction of the Restart wage subsidy in 2014–15, and the implementation of the jobactive employment program in 2015–16. Figure 1.1 provides a timeline of the introduction of the employment programs associated with wage subsidies.

**Figure 1.1: Timeline of employment programs**



Note: Program names are set out in full in Table 1.1, with the exception of NEST that is the New Employment Services Trial, and NESM that is the New Employment Services Model.

Source: ANAO analysis.

1.3 In 2020–21 and 2021–22 the Department of Education, Skills and Employment (DESE) administered wage subsidies under a number of employment programs that includes the programs set out in Table 1.1<sup>5</sup>:

- 2 Education and Employment References Committee, *Jobactive: failing those it is intended to serve*, inquiry report February 2019, p. 56, available from [https://parlinfo.aph.gov.au/parlInfo/download/committees/reportsen/024217/toc\\_pdf/Jobactivefailingthoseitisintendedtoserve.pdf;fileType=application%2Fpdf](https://parlinfo.aph.gov.au/parlInfo/download/committees/reportsen/024217/toc_pdf/Jobactivefailingthoseitisintendedtoserve.pdf;fileType=application%2Fpdf) [accessed 22 July 2021].
- 3 Department of Education, Skills and Employment, *jobactive vacancies and outcomes guideline*, August 2020, p. 1, available from <https://www.dese.gov.au/jobactive/resources/jobactive-vacancies-and-outcomes-guideline> [accessed 22 July 2021].
- 4 J Borland, 'Wage Subsidy Programs: A Primer', *Australia Journal of Labour Economics*, volume 19 (3), 2016, p. 132, available from <https://businesslaw.curtin.edu.au/wp-content/uploads/sites/5/2017/05/ajle-vol-19-no-3-borland.pdf> [accessed May 2021].
- 5 In 2020–21, DESE administered other wage subsidies such as the Boosting Apprenticeship Commencements, and Supporting Apprentices and Trainees, introduced as part of measures to support the Australian economy and labour market during the COVID-19 pandemic. DESE also administers the Australian Apprenticeships Incentives Program which provides a range of payments to support skills-based training. These subsidies are out of scope for this audit.

**Table 1.1: Employment programs that offer wage subsidies**

Program	Description
jobactive	The mainstream employment service for people on income support or eligible volunteers, that connects job seekers with employers through a network of employment services providers.
Transition to Work (TtW)	This program provides pre-employment assistance to young people aged 15–24 who have disengaged from work and study and are at risk of long-term welfare dependency.
Youth Jobs PaTH (Prepare-Trail-Hire)	Supports young people in receipt of an activity-tested income support payment to move into employment. It has three elements: Employability Skills Training (15–24 years of age); voluntary internships (17–24 years of age); and a Youth Bonus Wage Subsidy to support employment of young people (15–24 years of age).
ParentsNext	A pre-employment program to support parents and carers in receipt of the Parenting Payment to find work before their youngest child reaches school age.
Disability Employment Services (DES)	This program provides pre-employment assistance and ongoing support to people with a disability, injury or illness. DES is administered by the Department of Social Services.
Community Development Program (CDP)	The employment program for Indigenous job seekers in remote Australia, administered by the National Indigenous Australians Agency.

Source: DESE Employment Programs.

## Wage subsidy types and eligibility

1.4 A range of wage subsidies are available to eligible employers hiring eligible job seekers/participants.<sup>6</sup> In 2020–21, the wage subsidy payment amount depended on which employment services cohort a participant was categorised under. The employment services cohorts are targeted at specific groups of job seekers, as set out in Table 1.2.

<sup>6</sup> When a job seeker is placed in an employment program, they are referred to as a participant.

**Table 1.2: Wage subsidy cohort types, employment program and eligibility 2020–21**

Subsidy cohort	Employment program and eligibility	Wage subsidy funding amount
Indigenous Australians	jobactive, TtW or ParentsNext Immediate eligibility for a wage subsidy once commenced in jobactive, TtW, ParentsNext, New Employment Services Trial (NEST) and Online Employment Services (OES) Have Mutual Obligation Requirements at the time the wage subsidy placement commenced <sup>a</sup>	Up to \$10,000
50 years of age and over	Restart Received any Services Australia or Department of Veterans' Affairs income support payment or pension (including Age Pension or Austudy) for the past six months Registered with a jobactive, ParentsNext Intensive Stream, DES or CDP <sup>b</sup> , NEST, OES or the Volunteer Online Employment Services Trial (VOEST) provider at the time the wage subsidy agreement is created	Up to \$10,000
15 to 24 years of age	Youth Bonus Have received employment services from jobactive, ParentsNext Intensive Stream <sup>c</sup> , TtW, NEST, OES, DES or CDP <sup>b</sup> continuously for the past six months Registered with a jobactive, TtW, ParentsNext Intensive Stream <sup>c</sup> , NEST or OES provider at the time the wage subsidy agreement is created Have Mutual Obligation Requirements <sup>c</sup> at the time the wage subsidy placement commenced	Up to \$6,500 (Stream A) <sup>d</sup> Up to \$10,000 (Streams B & C) <sup>d</sup>
25 to 29 years of age	Youth Have received employment services from jobactive, ParentsNext Intensive Stream, TtW, NEST, OES, DES or CDP <sup>b</sup> continuously for the past six months Registered with a jobactive, TtW, ParentsNext Intensive Stream, NEST or OES provider at the time the wage subsidy agreement is created Have Mutual Obligation Requirements at the time the wage subsidy placement commenced	Up to \$6,500
Parents	Parents receiving Parenting Payment or principal carers receiving an income support payment Have received employment services from jobactive, ParentsNext Intensive Stream, TtW, NEST, OES, DES or CDP <sup>b</sup> continuously for the past six months Registered with a jobactive, ParentsNext Intensive Stream, NEST or OES provider at the time the wage subsidy agreement is created Have Mutual Obligation Requirements at the time the wage subsidy placement commenced	Up to \$6,500

Subsidy cohort	Employment program and eligibility	Wage subsidy funding amount
Long Term Unemployed (LTU)	Have received employment services from jobactive, NEST, OES, ParentsNext Intensive Stream, DES or CDP <sup>b</sup> continuously for the past 12 months  Registered with a jobactive, ParentsNext Intensive Stream, NEST or OES provider at the time the wage subsidy agreement is created  Have Mutual Obligation Requirements at the time the wage subsidy placement commenced	Up to \$6,500

Note a: Mutual obligation requirements are tasks or activities that job seekers must undertake in order to receive income support through JobSeeker, Youth Allowance, Parenting Payment or Special Benefit.

Note b: The DES program is administered by the Department of Social Services, and CDP is administered by the National Indigenous Australians Agency.

Note c: Prior to 1 July 2021, only ParentsNext Intensive stream participants were eligible for wage subsidies. From 1 July 2021, the two streams of ParentsNext (Intensive and Targeted) were combined and all ParentsNext participants became eligible for wage subsidies if they met the relevant eligibility criteria.

Note d: A Youth Bonus Wage Subsidy of up to \$6,500 could be paid for a participant in Stream A (the most job-ready participants). A subsidy of up to \$10,000 could be paid for a participant in Stream B (some barriers to employment) or Stream C (multiple and complex barriers to employment), a Transition to Work participant in receipt of an income support payment, or a participant in ParentsNext.

Source: ANAO analysis.

1.5 As shown in Table 1.2, in 2020–21 wage subsidies provided a higher level of funding support to job seekers identified by DESE as having greater barriers to employment. In the 2021–22 DESE Portfolio Budget Statements, employment services programs were delivered under the outcome to foster a productive and competitive labour market through policies and programs that assist job seekers into work and meet employer needs.<sup>7</sup>

1.6 Under policy changes announced in the 2021–22 Budget, the jobactive, TtW and ParentsNext program cohorts are able to access a wage subsidy of up to \$10,000 from 1 July 2021.<sup>8</sup> The aim is to increase the incentives for employers to hire disadvantaged job seekers, streamline the administration of wage subsidies and simplify arrangements for employers.

## Administration of wage subsidies

1.7 To receive a wage subsidy in 2020–21, an eligible employer must offer an employment placement<sup>9</sup> to a job seeker who has been a participant in one of the employment programs in Table 1.1 above. The placement must average at least 20 hours of work per week over a 26-week wage subsidy period, with an expectation that the employment will extend beyond the 26-week period; and can be casual, part-time or full-time. The wage subsidy paid to the employer cannot be more than 100 per cent of the participant's wage. Based on the July 2021 national minimum wage

7 Commonwealth of Australia, Portfolio Budget Statements 2021–22 Budget Related Paper No. 1.4, Education, Skills and Employment Portfolio, The Treasury, Canberra, May 2021, p. 76, available from <https://www.dese.gov.au/about-us/resources/portfolio-budget-statements-2021-22> [accessed 22 July 2021].

8 *ibid.*, p. 19.

9 The Managing Wage Subsidy Guideline states that employment placements must 'comply with employment standards for the position as established under all relevant Commonwealth, state or territory law (for example, be suitable work that pays the minimum award wage)'.

rate of \$20.33 per hour<sup>10</sup>, the wage for an average of at least 20 hours of work per week over a 26-week wage subsidy period is \$406.66 per week, and \$10,571.60 in the 26-week period.

1.8 Employment services providers<sup>11</sup> are not required to offer a wage subsidy even if all eligibility criteria are satisfied. Whether a subsidy is offered depends on the needs and preferences of the participant and the employer, and whether the provider considers that a wage subsidy would be an effective incentive.

1.9 The employer enters into a wage subsidy head agreement with an employment services provider, with a schedule agreement attached for each participant being offered a wage subsidised placement. The provider then makes instalment payments to the employer at agreed intervals (fortnightly, monthly, quarterly, or at the end of the wage subsidy period for the total amount), after the employer has provided documentary evidence that the participant was employed in line with the wage subsidy agreement conditions and the claim does not exceed 100 per cent of the participant's wages.

1.10 Providers manage the administration (including payment) of wage subsidies using the Employment Services System (ESSWeb), DESE's system for managing employment programs. Providers make wage subsidy payments to employers from the provider's funds and then claim reimbursement from DESE after making wage subsidy payments to employers.

1.11 Any employer is eligible to receive a wage subsidy if they are a legal entity with a valid ABN unless they:

- have been suspended or excluded from receiving wage subsidies;
- are the provider's own organisation; or
- are an Australian, state or territory government entity.

1.12 An employer cannot receive a wage subsidy for a participant who has previously been employed by that employer, if they are a family member of the employer, or if they displace an existing employee, and a participant can only attract one wage subsidy at any given time.

1.13 DESE's Incentives and Investments Branch is responsible for wage subsidies operational policy, supported by the Assurance Coordination Branch, the Economics and Employment Services Reporting Branch, and the Employment Research and Evaluation Branch that are respectively responsible for compliance, performance reporting and evaluation. Account and contract managers in DESE's state and territory offices are responsible for liaising with employment services providers, including in respect of wage subsidies.

1.14 From April 2020, job seekers were referred to Online Employment Services (OES), an online employment services webpage introduced in response to the increase in demand for employment services resulting from the COVID-19 pandemic, and can seek additional support from the Digital Services Contact Centre (DSCC). The OES and DSCC, in some form, will continue to operate under the New Employment Services Model (NESM) when it is introduced on 1 July 2022.

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10 Fair Work Ombudsman, Minimum Wages, available from <https://www.fairwork.gov.au/pay/minimum-wages> [accessed July 2021].

11 Employment services provider are contracted to deliver services on behalf of DESE under jobactive, ParentsNext, Transition to Work, Disability Employment Services and the Community Development Programme.



### Changes to wage subsidies from 1 July 2022

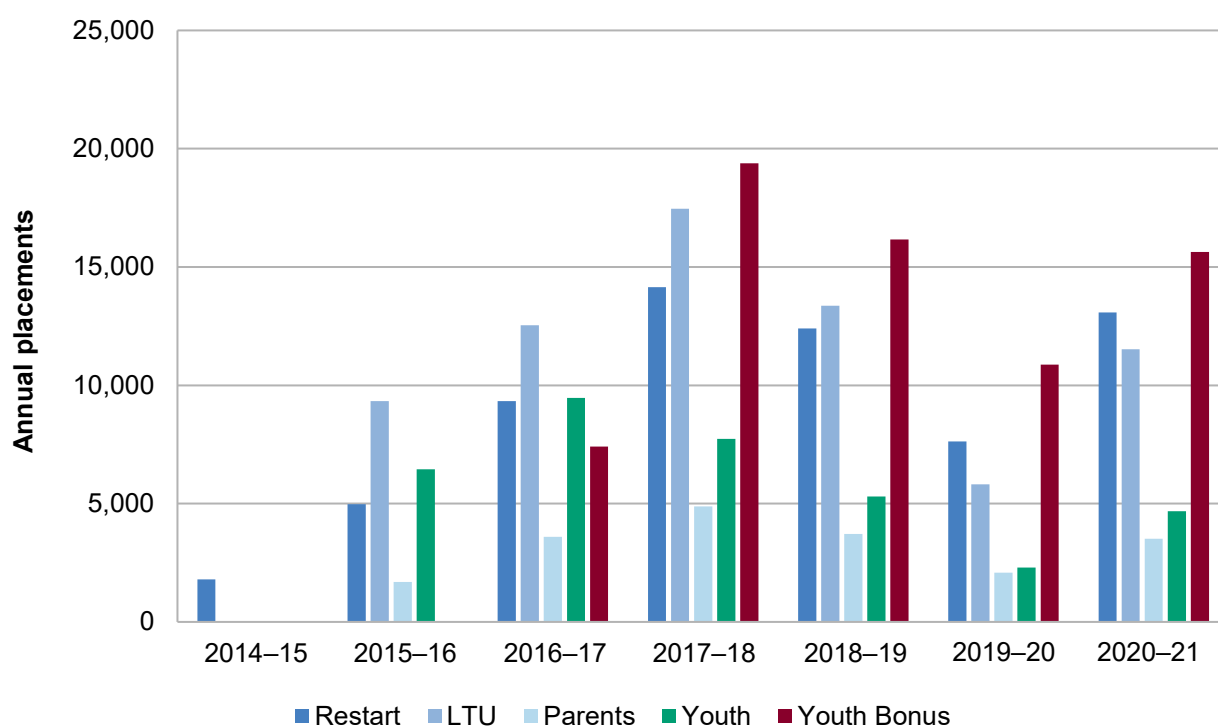
1.15 Following the NEST that commenced from 1 July 2019 in Adelaide South in South Australia, and the Mid North Coast in New South Wales, NESM is being developed and is due to commence on 1 July 2022.

1.16 In the NESM, wage subsidies will only be available to participants who have been registered with an Enhanced Services<sup>12</sup> provider for six months. Indigenous job seekers in Enhanced Services (and job seekers who have been in Digital Services for 12 months or more who have moved to Enhanced Services) will have immediate access to a wage subsidy upon commencement in Enhanced Services. The aim is to target wage subsidies to the most disadvantaged job seeker cohort. Additionally, the minimum average hours a participant needs to work will be reduced from 20 hours per week to 15 hours per week, and the duration of the wage subsidy placement will be negotiable between providers and employers to allow the maximum amount offered to be up to \$10,000, and the length of the wage subsidy agreement to vary.

### Wage subsidies use and expenditure

1.17 Figure 1.2 sets out the number of DESE administered employment program annual placements made with a wage subsidy since 2014–15, broken down by program.

**Figure 1.2: Wage subsidy placements by year and program**



Source: DESE wage subsidy program dashboard.

12 Under the New Employment Services Model, job seekers who need additional support can receive Enhanced Services that includes intensive case management through an employment services provider. Digital Services will provide the most job-ready job seekers with a more personalised and flexible online service and support them to self-manage back into work.

## Rationale for undertaking the audit

1.18 Job seekers who have been unemployed for a long time generally experience greater difficulty finding subsequent work, as their paid work prospects decline.<sup>13</sup> This audit is an opportunity to examine the effectiveness of the administration of wage subsidies, and the extent to which DESE monitored and evaluated if wage subsidies improved employment opportunities for employment program participants, by assisting job seekers into work and meeting employer needs. This audit also has the potential to inform any changes to wage subsidies that could be considered as part of the DESE's reforms to employment programs, currently in the development and piloting phase and due for implementation in July 2022.

## Audit approach

### Audit objective and criteria

1.19 The objective of the audit was to assess the effectiveness of DESE's arrangements in administering wage subsidies linked to employment programs.

1.20 To form a conclusion against the audit objective, the following criteria were applied:

- Are wage subsidies assessed, processed and paid in accordance with program requirements and contractual obligations?
- Is the application and use of wage subsidies effectively monitored, evaluated and reported to ensure policy objectives are being achieved?

1.21 The focus of the audit was on wage subsidies available in 2020–21 and 2021–22, across the employment programs and associated cohorts set out in Table 1.1 and Table 1.2. The administration of wage subsidies for all employment programs were not examined under the audit sub-criteria as the associated eligibility criteria, wage subsidy payment amounts, and the required length of employment were largely consistent across the employment programs and cohorts, regardless of which cohort or program the wage subsidy is applied under.

1.22 The performance of the employment programs that wage subsidies are attached to — jobactive, Youth Job PaTH, Transition to Work, Disability Employment Services, ParentsNext and the Community Development Programme — is not in scope for the audit.

### Audit methodology

1.23 The audit involved:

- reviewing the policies, procedural guidelines and processes used to administer wage subsidies across employment programs;
- analysing service provider performance information and any participant outcome information relating to wage subsidies;
- reviewing system controls;

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13 Education and Employment References Committee, *Jobactive: failing those it is intended to serve*, inquiry report February 2019, p. 29, available from [https://parlinfo.aph.gov.au/parlInfo/download/committees/reportsen/024217/toc\\_pdf/Jobactivefailingthoseitintendedtoserve.pdf;fileType=application%2Fpdf](https://parlinfo.aph.gov.au/parlInfo/download/committees/reportsen/024217/toc_pdf/Jobactivefailingthoseitintendedtoserve.pdf;fileType=application%2Fpdf) [accessed 22 July 2021].

- reviewing compliance and assurance activities;
- examining documentation provided for the budget process; and
- discussions with key staff.

1.24 The audit was conducted in accordance with ANAO Auditing Standards at a cost to the ANAO of approximately \$295,000.

1.25 The team members for this audit were Renina Boyd, Evan Lee, Sonya Carter and Peta Martyn.

## 2. Guidelines, systems and compliance

### Areas examined

This chapter examines whether the Department of Education, Skills and Employment (DESE) assessed, processed and paid wage subsidies in accordance with program requirements and contractual obligations.

### Conclusion

DESE's contractual framework, program guidelines, systems, and compliance program largely supports the assessment, processing and payment of wage subsidies in accordance with program guidelines. Guidelines and supporting documentation are clear and updated at regular intervals. System controls support the accurate processing and management of wage subsidies. There is a largely effective compliance program in place, based on risk. However, the results of the Rolling Random Sample (RRS) for wage subsidies is consistently below the overall compliance target.

### Areas for improvement

The ANAO suggested that DESE documents the approved methodology for the RRS; and reflects in the next Wage Subsidies Assurance Workbook that the Wage Subsidies Risk Monitoring (WSRM) application is used as a research tool and is not a discrete assurance activity.

2.1 Effective administration of wage subsidies ensures that the correct amounts of wage subsidy funding are paid to eligible employers only, and the use of wage subsidies helps to contribute to improved employment outcomes for disadvantaged employment program participants. To determine whether wage subsidies are assessed, processed and paid in accordance with contractual obligations and program guidelines, the ANAO examined:

- contractual frameworks and program guidelines;
- the IT system and supporting processes; and
- the compliance program.

### Has DESE established appropriate contractual frameworks and guidance to support the correct administration of wage subsidies?

DESE has an appropriate contractual framework and clear wage subsidy guidelines that are regularly updated. Changes to the wage subsidy guidelines are communicated to providers and to DESE regional contract and account managers to support the correct administration of wage subsidies. DESE regional contract and account managers have access to a range of additional guidance and are supported by the national office in resolving provider queries.

2.2 Developing clear and comprehensive program guidelines that are consistent with the policy objectives assists in accurate administration of the program and quality decision-making. Guidelines should be reviewed regularly to ensure they address program implementation and delivery issues, remain relevant, and reflect feedback from users of the guidance. Clear alignment between policy, guidance, contractual frameworks and administrative systems, facilitates compliance with policy and process requirements.

## Wage Subsidies Guideline

2.3 The principal guideline relating to the administration of wage subsidies is the Managing Wage Subsidies Guideline. The structure of the Guideline is set out in Table 2.1 below.

**Table 2.1: Structure of the Managing Wage Subsidies Guideline**

Section	Comments
Wage Subsidy Agreement Eligibility Requirements	Includes requirements for employers and placements
Offering Wage Subsidies	States that wage subsidies are used at the discretion of providers
Using Employment Fund Credits for Wage Subsidies	Sets out requirements in relation to the use of the Employment Fund General Account
Negotiation of Wage Subsidy Agreements	States that providers must enter into a head agreement with each employer and a schedule agreement for each participant Sets out 'system steps' required to create an agreement in ESSWeb
Payments to Wage Subsidy Employers	Sets out requirements in respect of change of business ownership, payments for early terminations and concurrent funding from other wage subsidy programs (e.g. state government programs)
Claims for Reimbursement	Sets out requirements for reimbursement claims, including time requirements, override requests, managing Employment Fund credits for ended wage subsidy agreements and recovery of reimbursement claims
Managing Wage Subsidy Agreements for Participants	Discusses support for participants on wage subsidies and managing agreements on behalf of another provider
Summary of Documentary Evidence	Summary of documentary evidence requirements
Table 1 — Wage Subsidy Types and Participant Eligibility	Sets out wage subsidy types and eligibility requirements for participants

Source: ANAO analysis of Managing Wage Subsidies Guideline, version 5.0, May 2021.

2.4 The most recent version of the Guideline, version 5.0, was published on 27 May 2021 and came into effect on 1 July 2021. The Guideline can be accessed by providers on the online Provider Portal, a key channel of communication with employment services providers. The Guideline is also available on DESE's website.

2.5 The Guideline is clear in setting out the wage subsidy requirements. It is logically structured and provides assistance to providers. For instance, 'system steps' are highlighted throughout the Guideline to provide end-to-end guidance on using DESE's IT system, the Employment Services System (ESSWeb), to manage wage subsidies. A sample wage subsidy agreement and schedule are available on the provider portal for providers to use as a reference.

2.6 The Guideline has been regularly updated since its introduction in January 2017, with 10 versions over a four and a half year period. Changes to the Guideline relate to policy changes, or to clarify requirements and improve readability. A version history of the Guideline is set out in Table 2.2.

**Table 2.2: Version history of Managing Wage Subsidies Guideline**

Version	Publication date	Effective date	Key changes from previous version
1.0	Not stated	1 January 2017	Not applicable — initial version
2.0	19 June 2017	1 July 2017	Substantial restructuring, rewording and reformatting 'System steps' introduced to clarify how to navigate ESSWeb
2.1	25 July 2017	25 July 2017	Minor changes to formatting and eligibility requirements
2.2	7 December 2017	1 January 2018	<b>Policy update:</b> Indigenous participants are eligible for \$10,000 wage subsidy
2.3	31 May 2018	1 July 2018	Documentary evidence requirements highlighted throughout text Some restructuring and rewording
3.0	7 December 2018	2 January 2019	<b>Policy update:</b> Abolition of the separate Employment Fund Wage Subsidy Account — wage subsidies are to be reimbursed from the Employment Fund General Account <b>Policy update:</b> Changes to reflect the introduction of the Australian Apprentice Wage Subsidy
3.1	8 February 2019	4 March 2019	<b>Policy update:</b> Paid work trials are limited to two weeks Adds documentary evidence requirements for verifying approved leave
3.2	30 May 2019	1 July 2019	Minor changes to formatting
4.0	12 November 2019 <sup>a</sup>	2 October 2019 <sup>a</sup>	<b>Policy update:</b> Removal of the kickstart payment <sup>b</sup> <b>Policy update:</b> Employers are prohibited from receiving a wage subsidy in respect of a participant that they have previously employed (this prohibition previously applied only if the participant was previously employed within the last six months)
5.0	27 May 2021	1 July 2021	<b>Policy update:</b> All wage subsidies increased up to \$10,000 <b>Policy update:</b> References to ParentsNext Intensive stream removed to reflect merging of ParentsNext streams Clarification of approved leave requirements New section on recovery of reimbursement claims Wage subsidy types and participant eligibility presented in a table (as opposed to a list) Additional clarity, restructuring and streamlining changes throughout Guideline to improve readability.

Note a: Version 4.0 of the Guidelines was published after it came into force. DESE advised that clearance and publication of Version 4.0 was managed in tandem with the clearance for the Managing Wage Subsidies for the Online Employment Services Trial (OEST) Employer Guideline, due to the similarity in content of both documents. The finalisation of the OEST Guideline was delayed, resulting in delayed publication of version 4.0 of the Guidelines.

Note b: The kickstart payment was introduced in January 2017 to provide an additional incentive for employers, allowing up to 40 per cent of the total wage subsidy to be paid to employers four weeks after a participant commenced in an eligible placement.

Source: ANAO analysis.

2.7 DESE communicates changes to the Guideline to providers by placing news items on the Provider Portal. DESE's contract and account managers, who are responsible for providing support to the employment service providers in their regions, are informed of Guideline changes through emails and information from program areas through a central coordination point in the DESE National Office.

2.8 In response to the economic effects of the COVID-19 pandemic, DESE issued advice to providers on 12 and 15 May 2020 that in specific circumstances, the department would consider waiving wage subsidy requirements relating to approved leave and pre-existing employment for wage subsidy agreements that were active at the onset of COVID-19.<sup>14</sup> COVID-19 waivers were communicated to providers on the Provider Portal.

### **Contractual framework**

2.9 The contractual requirements between DESE and providers for the employment services programs is set out in the following documents:

- Community Development Program Head Agreement;
- Disability Employment Services Grant Agreement;
- jobactive Deed 2015–2022;
- ParentsNext Deed 2018–2024; and
- Transition to Work Deed 2016–2022.

2.10 The contractual documents set out: definitions and interpretations; requirements for financial matters; performance; information management and deed administration; requirements for service delivery; and payments to providers.

2.11 Wage subsidy requirements are not specified in detail in the contractual documents as they refer providers to the Managing Wage Subsidy Guideline. For example, clause 89 of the jobactive Deed states that providers must 'offer, manage, deal with enquiries and report on Wage Subsidies in accordance with any Guidelines', and the requirements set out in the Deed are 'Subject to any contrary provision specified in any Guidelines'. The other deeds contain similar wording except for the Community Development Program (CDP) Head Agreement that does not refer to wage subsidies.

### **Support for DESE staff, employment services providers and employers**

#### *Resources for departmental staff*

2.12 DESE's Incentives and Investments Branch is responsible for operational wage subsidies policy matters and the Labour Market Policy Branch is responsible for strategic wage subsidies policy. Operational responsibility for managing and supporting providers is assigned to contract

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14 Employers in receipt of a wage subsidy must provide the participant with an average of at least 20 hours of work per week. Approved leave can be counted towards this requirement, but the Guideline prohibits the regular use of approved leave to supplement work hours. The COVID-19 waiver allowed employers to use leave regularly to supplement work hours where the pandemic prevented the participant from meeting the minimum hours requirement. The Guideline also prohibits the payment of a wage subsidy in respect of a participant whom the employer has previously employed. The COVID-19 waiver allowed employers to receive a wage subsidy after re-hiring a participant whom it had made redundant due to the pandemic.

managers, regional account coordinators and account managers, who are located in DESE's state and territory offices.

2.13 Contract managers, regional account coordinators and account managers are responsible for monitoring and communicating with providers at the local level. Account managers oversee contract managers and regional account coordinators, and are responsible for communicating with providers at the organisational level. Contract and account management responsibilities are set out in DESE's documentation. DESE contract managers, regional account coordinators and account managers can use state office handbooks or online resources on the Provider Portal to support the administration of wage subsidies. These resources include the Managing Wage Subsidies Guideline, relevant contracts and information on performance and assurance.

### *Resources for providers*

#### Question Manager form

2.14 Providers can receive support from DESE through the Question Manager form in ESSWeb and through the Wage Subsidies mailbox. Question Manager is described by DESE as its preferred mechanism for lodging and resolving policy and operation questions. Providers can lodge questions through the Question Manager form to be answered by a departmental officer.

2.15 Questions and responses on Question Manager are recorded and DESE staff and providers can search through past questions to establish whether a similar question has already been asked and answered. DESE advised that for privacy reasons, a provider can only access questions asked by that provider.

2.16 Forty-three questions relating to wage subsidies were lodged and resolved in Question Manager from the introduction of the current version of Question Manager in November 2020, to 5 May 2021.

2.17 DESE aims to respond to questions lodged in Question Manager within 10 business days. Of the 43 questions that had a status of resolved and closed, 38 received responses within this timeframe (88 per cent), and 40 questions received responses which were clear and directly addressed the question. Two responses were not directly relevant to the question asked. One response gave an inaccurate explanation of program requirements.<sup>15</sup>

#### Wage Subsidies mailbox

2.18 When DESE staff receive queries from providers which they are unable to respond to, they can use the Wage Subsidies mailbox to escalate the matter to the Wage Subsidies Team in DESE's Incentives and Investment Branch. DESE advised that the Wage Subsidy Team may, at its discretion, communicate directly with providers via the mailbox but the preference is to liaise with providers through DESE contract and account managers.

2.19 DESE responded via the mailbox to 203 inquiries in the six months from 1 October 2020 to 31 March 2021. From a selection of 12 responses examined by the ANAO, in all cases the Wage Subsidy Team was able to resolve queries through the mailbox.

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15 Version 4.0 of the Guideline, which was in force at the time that the relevant question was asked, states that 'Wage Subsidy Payments must not exceed 100 per cent of the Participant's wages at any point over the 26 weeks of the Wage Subsidy Agreement'. The provider received advice that 'the income earned [by the participant must] not exceed the wage subsidy by 100 per cent'. This is not an accurate restatement of the requirement in the Guideline.



2.20 DESE aims to respond to mailbox inquiries within 10 business days. DESE advised that more complex queries that require investigation may take longer to resolve. Of the 12 responses examined, four that were lodged in March 2021 did not have a timestamp of resolution, and for the remaining eight, six were provided within 10 business days. The two remaining queries took 19 and 42 days to resolve.

### *Resources for employers*

2.21 Providers have the primary responsibility to provide guidance and support to employers regarding wage subsidies. DESE also provides resources for employers on its website, including a wage subsidies 'how to guide' that is available to employers and other members of the public. The guide explains how employers can use the jobactive website to manage a wage subsidy agreement.

## **Do DESE's systems support accurate processing and management of wage subsidies?**

The system used to manage employment programs, the Employment Services System (ESSWeb), supports the accurate processing and management of wage subsidies. ESSWeb contains reliable system controls that maximise automated completion of key processes and minimise manual interventions.

2.22 IT systems that embed automatic validation controls and transparent processes can help to ensure effective management of payments.

### **Wage subsidy process**

2.23 The key steps in processing a wage subsidy are set out below and the full process is depicted at Appendix 3:

- provider determines that a wage subsidy is suitable for the eligible participant and eligible employer;
- provider establishes a wage subsidy agreement and schedule with the employer (within 84 days of the employment placement commencing) and negotiates a payment schedule;
- employer provides payroll evidence and invoices to the provider to receive wage subsidy payments, and as per the payment schedule, provider pays employer;
- provider claims reimbursement of wage subsidy payments from DESE (within 56 days of the end of the wage subsidy period); and
- DESE reimburses the provider for the amount paid to the employer.

### **System for administering wage subsidies**

2.24 ESSWeb is the IT system used by DESE to administer employment programs, including wage subsidies.

2.25 ESSWeb went live on 1 July 2015, following the introduction of the Restart program on 1 July 2014 and in preparation for the introduction of jobactive. Employment service providers access ESSWeb through the Employment and Community Services Network (ECSN), a departmental portal which provides access to other applications such as the DESE internet page, provider portal, performance dashboard and learning centre.

2.26 To create a wage subsidy schedule agreement in ESSWeb, a provider must match an eligible participant to an eligible vacancy with an employer. A wage subsidy schedule agreement must then be attached by the provider to a head agreement with the employer. Providers cannot attach a wage subsidy schedule agreement in ESSWeb without first confirming that they have signed the head agreement with the employer, which can be completed electronically in ESSWeb, or completed offline and then recorded in ESSWeb.

2.27 ESSWeb automatically assesses eligibility and determines other requirements such as the agreement end date. If ESSWeb assesses that eligibility criteria are not met, the provider may request a manual override from DESE.<sup>16</sup>

2.28 After making payments to employers, providers claim reimbursement from DESE through ESSWeb which has system controls that prevent providers claiming reimbursement unless a valid wage subsidy agreement exists. ESSWeb system controls also disallow any claim for reimbursement in excess of the remaining balance of the wage subsidy. Other key controls include data matching to ensure providers meet the criteria for each claim. Job Seeker Identification numbers, employment vacancy identifiers and referral identifiers are automatically matched by ESSWeb, and ABNs are validated with Australian Taxation Office records.

2.29 A key requirement of the Managing Wage Subsidy Guideline is that the employer and provider are to keep records of the payslip and wage subsidy payment remittance respectively. In ESSWeb it is optional to upload documentary evidence, with providers required to retain the evidence offline. Adherence to this requirement is checked in the RRS and other assurance activities (discussed from paragraph 2.57 below), or requests for providers to supply copies to DESE.

2.30 If any of the records in the sample of transactions examined in the RRS do not have documentary evidence of payment remittance attached, DESE follows up with the provider to request that it be made available within one working day. Where documentary evidence cannot be provided, DESE takes steps to recover the payment.

2.31 The option of uploading documentary evidence in ESSWeb raises the risk of fraud or poor practice of not retaining the required documentary evidence. In RRS cycle 16 (discussed further from paragraph 2.64) from the 316 transactions examined, 11 transactions (three per cent) were found to have insufficient or no evidence to support payment to the employer by the provider. DESE advised that the high compliance rates found through RRS indicate there is limited evidence to support the introduction of a mandatory documentary evidence requirement for providers.

2.32 When claims for reimbursement are made on ESSWeb, this then updates HUB (DESE's SAP financial system) in real time. HUB processes payments each morning and batch updates ESS each night. ESSWeb to HUB reconciliations are performed automatically once a month.

2.33 There are minimal manual interventions required in standard ESSWeb wage subsidy processing, which lowers the risk of error. However, DESE account managers can make manual adjustments in exceptional circumstances, for example, special claims where a provider submits a wage subsidy reimbursement over the 56 day time limit, or to apply a workaround while a new policy and accompanying process is being embedded. If exceptional circumstances are deemed to

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16 DESE advised that departmental officers can override job seeker and vacancy eligibility if required. For example, account managers have the delegation to override timeframe requirements including back dating wage subsidy agreements beyond the 84 day limit if exceptional circumstances can be established.

have occurred, a DESE officer will process these claims in ESSWeb. DESE advised that special claims represent less than one per cent of total wage subsidy transactions, representing 2,787 (around one per cent) from a total of 321,578 claims from 2019 to 2021.

### Is there an effective program of compliance, based on risk?

DESE has a largely effective compliance program for employment programs, including wage subsidies, based on risk. However, the results of the RRS for wage subsidies consistently do not meet the overall 95 per cent compliance target. DESE should document, and seek endorsement of, the methodology for the RRS.

2.34 A compliance strategy should be linked to the entity's risk management and fraud control frameworks and be used to support and guide the conduct and allocation of resources, and outcomes from the assurance activities should be adequately monitored and reported.<sup>17</sup>

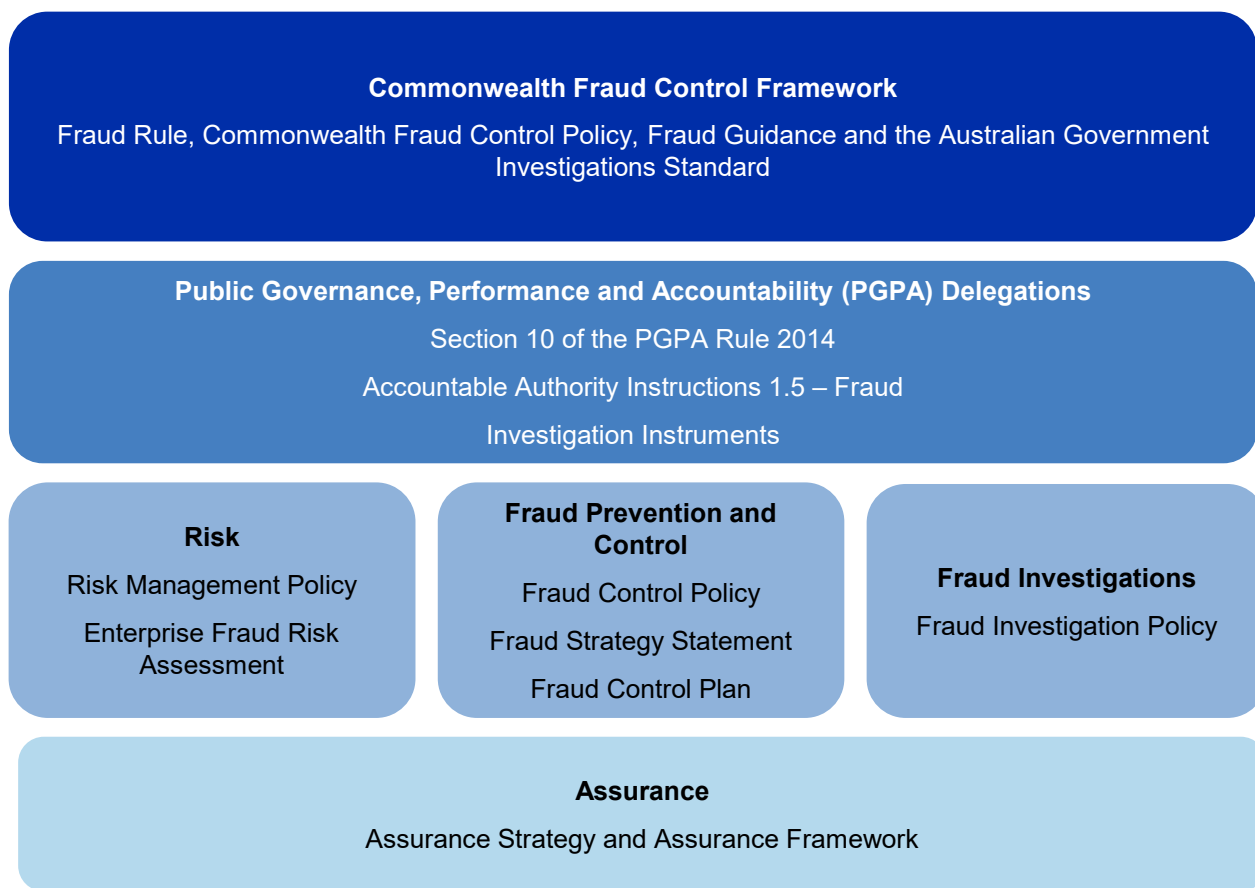
### Assurance planning

2.35 The *Public Governance, Performance and Accountability Act 2013* (PGPA Act) requires Commonwealth entities to establish and maintain an appropriate system of risk oversight and management.<sup>18</sup> The assurance and compliance activities for employment programs are informed at a high level by DESE's enterprise risk, fraud and assurance frameworks as shown in Figure 2.1.

<sup>17</sup> Auditor-General Report No.33 2018–19, *Human Services' Compliance Strategies*, p. 11.

<sup>18</sup> *Public Governance, Performance and Accountability Act 2013*, Chapter 2, Section 15.

**Figure 2.1: DESE assurance operating environment**



Source: DESE Assurance Strategy and Framework.

### *DESE Assurance Strategy and Assurance Framework*

2.36 The DESE Assurance Strategy and Assurance Framework supports the department’s activities across the education, training and employment streams. It describes the purpose of assurance and outlines how assurance activities should be assigned and undertaken across the department. The strategy provides the principles and guidance that underpin the assurance activities, and the Framework operationalises the strategy by setting out a range of assurance activities. The DESE Assurance Strategy and Framework was updated in February 2021 and replaced the previous program-specific Employment Services Assurance Strategy 2018 and the Employment Services Assurance Framework 2019.

2.37 The strategy provides the overarching guidance to enable DESE to deliver assurance activities at an operational level, and describes how it interacts with DESE’s other governance frameworks including the Risk Management Framework and Strategy (discussed further from paragraph 2.48 below).

2.38 The strategy provides guidance on DESE’s risk-based approach to assurance and its purpose is to assure the department that its activities (policies and programs) are operating effectively. The assurance planning model includes four phases:

- Phase 1: Information gathering and analysis;
- Phase 2: Risk identification and control analysis;

- Phase 3: Plan assurance activities; and
- Phase 4: Monitoring and reporting.

2.39 The Framework outlines the assurance environment, the purpose of assurance, and the design and delivery of assurance activities, as well as the three lines of defence: business and support control processes and systems; management assurance; and independent assurance.

2.40 Assurance planning is how DESE develops program assurance plans for employment services programs.<sup>19</sup> The process involves the following:

- Assurance Coordination Branch generates the assurance planning workbook and sends it to the program area for input;
- assurance activity recommendations are prepared for consultation with the program area;
- an assurance plan is prepared for approval by the program area SES Band 1 and Assurance Coordination Branch SES Band 1, and noted by the Program Integrity Sub-Committee for Employment Services (PISCES);
- the final plan is published on the DESE provider portal; and
- assurance activities are undertaken by the program area or Assurance Coordination Branch.

2.41 The DESE Assurance Strategy and Framework states that assurance activities should align with the program area's risk plan and be reviewed annually unless DESE determines otherwise.

#### *Wage subsidies assurance planning*

2.42 The most recent assurance planning process for wage subsidies commenced in 2020 and was documented in the 2020–21 Assurance Planning Workbook and the 2020–21 Assurance Plan: Wage Subsidies. The assurance planning process was then deferred in 2020 due to the COVID-19 impacts and the 2020–21 Workbook and Plan was not endorsed by PISCES. However, DESE advised that with the deferral of assurance planning, program areas were notified that they were covered by their 2019–20 assurance plans, which were noted by PISCES, until the recommencement of planning in 2020–21.

#### *Assurance Planning Workbook for wage subsidies*

2.43 The draft 2020–21 Workbook was prepared as part of the partially completed assurance planning process described at paragraph 2.42 above. The draft Workbook sets out: program information such as wage subsidies budget; eligibility and roles and responsibilities; wage subsidies risk profile; previous assurance activities undertaken and any outstanding recommendations; and assurance activities for 2020–21 including the underlying risk assessment and rationale to support them.

2.44 The content of the draft 2020–21 Workbook is not materially different from that of the 2019–20 Workbook except that it: discusses the 2019–20 bushfires and the COVID-19 pandemic; contains greater detail on IT systems; and identifies actions against recommendations arising from

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19 The DESE Program Assurance Strategy and Framework 2021 states that 'a tailored Assurance Plan will assist the department to establish a forward plan of assurance activities...assurance plans are not mandatory however they should be developed for departmental activities that pose the highest level of risk for the department'.

the earlier review of assurance activities. The purpose of the 2020–21 Workbook is to inform the Assurance Plan, discussed below.

Assurance Plan: Wage Subsidies

2.45 The draft 2020–21 Assurance Plan: Wage Subsidies is a two-page document which provides an overview of 2020–21 program assurance activities for wage subsidies, covering:

- wage subsidy risks from the Incentives and Investment Branch Risk Plan (discussed further from paragraph 2.53 below) and emerging assurance risks;
- the assurance approach for wage subsidies, including assurance drivers (such as payment recovery, policy development);
- ongoing monitoring activities for 2020–21; and
- assurance activities for 2020–21.

2.46 The previously approved 2019–20 Assurance Plan: Wage Subsidies was prepared using a template from the former Employment Services Assurance Framework. As the 2020–21 Assurance Plan was not endorsed by PISCES, the Incentives and Investments Branch continued to operate under the 2019–20 Plan. The draft 2020–21 Assurance Plan differs from the 2019–20 Plan in that it no longer provides targets for the level of compliance, and it combines both recommended improvements and scheduled activities into one section.

2.47 The assurance activities that were undertaken in accordance with the 2019–20 and 2020–21 Assurance Plans are set out in Table 2.3 below.

**Table 2.3: Wage subsidies assurance activities**

Activities	Action taken at June 2021
2019–20	
Rolling Random Sample Cycles 14, 15 and 16.	Wage subsidies were included in Cycles 14, 15 and 16 of the Rolling Random Sample (discussed further from paragraph 2.57).
Broader sample of kickstart payments made to employers after employment terminated.	The kickstart Targeted Assurance Activity was finalised in February 2021 and found that from the sample of 410 payments, 94 per cent were not valid due to providers making the payment after the participant had left employment, with a total of \$1,179,516 to be recovered. DESE advised that the debts were recovered through future payment offsets.
Quality Assurance Framework results.	The Wage Subsidies — Quality Assurance Framework (QAF) Analysis report contains analysis from the Round 2 QAF audits conducted between September 2017 and May 2018 and was provided to the Wage Subsidies Team to contribute to the assurance activity in the 2019–20 plan. Additional analysis was conducted of 42 providers against the two relevant areas <sup>a</sup> of the Quality Assurance Framework. The audit found that provider compliance was high overall, with three non-conformances and nine opportunities for improvement.

Activities	Action taken at June 2021
Analyse identified labour hire company's use of Wage Subsidies and ongoing employment.	This targeted assurance activity reviewed the use of wage subsidies by labour hire companies', testing if the payment and placement integrity of a sample of 342 wage subsidy agreements. The activity was finalised in April 2020 and found that around 90 per cent satisfied or mostly satisfied requirements, five per cent partially met requirements, and five per cent did not meet requirements.
Consider refinements to the data analytics application to ensure capturing correct data.	In March 2020, DESE undertook refinements to the data analytics application for wage subsidies risk alerts and risk indicators.
Risk Plan update and consultation on risks relating to new employment services trial and its impact on Wage Subsidies.	The Incentives and Investments Branch Risk Plan was updated in 2020–21 and risks associated with the New Employment Services Trial are covered in the plan.
Analysing Wage Subsidy Agreements with possible pre-existing employment.	This assurance activity was not undertaken. However, previous employment with an employer was one of the risks included in the data analytics application enhancements undertaken in March 2020.
Data analysis to examine Return to Services following conclusion of a wage subsidy.	As above.
DES Restart Wage Subsidies targeted assurance activity.	This assurance activity (finalised in August 2019) assessed 197 Restart wage subsidy payments against the guideline requirements and found 92 per cent of those payments satisfied or mostly satisfied requirements. The remaining eight per cent of payments, with a total value of \$40,692, were not compliant with Guideline requirements.
<b>2020–21</b>	
COVID-19 Payment Integrity Assurance Activity.	The purpose of this assurance activity was to provide oversight of the payment integrity and compliance activity across employment programs during national COVID-19 restrictions from 20 March to 31 July 2020. The results were being still being finalised as at September 2021.
Rolling Random Sample Cycles.	Wage subsidies were included in Cycle 17 of the Rolling Random Sample.
Wage Subsidies and concurrent funding Assurance Activity.	The Wage Subsidies Team undertook assurance activities in conjunction with the DESE Skills and Training Group and the Australian Taxation Office, data matching with concurrent claims against apprenticeship wage subsidies and the Job Maker Hiring Credit respectively.
Consider the establishment of a monitoring activity schedule for the Wage Subsidies Risk Monitoring Application.	To be reconsidered in the 2021–22 wage subsidy assurance plan.

Note a: The two areas of the Quality Assurance Framework which have direct relevance to wage subsidies are: providers have various strategies in place to promote a wide range of employment opportunities; and claims processes used by providers are systematic and align with the guidelines.

Source: ANAO analysis.

## **Risk planning and management**

2.48 DESE's Risk Management Framework and Policy, last updated in 2020, consists of two parts: the Risk Management Framework and the Risk Management Policy.

2.49 The Framework describes DESE's approach to risk management, types of risks, roles and responsibilities relating to risk management, the elements which comprise the Framework, risk reporting, review requirements and lists the performance indicators relevant to evaluating the effectiveness of the Framework.

2.50 The Risk Management Policy sets out DESE's Risk Management Process and provides the risk matrix, risk appetite and tolerance; a mandate that Risk Management Plans be approved annually and reviewed semi-annually at the division level; and discusses shared risk. It also discusses a number of specific risks such as staff fatigue, climate risk, and foreign influence and foreign interference.

2.51 The Risk Management Guidelines, a corporate document dating from 2020, provides non-binding guidance on the application of the Risk Management Framework and Policy. It defines risk and risk management and the elements of DESE's Risk Management Process: establishing context; identifying risks; analysing risks; evaluating risks; and treating risks.

### *Incentives and Investments Branch Risk Plan*

2.52 Wage subsidy-related risks are included in the Incentives and Investments Branch Risk Plan (updated in 2020) and in the Employment Services Payment Integrity Risk Plan (updated 2021).

2.53 The Incentives and Investments Branch risk plan identifies 11 risk events, six of which are relevant to wage subsidies:

- programs are not delivered in accordance with guidelines;
- budget allocation is exceeded and/or budget is not managed in an ethical, effective or efficient wage;
- fraudulent use of Commonwealth resources under programs managed by the Branch;
- personal information is not handled in accordance with the *Privacy Act 1988* or the Australian Privacy Principles;
- procurement activities (including contracts, consultancies and any expenditure of Commonwealth monies) are inadequate to meet desired outcomes; and
- development of new policy proposal does not meet the standards outlined in the Department of Finance requirements/or is not successful.

### *Payment Integrity Risk Plan*

2.54 The Payment Integrity Risk Plan, administered by DESE's Assurance Coordination Branch, outlines risks relating to payments made under DESE's employment services programs and sets out the associated risk treatments.

2.55 There is one risk related to wage subsidies in the Payment Integrity Risk Plan: 'Risk R00740 – Entity incorrectly or inappropriately claims payments – Wage Subsidies', which has a risk rating of 'medium'. The Plan identifies 11 possible causes for the risk event and five treatments. The treatments include assurance activities such as the RRS, use of data analytics, targeted assurance and administrative reviews (discussed further from paragraph 2.56 below).



## Assurance and compliance activities

2.56 Under the assurance plan, DESE conducts assurance and compliance activities to ensure that the administration of wage subsidies by employment services providers is compliant with the program requirements. The 2019–20 Wage Subsidies Assurance Workbook identifies the following assurance activities for wage subsidies:

- the RRS;
- data monitoring;
- targeted assurance activities;
- Employment Services Risk Alerts and detailed/administrative reviews; and
- Employment Services Tip-Off Line, complaints and Ombudsman inquiries.

### *Rolling Random Sample (RRS)*

2.57 The RRS is an assurance activity for payments made as part of DESE’s employment programs, including wage subsidy payments. The RRS is a post-payment check where the accuracy of payment processing and the adequacy of documentary evidence supplied by providers are examined.

2.58 The RRS is conducted three times (or ‘cycles’) each year – September to March; March to June; and July to September. Cycles are conducted over two weeks by assessors drawn from staff from DESE’s national office and state and territory offices.

2.59 Assessors assure wage subsidy payments through the RRS by assessing a sample of provider claims for the reimbursement of wage subsidy payments and examining documentary evidence for each sampled claim to assess whether it meets program requirements. A sub-sample of assessments is then quality assured by separate quality assurance assessors.

### RRS sampling methodology

2.60 DESE provided the ANAO with a document that was prepared for the audit describing the RRS sampling methodology. DESE advised that it uses a stratified random sampling methodology and aims to sample enough claims through the RRS to estimate the level of compliance to an accuracy of  $\pm 10$  per cent with 95 per cent confidence level, and the sample size is calculated using a standard formula for random sampling.<sup>20</sup> However, DESE was unable to provide evidence that the RRS methodology was documented or endorsed. DESE further advised that the internal reporting to governance groups and management on the RRS results was incorrect in respect to the value of claims related to the payments examined, and the subsequent amount identified for recovery. This was due to the sampling methodology and reporting approach applied, and that some values were extracted from an incorrect source. DESE intended to correct the reporting from Cycle 18, including updating prior cycle results.

2.61 Considering that clearly describing the method of measurement and assessment of compliance increases the transparency and confidence in the robustness of assurance activities, DESE should document and seek endorsement of the methodology for the RRS. The ANAO’s performance audit of Jobactive — integrity of payments to employment service providers further

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20 Stratified random sampling is when a population is divided into sub-populations, and every unit in a given sub-population has an equal probability of being included in the sample.

examines whether DESE has effectively implemented its framework to manage and monitor payments to employment service providers.

2.62 Nevertheless, DESE's methodology has been periodically informed by statistical methodology advice from an actuarial firm. For example, DESE sought actuarial advice for Cycle 16 of the RRS in 2019–20, because the period covered by the cycle was interrupted by COVID-19 and DESE had to vary its methodology. The sample for Cycle 16 was expanded to include claims between September 2019 and September 2020, excluding the period of 20 March 2020 to 31 July 2020. A payment integrity assurance activity covering the COVID-19 period between March and July 2020 was conducted in Cycle 17, with the sample size also based on advice from an actuarial firm.

#### RRS assessment and quality assurance process

2.63 RRS wage subsidy assessors use a workbook in Microsoft Excel to assess provider claims for the reimbursement of wage subsidy payments. The workbook is populated with the details of a wage subsidy placement, which are then checked against information and evidence provided by employers through the jobactive website and by providers in ESSWeb. Evidence reviewed includes wage subsidy head agreements, evidence of wages paid and hours worked (such as payslips), and evidence of the payment of a wage subsidy to the employer. If an assessor requires additional evidence to complete the assessment, DESE will email the provider to ask that the additional evidence be uploaded within one day.

2.64 DESE advised that the outcome of an assessment is calculated automatically by a formula in the workbook and depends on which deficiencies, if any, have been identified. The outcomes of all finalised assessments are automatically uploaded into the Wage Subsidies Risk Management (WSRM) application, discussed further from paragraph 2.71.

#### RRS outcomes and recoveries

2.65 Table 2.4 sets out the assessment outcomes for wage subsidy claims sampled by the RRS since July 2017. In each cycle, requirements were assessed to have been fully or mostly satisfied for around 90 per cent of payments. While there is no compliance target for wage subsidies, DESE advised that the overall compliance target for the RRS was 95 per cent.<sup>21</sup>

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21 As part of the year-end financial statements audit (year ending 30 June 2021), the ANAO reviewed the RRS compliance activities to determine the accuracy of payments for the jobactive program and observed DESE Cycle 16 compliance rate was 95.4 per cent, and Cycle 17 compliance rate was 96.2 per cent. The audit raised a minor finding as ANAO sampling of RRS Cycle 16 and Cycle 17 claims found several claims did not have supporting documents.

**Table 2.4: Assessment outcomes for wage subsidy claims 2017–2020**

RRS cycle	Agreements reviewed	Value of wage subsidy claims sampled	Outcome <sup>a</sup>			
			Satisfied (% of total)	Mostly satisfied (% of total)	Partially met (% of total)	Not met (% of total)
Cycle 9 (July to September 2017)	200	\$1,458,106	190 (95)	10 (5)	0 (0)	0 (0)
Cycle 10 (September 2017 to March 2018)	501	\$3,181,272	430 (86)	4 (1)	45 (9)	22 (4)
Cycle 11 (April to June 2018)	503	\$3,569,549	464 (92)	4 (1)	18 (4)	17 (3)
Cycle 12 (July to September 2018)	370	\$2,498,326	325 (88)	10 (3)	19 (5)	16 (4)
Cycle 13 (September 2018 to March 2019)	281	\$1,901,506	260 (93)	0 (0)	12 (4)	9 (3)
Cycle 14 (March to June 2019)	207 <sup>b</sup>	\$1,417,935	194 (93)	1 (0)	7 (3)	6 (3)
Cycle 15 (July to September 2019)	261	\$1,860,195	236 (90)	1 (0)	6 (2)	18 (7)
Cycle 16 (September 2019 to September 2020) <sup>a</sup>	375	\$2,601,591	328 (87)	3 (1)	19 (5)	25 (7)
Cycle 17 (September 2020 to March 2021) <sup>c</sup>	316	\$2,089,912	283 (89)	0 (0)	14 (4)	19 (6)

Note a: Total outcome percentages do not all equal 100 due to rounding.

Note b: The difference between the total outcome count (208) and the total number of agreements examined (207) is due to DESE's incorrect reporting, as discussed at paragraph 2.60.

Note c: The period from March to July 2020, which was impacted by the COVID-19 pandemic, was included in Cycle 17.

Source: DESE RRS results, Cycles 9–17.

2.66 Table 2.5 below sets out the total recoveries made as a result of the RRS as advised by DESE. Total recoveries average around one and a half per cent of the total claim amount assessed over the nine cycles. Recoveries are lower than the percentage of claims which were found in the RSS to have partially met or did not meet requirements (as set out in Table 2.4), as some RRS findings do

not result in a recovery or can result in a partial recovery. For example, a finding that the amount paid to the employer is less than what the employer was eligible for, or a wage subsidy head agreement was provided but was not signed by the provider, do not result in recoveries. Where a finding is that the amount claimed is greater than the amount paid to the employer, this will result in a recovery.

**Table 2.5: Wage subsidy financial recoveries from the RRS**

RRS Cycle	Agreements Reviewed	Claims Reviewed	Total Claim Amount	Total recoveries	Per cent recovered of total claim amount (%)
Cycle 9 (July to September 2017)	200	428	\$1,458,106	\$4,714	0.3
Cycle 10 (September 2017 to March 2018)	501	971	\$3,181,272	\$29,872	0.9
Cycle 11 (April to June 2018)	503	1,045	\$3,569,549	\$37,645	1.1
Cycle 12 (July to September 2018)	370	780	\$2,498,326	\$32,448	1.3
Cycle 13 (September 2018 to March 2019)	281	571	\$1,901,506	\$23,681	1.2
Cycle 14 (March to June 2019)	207	419	\$1,417,935	\$14,545	1.0
Cycle 15 (July to September 2019)	261	536	\$1,860,195	\$42,121	2.3
Cycle 16 (September 2019 to September 2020) <sup>a</sup>	375	697	\$2,601,591	\$49,320	1.9
Cycle 17 (September 2020 to March 2021) <sup>a</sup>	316	591	\$2,089,912	\$44,125	2.1
<b>Total</b>	<b>3,014</b>	<b>6,038</b>	<b>\$20,578,392</b>	<b>\$278,471</b>	<b>1.4</b>

Note a: The period from March to July 2020, which was impacted by the COVID-19 pandemic, was included in Cycle 17.

Source: DESE RRS results cycles 9–17.

2.67 Table 2.5 shows that the wage subsidy recoveries increased in Cycle 15. DESE advised this occurred due to the introduction of TtW and ParentsNext in the sampled wage subsidy claims that

were assessed in this cycle for the first time. The assurance activity demonstrated that these employment program providers did not fully understand the requirements for administering wage subsidies under these programs. The higher non-compliance was mainly due to these providers claiming reimbursement from DESE before the employer was paid. DESE further advised that where providers made this error, the Cycle 15 results were used to educate providers on appropriate claiming practices for wage subsidies and no recoveries were actioned. DESE actioned recoveries for deficiencies associated with the incorrect calculation of the eligible wage subsidy payment or the supply of insufficient or inappropriate documentary evidence and this resulted in higher than usual recovery amounts for Cycle 15.

2.68 In addition to financial recoveries, DESE provides written feedback to providers with claims that were assessed as part of the RRS. The feedback sets out the overall results for wage subsidy claims assessed in the relevant RRS cycle, a list of the most common deficiencies, and learnings for providers. The level of compliance has not improved as a result of this activity. The RRS is also used to inform DESE's approach to targeted assurance activities, although the assurance planning process seeks to anticipate risks before they arise and are detected by the RRS.

#### Quality assurance of RRS cycles

2.69 DESE quality assures RRS assessments by re-performing a sample of five per cent of randomly selected assessments. In addition, all assessments that identify a deficiency are quality assured and assessments performed by new assessors are targeted for additional quality assurance.

**Table 2.6: Quality assurance of the wage subsidy payments in the RRS**

RRS cycle	QA completed — no change	QA updated — result sustained	QA updated — result amended	Per cent amended (%)	Total
Cycle 9 (July to September 2017)	81	133	67	23.8	<b>281</b>
Cycle 10 (September 2017 to March 2018)	281	8	69	19.3	<b>358</b>
Cycle 11 (April to June 2018)	95	107	37	15.5	<b>239</b>
Cycle 12 (July to September 2018)	46	81	22	14.8	<b>149</b>
Cycle 13 (September 2018 to March 2019)	52	53	14	11.8	<b>119</b>
Cycle 14 (March to June 2019)	23	41	3	4.5	<b>67</b>
Cycle 15 (July to September 2019)	80	50	13	9.1	<b>143</b>
Cycle 16 (September 2019 to September 2020)	58	26	18	17.6	<b>102</b>
Cycle 17 (September 2020 to March 2021)	47	20	11	14.1	<b>78</b>

Note: 'No change' means the original assessment was upheld, 'result sustained' means the original assessment was upheld but the QA assessor may have made minor corrections that did not change the original assessment outcome, and 'result amended' means the original assessment was modified as a result of the QA.

Source: DESE RRS quality assurance results.

2.70 Table 2.6 sets out the quality assurance results for cycles nine to 17 as advised by DESE. The percentage of results amended ranges over the cycles from 4.5 to 23.8 per cent of all quality assurance wage subsidy cases completed.

2.71 Quality assurance results are used to inform feedback to assessors and are tracked through the WSRM application (discussed below). DESE also advised that RRS assessors, including quality assurance assessors, meet daily during the cycle to discuss any issues arising out of quality assurance that need to be addressed by assessors.

### *Data monitoring*

2.72 DESE uses a business intelligence and data analytics tool which brings together data from a range of sources across DESE. The dedicated WSRM application displays a monthly updated dashboard of wage subsidies-related risk indicators.

2.73 The WSRM application provides a centralised snapshot of the total number of wage subsidy agreements that have been risk-flagged, and the number of agreements and employers or providers associated with each risk. The app also identifies individual wage subsidy agreements that have been risk-flagged. Users can explore the characteristics of risk-flagged agreements and the associated employers, providers and participants.

2.74 In 2019, an internal audit reviewed the wage subsidies data analytics by examining wage subsidies risk management plans, assessing if the WSRM application supports the identification and analysis of wage subsidies risks, and verifying the accuracy of WSRM application reporting. Prior to the internal audit, DESE monitored 17 risk indicators and 19 sub-indicators. The internal audit tested a subset of the indicators representing 13 risk indicators and 13 sub-indicators and found that one indicator and seven sub-indicators were unsatisfactory, and that three indicators and two sub-indicators required improvement, and should be reviewed by the wage subsidies team. The three internal audit recommendations were addressed in April 2020 and closed in May 2020.

2.75 In May 2020 DESE made the following additional changes to the WSRM application:

- the application was ‘redefined into three discrete sections’: risk alerts which might need to be immediately reviewed and actioned<sup>22</sup>, risk indicators to be used for ‘broader program management’, and contextual information which DESE assessed to provide useful information about program operations but did not in themselves indicate any actual risk;
- one indicator was maintained;
- two sub-indicators became indicators;
- two indicators and two sub-indicators relating to kickstart were removed due to the cessation of kickstart;
- two indicators and four sub-indicators were removed because DESE advised there was no evidence those risks were occurring.
- one indicator and five sub-indicators were reclassified as risk alerts; and
- three indicators and six sub-indicators were reclassified as contextual indicators.<sup>23</sup>

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22 DESE advised that risk alerts were used to indicate issues that might need to be followed up.

23 The total number of indicators will not add up to a total of 15 (the number of indicators in the WSRM application) because some indicators were split into sub-indicators.

2.76 DESE advised that the WSRM application is not used to proactively identify risks and is primarily a research tool that complements other assurance activities. DESE should clarify in the Wage Subsidies Assurance Workbook when it is next updated that the WSRM application is used as a research tool and is not a discrete assurance activity and therefore cannot be relied upon as such in program assurance.

### *Targeted assurance activities*

2.77 Targeted assurance activities are identified in DESE's Assurance Planning Workbook for wage subsidies and involve detailed investigation of identified or suspected non-compliance. Remedial actions resulting from a targeted assurance activity may include provider feedback, restricting the number of wage subsidies an employer can access and the recovery of reimbursements via an offset against a provider's future payments.

2.78 DESE's 2019–20 Assurance Plan for wage subsidies contained five assurance activities scheduled in the period. One activity related to kickstart payments which were ceased in 2019 and was therefore not included in the ANAO's analysis. DESE advised that one planned assurance activity relating to misuse of leave was removed by DESE from the assurance schedule due to a very low incidence of misuse identified in a labour hire assurance activity undertaken in 2019 (discussed in the second bullet point below). Of the three other activities:

- one investigated the use of the Disability Employment Services Restart wage subsidy. The activity found that 92 per cent of the 197 claims assessed satisfied or mostly satisfied requirements. Fifteen payments were identified for recovery totalling \$40,692;
- the second investigated wage subsidy use by eight labour hire companies that were possibly 'churning' job seekers. The activity found that 89 per cent of the 342 agreements examined were assessed as compliant, and \$33,899 was identified for financial recovery; and
- the third investigated wage subsidy special and general claims<sup>24</sup> since the introduction of Restart in 2014–15. The investigation found that the level of compliance was high, four out of the total of 567 claims were identified as overpayments, and \$10,000 was identified for recovery.

2.79 Following the assurance activity relating to labour hire companies, providers who were subject to the assurance activity received a results letter from DESE which sets out the provider's individual results and more general learnings that applied across jobactive providers.

### *Employment Services Risk Alerts and Administrative Reviews*

2.80 DESE staff can raise an Employment Services Risk Alert (ESRA) if they identify a risk event which indicates that a provider, employer, activity host organisation or individual is using or delivering employment services improperly. Staff are expected to raise an ESRA if a risk event meets one or more of the criteria below:

- requires coordination, or has impact across multiple areas of DESE;

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24 Special claims are a system process started by a provider where a valid wage subsidy exists but, due to business rules, a user cannot lodge a claim through the usual process. General claims are payments made against a provider contract where a provider is owed money, but no other claim type is available.

- requires departmental action, such as suspensions or exclusions, to eliminate, mitigate or isolate the threat or future threat to DESE;
- is an emerging risk that has the potential for major or severe consequences to DESE;
- has been categorised as an extreme or high risk against DESE’s risk matrix; or
- is significant enough to warrant maintaining a record of the entity of concern for future departmental action.

2.81 Once an ESRA is raised, the program area or account manager will determine whether to commence an administrative review into the issue or allegation. An administrative review must be conducted in accordance with the principles of procedural fairness. The person(s) conducting the review must determine whether the issue or allegation is substantiated on the basis of the evidence and make a recommendation to the decision maker as to how to respond to the risk event. Possible recommendations include monitoring the relevant entity, suspending or excluding the entity from accessing wage subsidies, or taking no action. The decision maker must be an SES officer.

2.82 The Employment Services Risk Oversight and Monitoring Committee (ESROM) is responsible for overseeing ESRAs and administrative reviews. ESROM reports to PISCES and to the Deputy Secretary Employment.

2.83 Seventeen ESRAs have been raised in relation to wage subsidies since 2018. As at 18 January 2021, there were eight open ESRA cases relating to wage subsidies. Of these cases, six related to compliance (primarily around low sustainable employment outcomes for participants) and two related to fraud and compliance. Between 18 January 2021 and 13 July 2021, ESROM agreed to close seven wage subsidy cases because the matters were resolved. As at 13 July 2021, there was one open wage subsidy ESRA relating to compliance.

### *Complaints, Ombudsman inquiries and tip-offs*

2.84 Members of the public, including employers and participants, can contact DESE in relation to employment services through the National Customer Service Line (NCSL). Contacts received via the NCSL include, but are not limited to, complaints.

2.85 If a complaint alleges serious non-compliance with program guidelines, the NCSL must immediately refer the issue to the appropriate account manager or account coordinator. If a complaint relates to an issue which is local to a particular site or area, the NCSL should investigate the issue in the first instance before referring it to the account coordinator for further action. Otherwise, the NCSL manages the complaint and the account manager or account coordinator is informed for noting only. If an issue is escalated to and actioned by an account manager or account coordinator, they must report in writing to the NCSL within 10 working days.

2.86 All contacts relating to employment services, including via the NCSL, are recorded in the Employment Services Feedback System. In 2019–20, there were 234 complaints relating to wage subsidies. Of these complaints, 232 complaints were received by DESE, one by the Commonwealth Ombudsman and one by the Minister for Employment. Ombudsman complaints are also managed through the DESE Litigation and Legal Coordination Team and the Jobseeker Feedback Team. An additional four Ombudsman cases were opened from 1 July 2019 to 30 June 2020, of which one remains open as at 30 June 2020. Complaints were primarily made by employers against providers, because they missed the 84 day deadline to enter a Wage Subsidy Agreement.



2.87 DESE also operates the Employment Services tip-off line (tip-off Line), which allows current and former employees of providers to confidentially report fraud or other inappropriate practices, whether actual or suspected. Allegations received through the tip-off line must be investigated in an administrative review. DESE advised that from 1 July 2018 to 2 August 2021, there were 90 employment services tip-offs with 144 allegations made, and of these 18 were substantiated or partially substantiated with two relating to wage subsidies that were resolved through an administrative review. The first tip-off was made in 2019, in which the complainant made two allegations of which one was found to be substantiated and the other unsubstantiated. The second tip-off was made in 2021, in which the complainant made five allegations of which one was partially substantiated, one unsubstantiated, two were referred to other agencies, and one could not be further reviewed due to insufficient evidence.

### **Managing non-compliance**

2.88 Provider non-compliance is primarily managed through the jobactive Performance Framework and the Breach Management Framework.

2.89 The Performance Framework describes the Compliance Indicator, which measures each jobactive provider's compliance with requirements in delivering employment services. The Compliance Indicator scores can range from zero and 100 and are calculated based on the outcome of assurance activities completed in the 18 months leading up to the date of calculation.

2.90 The Compliance Indicator is used by DESE to evaluate providers' compliance performance and to compare providers at organisation, state and employment region levels, as well as over time. Compliance Indicator scores do not in themselves lead to recoveries, but are used to inform future program assurance activities.

2.91 The Compliance Indicator also contributed to providers' star ratings until they were ceased in December 2020. Star ratings were used by DESE to inform its performance review, business review and reallocation processes and made publicly available so as to inform participant and employer choice. Star ratings are discussed further at paragraph 3.13.

2.92 The Breach Management Framework outlines how to identify and record a breach, assess risk, determine remedial actions and monitor compliance. Funds can be recovered from targeted assurance activities including the RRS using the Breach Management Framework. DESE advised in 2018–19 there was one breach raised in relation to wage subsidies under the Breach Management Framework, and no breaches raised in 2019–20.

## 3. Monitoring, reporting and evaluation

### Areas examined

This chapter examines whether the application and use of wage subsidies were effectively monitored, evaluated and reported to ensure policy objectives are being achieved.

### Conclusion

The monitoring, reporting and evaluation of wage subsidies have been largely effective in ensuring policy objectives are being achieved. Evaluation and funding arrangements are appropriate, however monitoring and performance reporting could be improved as reporting is focused on participation outputs rather than the impact of wage subsidies on improving employment outcomes. The final evaluation report is outstanding and could more clearly feed into policy development.

### Areas for improvement

The ANAO made one recommendation aimed at improving the performance measurement of wage subsidies and one suggestion relating to streamlining the format of the dashboard reports for wage subsidies.

3.1 The use of wage subsidies should be monitored on an ongoing basis to ensure that they are contributing to the intended policy objective of promoting stronger workforce participation and helping job seekers move from welfare to work.

3.2 To examine whether the application and use of wage subsidies is effectively monitored, reported, evaluated and funded, the ANAO assessed the wage subsidy:

- performance measures and reporting;
- evaluation arrangements; and
- funding arrangements.

### Are there sound performance measures and reporting to monitor wage subsidy performance?

The Department of Education, Skills and Employment's (DESE's) reporting on wage subsidies is focused on outputs. A more effective method of measuring wage subsidy performance was developed as part of the jobactive evaluation, however this method is not being used for ongoing monitoring and performance reporting. Wage subsidy performance contributes to DESE Corporate Plan employment outcomes performance measures and to jobactive provider performance ratings, but it is not possible to quantify the extent of that contribution.

3.3 To assist an entity in determining whether program objectives are being met, sound performance measures should be developed along with regular monitoring and reporting arrangements.<sup>25</sup>

### Measuring the performance of wage subsidies

3.4 The objective of wage subsidies (as a discretionary financial incentive) is to encourage employers to hire eligible participants, primarily by contributing to the initial costs of hiring a new employee. DESE has a responsibility to demonstrate that wage subsidies are effective in achieving the objective of improving employment outcomes for eligible participants.

3.5 DESE measures the utilisation rate of wage subsidies, as outlined in Table 3.1. This shows the number of job placements that were eligible to attract a wage subsidy and the actual wage subsidy placements that occurred from the eligible group. The relative uptake of wage subsidies could be used as an internal measure to monitor the use of this program which aims to help more participants move from welfare to work.

**Table 3.1: Utilisation rates of wage subsidies**

Financial year	Wage Subsidy Eligible Job Placements	Utilised Job Placements (with wage subsidy)	Utilised Job Placement %
2015–16	195,444	21,562	11.0
2016–17	232,676	40,034	17.2
2017–18	239,871	59,872	25.0
2018–19	210,292	46,431	22.1
2019–20	170,450	24,621	14.4
2020–21	274,523	41,017	14.9
<b>Total</b>	<b>1,323,256</b>	<b>233,537</b>	<b>17.7</b>

Source: DESE documentation.

3.6 DESE's key performance measure for wage subsidies is the outcome rate where a participant remains employed for 26 weeks and exits income support. The extent that wage subsidies assisted participants into sustainable employment can be measured by comparing the outcome rate for participants in receipt of wage subsidy to those participants that were not. The Senate Education and Employment References Committee February 2019 inquiry report *Jobactive: failing those it is intended to serve* considered submissions from providers that supported the use of wage subsidies:

Evidence proves that one of the single, most effective ways to improve employment outcomes is wage subsidies—certainly in our experience. Our experience at Joblink Plus shows that, with a wage subsidy, 72 per cent of placed jobseekers achieve a 26-week outcome—in answer to your

25 The objectives of the jobactive program are to promote stronger workforce participation, help more participants move from welfare to work and better meet the needs of employers. Department of Education, Skills and Employment, *jobactive vacancies and outcomes guideline*, August 2020, available from <https://www.dese.gov.au/jobactive/resources/jobactive-vacancies-and-outcomes-guideline> [accessed 22 July 2021].

question. Without a wage subsidy, that conversion rate reduces to 66 per cent. That is significant across the whole of the program.<sup>26</sup>

3.7 The comparative outcome rate was measured and reported in DESE’s draft *Evaluation of jobactive Final Report* and included in the briefing packs for DESE officials’ appearances at Senate Estimates including for October 2020 and March 2021. The comparative 26 week outcome measure was developed for the jobactive evaluation (discussed from paragraph 3.33). While a wage subsidies outcome rate — the percentage of eligible wage subsidy placements that were still employed at their placement at either 12 or 26 weeks — is included in DESE dashboard reports (see paragraph 3.23), there was no evidence that a comparative outcome performance measure was in place prior to the evaluation, and no intention to continue to report this performance measure on an ongoing basis outside of the evaluation.

3.8 Table 3.2 shows the relative outcome of those participants remaining in an employment placement at 26 weeks with a wage subsidy, and those without.

**Table 3.2: 26-week outcome rates for participants eligible to receive a wage subsidy (per cent)**

Stream	26-week outcome rate without wage subsidy	26-week outcome rate with wage subsidy	Percentage improvement
Stream A	44.6	64.8	45
Stream B	34.3	57.8	68
Stream C	26.9	52.9	96
<b>Indigenous participants</b>			
Stream A	35.5	55.7	57
Stream B	24.7	47.2	91
Stream C	18.9	42.4	125

Note: As discussed in Table 1.2, the streams refer to the most job-ready participants (Stream A) to those with the most complex barriers to employment (Stream C).

Source: Draft evaluation of jobactive final report.

3.9 These results indicate that a wage subsidy improves the 26-week outcome rate across all streams by at least 45 per cent. For a Stream C participant, the use of a wage subsidy almost doubles the 26-week outcome, and is more than double for an Indigenous Stream C participant, showing that there is an improvement in employment outcomes as participants disadvantage increases.

3.10 The draft *Evaluation of jobactive Final Report* also outlines wage subsidy outcomes by participant cohort, as set out in Table 3.3.

26 Senate Education and Employment References Committee, *JobActive: Failing those it is intended to serve*, February 2019, p. 85.

**Table 3.3: Percentage difference that wage subsidies made to whether a participant achieved an outcome, by participant cohort (percentage points)**

Analysis group	26-week employment outcomes	Off income support within 12 months of commencing a job	Off income support at 12 months after commencing a job
All participants	16.7	7.9	5.8
Indigenous participants	15.1	5.1	7.5
Parent cohort	17.2	4.7	3.7
Youth Wage Subsidy eligible participants (aged 25–29)	15.2	7.4	5.4
Youth Bonus Wage Subsidy eligible participants (aged 15–24)	23.8	12.6	8.8
Mature-aged participants (aged 50 and over, with a Restart wage subsidy)	17.4	8.5	6.7
Participants with low JSCI scores <sup>a</sup>	14.9	5.6	4.4
Participants with medium JSCI scores	14.9	8.7	6.5
Participants with high JSCI scores and Stream C participants	17.2	9.0	6.2

Note a: The Job Seeker Classification Instrument (JSCI) is a questionnaire used in the employment program to identify an individual's risk of becoming long-term unemployed. It examines barriers to employment to work out an individual's level of labour market disadvantage.

Source: Draft evaluation of jobactive final report

3.11 Table 3.3 shows that the evaluation also reports on two other wage subsidy related performance measures. The first is leaving income support within 12 months of commencing a job.<sup>27</sup> Across all participant cohorts that were placed in a position supported by a wage subsidy, around five to 13 per cent (averaging eight per cent) were more likely to leave income support within 12 months, compared to participants that were not in receipt of a wage subsidy. The second is leaving income support at 12 months after commencing a placement.<sup>28</sup> Across all participant cohorts that were placed in a position supported by a wage subsidy, around four to nine per cent (averaging six per cent) were more likely to be off income support at 12 months, compared to participants that were not in receipt of a wage subsidy. As with the 26 week outcomes, there was evidence of greater impact on employment outcomes as disadvantage increases, such as for Stream C participants. However, the DESE evaluation did not explore the causal factors for why wage subsidies increase the 26 week outcome rate.

27 People may be working and continue to receive income support. They may work a part time or casual job and hence still be entitled to part-rate income support under the income test. This measure includes participants who came off income support anytime within the 12 month period, including those who returned to income support within the 12-month period.

28 This measure looks at whether a participant was not receiving income support 12 months after starting the job placement. The participant must have left the income support system and not return by 12 months after placement to achieve this outcome.

### *Corporate Plan performance measures*

3.12 There are no specific performance measures for wage subsidies in DESE Portfolio Budget Statements, Corporate Plan or Annual Report. Instead, the performance of wage subsidies contributes to the broader jobactive outcomes outlined in Appendix 4. DESE advised that it is unable to determine the extent to which wage subsidies contributes to the overall program outcomes.

### *Provider performance star ratings*

3.13 Provider star ratings were an external-facing indicator which provided the public with information on the performance of providers to inform participant and employer choice. The star rating system also informed DESE's provider performance review and reallocation processes, as outlined in the jobactive Performance Framework Guideline.<sup>29</sup>

3.14 The star ratings are based on employment providers' outcomes on six performance measures which are related to achieving participant 12 and 26 week employment outcomes, and are standardised and weighted by participant stream. Provider compliance results (discussed earlier from paragraph 2.88) can also affect the star ratings.

3.15 Wage subsidies contribute to four of the six provider performance measures (26 Week Outcomes – All Participants; 26 Week Outcomes – Indigenous Participants; 26 Week Outcomes – Time to Placement; and 12 Week Outcomes). However, DESE advised the contribution that wage subsidies make to the overall results of these jobactive provider performance measures cannot be determined. This is similar to other programs under jobactive, where any job placements achieved contribute towards these four performance measures.

3.16 The jobactive star rating system was suspended indefinitely from December 2020 as one of the key components used to calculate the rating, the state final demand trend series<sup>30</sup>, was no longer being published by the Australian Bureau of Statistics due to volatile economic conditions resulting from COVID-19. DESE advised that providers have since used other sources of information to assess their performance, such as the six performance measures that contributed to the star ratings. However, since this system has been inactive, there has been and will continue to be no way for participants and employers to compare the performance of providers until the New Employment Services Model is introduced in July 2022.

## **Governance and reporting**

### *Governance committees*

3.17 The governance arrangements that DESE has in place for the ongoing management and monitoring of employment programs, including wage subsidies, are at Appendix 5.

3.18 Wage subsidies are not regularly discussed at the employment program committees, and are instead raised on an 'as needed' basis. Wage subsidy related papers were provided to the Employment Steering Committee (ESC) and the Employment Branch Manager Committee (EBMC) in 2019 on: data analytics and wage subsidy expected value analysis; kickstart and amending the

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29 Department of Education, Skills and Employment, *Jobactive Performance Framework Guideline*, 7 December 2020, available from <https://www.dese.gov.au/jobactive/resources/performance-framework-guideline> [accessed 15 June 2021].

30 State final demand is a measure of economic demand for goods and services in the economy. This measure excludes international and interstate trade as well as changes in inventories.

pre-employment definition; the operation of wage subsidies under the New Employment Services Trial; targeting and simplifying wage subsidies; and evaluation of wage subsidies. Wage subsidies specific items discussed at PISCES in 2021 related to risk alerts (discussed at paragraph 2.80), kickstart as a targeted assurance outcome, and a fraud investigation. No wage subsidy specific papers have been provided to the committees since 2019.

3.19 DESE advised that wage subsidies have been discussed in governance committees more broadly as part of changes under the New Employment Services Model and the Labour Market and Employment Policy Update, but this level of detail is not included in the minutes. There is no regular review or discussion of wage subsidy performance through these committees.

### *Reporting*

3.20 Reporting for wage subsidies is through the employment program dashboards. DESE has provided program dashboards to the Minister's Office monthly since the commencement of jobactive in 2015 and dashboards were also previously provided under the Restart program. These dashboards include an overarching key employment facts dashboard<sup>31</sup> and a key program highlights narrative.

3.21 The key program highlights narrative provides a summary of each of the dashboards. For wage subsidies, the key program highlights describes each category of wage subsidies, provides a narrative on the placements to date, increases in placements for the month, achievement of 12 week and 26 week outcome and cost for each of the wage subsidy cohorts.

3.22 The wage subsidies program dashboards primarily report on placements in the program since July 2014. Placements are broken down by cohort: Restart, Youth (including Youth Bonus), Long Term Unemployed and Indigenous, and Parents. The dashboards report on completed, active, and terminated placements in each cohort, and on placement by demographic, such as gender, age, disability, and ex-offender status. Also included are variation on placement figures since the last month and cumulative totals. Budget and expenditure for wage subsidies are also outlined. Graphs describing placements by year, demographic, wage subsidy type and agreement status are also provided in the dashboards.

3.23 The dashboards contain some performance-related information, although this information relates to outputs only. Cumulative 12 and 26 week employment outcomes over the life of the program are shown, as are variations since the previous month. The dashboards also present outcome conversion rates, which are the percentage of eligible wage subsidy placements that remained employed in their placement at either 12 or 26 weeks for each category of participant. DESE is able to measure the comparative outcome rate (discussed at paragraph 3.6 and 3.7), but this information is not included in the program dashboards.

3.24 The dashboards are not presented to the ESC or EBMC for review or information, but they are available on the DESE intranet and provided to DESE's Employment and Workforce Group executive via email. DESE advised that the dashboards are used by departmental staff for briefings and during Senate Estimates.

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31 The key employment facts dashboard includes high-level information about wage subsidies, including the budget for current and future year as well as the year to date expenditure on the employment fund and non-employment fund wage subsidies. It also includes figures on the budget and expenditure for employment programs more broadly; jobactive caseload by stream, status, and participant characteristics. It also details job placements and four, 12 and 26 week outcomes by participant characteristics and state, employment fund credits, committees and numbers of participants in each jobactive activity.

3.25 The amount of information presented in the wage subsidies dashboard is dense and primarily descriptive in nature. There has been minimal substantive change in the content of the dashboards over time. It comprises a large table of figures and numerous graphs on one page. Some of the other employment services dashboards included in the pack emphasise key data such as outcomes with infographics, or present key risks and highlights of the program. Other dashboards include program performance measures that demonstrate their effectiveness. The implementation of the New Employment Services Model (NESM) provides an opportunity for DESE to revise and simplify its wage subsidies program dashboard to emphasise the key performance and financial information.

3.26 As discussed in paragraph 1.15, the NESM that will be introduced in July 2022, will target wage subsidies at the least job-ready participants. In order to monitor if this approach is effective in improving employment outcomes for more disadvantaged job seekers, DESE should set relevant measures and targets for monitoring the effectiveness of the performance for wage subsidies in promoting stronger workforce participation and helping job seekers move from welfare to work.

### Recommendation no. 1

3.27 Under the New Employment Services Model, DESE develops methods to improve the monitoring and reporting of wage subsidy impact against the employment program policy objective.

**Department of Education, Skills and Employment response:** *Agreed.*

3.28 *The Department agrees there is scope to improve monitoring and reporting of wage subsidies impact against policy objectives. Work is currently underway to develop a monitoring and reporting approach that considers appropriate measures for monitoring program effectiveness in the New Employment Services Model.*

### Are suitable evaluation arrangements in place?

DESE developed an evaluation strategy for jobactive when the program was designed, and there was suitable coverage of wage subsidies in the draft jobactive evaluation report. There is some evidence that evaluation findings and related recommendations have informed policy changes to wage subsidies, although the final evaluation report has not been released and is overdue.

3.29 Entities should develop an evaluation strategy during the design and implementation phase of a program so that baseline performance measures can be established to provide useful information on program performance on an ongoing basis, and to also ensure that an appropriate evaluation is conducted at the required point in time.

### Evaluation strategy for jobactive

3.30 DESE's evaluation strategy for jobactive was developed when the jobactive program was designed in 2014-15. The *Evaluation Strategy for jobactive* set out DESE's strategy and was published in 2016.



3.31 DESE's evaluation strategy aims to 'determine how effectively and efficiently jobactive meets its aims'. DESE does not have a separate approach for evaluating wage subsidies specifically but the evaluation strategy for jobactive identifies that the Employment Fund<sup>32</sup> and wage subsidies are among the 'core programme elements of jobactive which will be evaluated in detail'.

3.32 The evaluation strategy sets out DESE's analytical approach and data sources. It acknowledges the limitations of the chosen approach and the risks which could arise during the evaluation.

### jobactive evaluation

3.33 DESE planned for the evaluation of jobactive to complete three reports: an *Interim Report*<sup>33</sup> by December 2016; a Meeting Employer Needs Report by March 2018; and a *Final Report* by July 2019. The Meeting Employer Needs Report was presented to the Employment Services Committee<sup>34</sup> in July 2019<sup>35</sup>, the *Interim Report* was published in January 2020, and the *Final Report* had not been finalised as at September 2021. DESE advised the reason for the delay was due to policy changes to jobactive during the course of the evaluation process that required revisions to the evaluation approach. An additional report, *Wage subsidies in jobactive*, was completed in March 2019, noting this report was not required under the evaluation strategy but was intended to contribute to the evaluation.

3.34 The Meeting Employer Needs Report focusses on employer attitudes and perceptions of jobactive in the first two years of the contract. Key findings in relation to wage subsidies include:

- there was a high awareness of wage subsidies among employers, but awareness was not universal and could be improved;
- employers regarded wage subsidies as an incentive, but not a strong incentive, to engage a participant;
- employers considered that wage subsidies imposed a reasonable administrative burden but reported issues associated with meeting documentary evidence requirements; and
- kickstart payments<sup>36</sup> were regarded by providers as being a 'useful tool for securing employment' in some circumstances, but fewer than half (45 per cent) of employers who had received a kickstart payment reported that it was an important factor in their decision to hire a participant and providers expressed concern that employment outcomes achieved through kickstart payments were not sustainable.

32 As set out in paragraph 3.65, the Employment Fund is a flexible pool of funds that providers can claim reimbursement from after providing employment program support to participants. In addition to wage subsidies, this support may include providing participants with work-related equipment, licences or training.

33 The Interim Report of the jobactive evaluation provides an assessment of the transition into jobactive and the early performance of jobactive. The Report states: 'given its interim nature, this report does not unpack and evaluate all components of the jobactive program (such as the impact of wage subsidies and Employment Fund expenditure)'. It is therefore outside the scope of this audit.

34 The Employment Services Committee advises the Deputy Secretary, Employment, on employment and pre-employment policy and program development and implementation, performance, contract management and evaluation (see Appendix 5).

35 The Meeting Employer Needs Report has not been published.

36 The kickstart initiative was introduced in January 2017 in an attempt to make wage subsidies more attractive to employers and allowed providers to pay employers 40 per cent of the total wage subsidy four weeks after the commencement of a placement.

3.35 The key findings of DESE's March 2019 research report, *Wage subsidies in jobactive*, are set out below:

- there were a number of operational factors which increased the administrative burden associated with wage subsidies, including documentary evidence requirements, difficulties in assisting employers with online agreements, ambiguity of the guidelines surrounding attendance and leave, and the perceived lack of flexibility around the management of wage subsidies;
- providers often offered subsidies after a placement had been secured, suggesting that the policy intent behind subsidies — encouraging the employment of eligible participants — was not being met;
- the requirement that participants work for an average of at least 20 hours per week is less than most participants' annual activity requirement and is generally insufficient to reduce participants' income support rate to zero;
- kickstart sometimes encouraged employers to employ a participant but did not necessarily lead to ongoing employment outcomes; and
- over half of employers (59 per cent) were unaware of kickstart and fewer than half (45 per cent) who had received a kickstart payment reported that it was an important factor in their decision to employ a participant.

3.36 The *Wage subsidies in jobactive* report also sets out a number of recommendations to address the above findings:

- wage subsidy policy could be better aligned with other labour market policies such as mutual obligation requirements, the effect of income support status on outcome payments and evidentiary requirements;
- wage subsidy requirements could be more flexible to allow tailored and targeted delivery of wage subsidies, and should facilitate administrative efficiencies;
- the IT system could be improved to assist providers to manage subsidies and to reduce administrative burden;
- providers could be provided with greater exposure to how employers interact with the jobactive website so that they can provide technical support to employers;
- departmental communications could better align across the communication channels and IT systems used by DESE;
- DESE could consider whether providers offering wage subsidies by default or after a placement is secured meets the policy intent behind wage subsidies, and whether wage subsidies are appropriately targeted; and
- the use of wage subsidies by labour hire companies could be further investigated.

3.37 The draft *Evaluation of jobactive Final Report* findings in relation to wage subsidies were:

- some providers offered subsidies by default instead of targeting the most disadvantaged participants, for whom wage subsidies have a greater effect on employment outcomes;

- the 2018 Employer Wage Subsidy Survey (discussed further at paragraph 3.43) showed that 56 per cent of employers would have hired the participant anyway<sup>37</sup>;
- although wage subsidies improved employment outcomes, wage subsidy requirements were not necessarily aligned with other employment program requirements (for instance, wage subsidy agreements require an average of 20 work hours per week, which is less than the annual activity requirement for some participants subject to mutual obligation requirements); and
- feedback from providers indicated they found administrative requirements for wage subsidies burdensome, although they accepted that administrative processes had been streamlined since the introduction of jobactive, whereas employers were more satisfied with administrative requirements.<sup>38</sup>

### jobactive wage subsidy surveys

3.38 DESE's Evaluation, Research and Evidence Branch surveyed providers and employers for the jobactive evaluation.

#### *Provider surveys*

3.39 DESE conducted provider surveys in 2016, 2017 and 2019. These surveys sought providers' views on jobactive generally, and some questions were directly relevant to wage subsidies. These questions related to: whether providers used wage subsidies to facilitate placements and to support employers; provider awareness of wage subsidies; and the administrative burden and the effectiveness of wage subsidies.

3.40 For each survey, DESE advised that around a thousand provider sites<sup>39</sup> were invited to respond. Response rates ranged from 84 per cent (870 site responses in 2019), to 92 per cent (985 site responses in 2017).

3.41 Key findings from the provider surveys included:

- almost all providers surveyed often or always informed employers about wage subsidies (97 per cent in 2016, and 98 per cent in 2017);
- 90 per cent of providers surveyed in 2019 offered employers access to wage subsidies before and after matching a participant to a vacancy;

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37 The Next Generation of Employment Services report describes paying a wage subsidy for a person who would have been hired anyway as 'deadweight costs'. Department of Jobs and Small Business, *The next generation of employment services discussion paper*, June 2018, p. 41, available from <https://www.dese.gov.au/new-employment-services-model/resources/next-generation-employment-services-discussion-paper> [accessed on 22 July 2021].

The evaluation report treated subsidies that were used but did not have any impact on the employer's decision to recruit an eligible participant or provide other benefits as 'pure deadweight'. Where the subsidy does not affect the hiring decision but is used to provide other benefits to the employee, the deadweight was not considered total (hence the term 'impure deadweight' is applied).

38 Two-thirds of employers that responded to the 2018 Wage Subsidy Survey reported that they found the process of hiring a participant with a wage subsidy extremely easy (33.2 per cent) or somewhat easy (34.3 per cent).

39 There are 44 providers that operate from approximately 1,700 office sites.

- providers surveyed in 2016 considered that the Restart wage subsidy:
  - made employers more likely to hire a mature age participant (57 per cent agreed or strongly agreed);
  - helped mature age participants overcome employment barriers (59 per cent agreed or strongly agreed); conversely around a quarter of providers considered (32 per cent agreed or strongly agreed) that employers would hire mature age participants irrespective of whether a subsidy was offered;
  - involved a high administrative workload for providers (27 per cent agreed or strongly agreed), and a high administrative workload for employers (41 per cent agreed or strongly agreed); and
- providers surveyed in 2017 considered that the Youth Bonus Wage Subsidy;
  - was known by job seekers and employers (providers agreed or strongly agreed for 48 per cent of employers, and 44 per cent for participants);
  - was valued as a tool to help secure employment outcomes for young people by case managers and employment consultants (86 percent of agreed or strongly agreed); and
  - involved a high administrative workload for providers (24 per cent agreed or strongly agreed).

3.42 DESE conducted wage subsidy fieldwork in 2018 that involved in-person and telephone interviews with staff from ten jobactive providers. A summary of feedback from jobactive staff consulted through this process was largely consistent with the *Wage subsidies in jobactive* research discussed earlier at paragraph 3.35.

### *Employer surveys*

3.43 DESE conducted employer surveys in 2017 and 2018 to solicit employers' views about their experiences of jobactive. While the 2017 survey sought employers' views on jobactive generally, the 2018 survey related to wage subsidies specifically. Questions asked in 2018 related, among other things, to awareness and use of wage subsidies, administrative requirements, employment outcomes, and willingness to use wage subsidies in future.

3.44 Invitations to respond to the 2018 survey were sent to 20,331 employers. Of these, 2,110 (10.4 per cent) completed the survey and 495 (2.4 per cent) partially completed the survey.

3.45 Key findings from the 2018 employer survey included:

- a majority of employers who received wage subsidies considered that their subsidised employee was suitable in most respects<sup>40</sup>, with the exception that only 46 per cent believed that the participant had the appropriate qualifications;
- 31 per cent of employers used the wage subsidy to tailor employment conditions;

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40 The percentage of employers agreeing that their employee had each of the following attributes was as follows: relevant work skills and experience — 61 per cent; good literacy and numeracy skills — 63 per cent; good interpersonal skills — 66 per cent; motivation to work — 75 per cent; willingness to perform the duties of the job — 84 per cent; well-presented — 77 per cent; reliable — 74 per cent; a good fit for the workplace — 70 per cent; and ready and able to take on the job — 75 per cent.

- 57 per cent of employers found out about wage subsidies through their employment service provider, and 62 per cent found out after they had already decided to employ the participant (in some cases, after the participant had already started work);
- 63 per cent of businesses considered that employing the participant was extremely or somewhat easy and seven per cent considered that it was extremely or somewhat difficult;
- on average, employers spent 11 hours on the process of receiving and signing the head agreement and payment schedules and 5 hours on providing evidence to receive wage subsidy payments;
- 76 per cent of employers still employed the participant at the time of the survey; and
- approximately three-quarters of employers who had used wage subsidies were willing to use wage subsidies again, and a further tenth reported a conditional willingness to use wage subsidies again.

### Youth Jobs PaTH evaluation report

3.46 Participants in the Youth Jobs PaTH (PaTH) program<sup>41</sup> may attract the Youth Bonus Wage Subsidy. As PaTH is a separate program from jobactive (although jobactive and Transition to Work (TtW) participants are eligible to participate in PaTH), PaTH was not covered by the evaluation strategy for jobactive and was separately evaluated.

3.47 In 2017, DESE commissioned the Social Research Centre, a subsidiary of the Australian National University, to conduct an evaluation of PaTH. The *Youth Jobs PaTH Evaluation Report* was published in 2020. Chapter 6 of the report discusses the Youth Bonus Wage Subsidy (Youth Bonus). Key findings included:

- relative to the eligible caseload, PaTH participants in a wage subsidised placement were less likely to be female, disabled, Indigenous, a parent, or lacking a stable residence<sup>42</sup>;
- there was a high level of awareness of Youth Bonus among providers (99 per cent for jobactive providers and 100 per cent for TtW providers) and a variable level of awareness among participants (45 per cent of jobactive participants and 72 per cent of TtW participants) and employers (49 per cent of jobactive respondents and 69 per cent of TtW respondents);
- 86 per cent of jobactive respondents and 91 per cent of TtW provider respondents reported that case managers and employment consultants regarded Youth Bonus as useful in helping participants into employment;

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41 PaTH is a program which provides young job seekers with employability skills training, an internship and, if the participant is successful in securing a placement, a wage subsidy.

42 The percentages of individuals with the listed characteristics in the jobactive eligible caseload and in a wage subsidised jobactive placement respectively were as follows: female — 44.4 per cent and 35.9 per cent; disabled — 15.8 per cent and 12.8 per cent; Indigenous — 23.1 per cent and 17.1 per cent; a parent — 1.0 per cent and 0.6 per cent; and lacking a stable residence — 14.3 per cent and 13.6 per cent. The percentages for the TtW eligible caseload and participants in a subsidised TtW placement were as follows: female — 45.8 per cent and 36.3 per cent; Indigenous — 44.1 per cent and 17.6 per cent; a parent — 0.5 per cent and 0.1 per cent; and lacking a stable residence — 10.1 per cent and 8.2 per cent.

- 73 per cent of employers responding to the 2018 PaTH Host Business Survey reported that Youth Bonus influenced their decision to hire a participant and 93 per cent agreed that wage subsidies were a useful incentive to hire;
- most young people valued wage subsidies as an incentive for employers to consider employing a young person; and
- 25 per cent of jobactive providers and 37 per cent of TtW providers expressed concerns about the administration burden of managing wage subsidies, 88 per cent of employers considered that the administrative burden was reasonable.

### **Reporting of evaluation findings**

3.48 On 21 May 2019 EBMC reviewed the findings of the wage subsidy fieldwork (see paragraph 3.42 for discussion of the fieldwork) and discussed the administration of wage subsidies, providers' use of subsidies, kickstart, the quality and retention of subsidised participants, employer satisfaction with subsidies, labour hire companies' use of subsidies and the interaction between subsidies and other aspects of jobactive. On 4 July 2019, EBMC reported the findings to ESC, which endorsed the decision to brief the Secretary, however as at September 2021 this had yet to occur.

### **Policy changes influenced by evaluation findings**

3.49 There is some evidence that evaluation findings are taken into account when changes to wage subsidy policy are considered. For example, in April 2019 a paper was submitted to ESC that recommended the removal of kickstart on the grounds that DESE's evaluators had found kickstart did not significantly contribute to ongoing employment outcomes (as set out in paragraphs 3.34 and 3.35 above), that kickstart was associated with a high level of non-compliance, and that the departmental resources required to assure compliance with kickstart requirements were excessive.

3.50 In June 2019, ESC endorsed the recommendation to remove kickstart, effective October 2019. DESE advised that as kickstart was considered a 'micro policy', the decision to remove it was made on the authority of the Deputy Secretary Employment in consultation with the Department of the Prime Minister and Cabinet, and the Department of Finance.

#### *Changes to wage subsidies in the 2021–22 Budget*

3.51 The Australian Government announced in the 2021–22 Budget that NESM will replace jobactive from July 2022. TtW will continue to operate as the specialist youth employment service under NESM, and ParentsNext will continue to operate under a separate contract.

3.52 Changes to wage subsidies policy were announced in the 2021–22 Budget. Changes under jobactive commenced in July 2021, and changes as part of the rollout of NESM will commence in July 2022. Some of these changes were informed by DESE's draft evaluation of jobactive. Table 3.4 sets out ANAO analysis of key changes to wage subsidies and any related findings from the draft evaluation and recommendations made in the *Wage subsidies in jobactive* report, suggesting that there is some relationship between evaluation findings and related recommendations and changes made to wage subsidy policy.

**Table 3.4: Proposed changes to wage subsidies and related evaluation findings**

Existing wage subsidy policy	Proposed changes to wage subsidy policy	Related evaluation finding/recommendation
Eligible participants can attract a wage subsidy of up to \$6,500 or \$10,000 depending on cohort	Eligible participants in jobactive, TtW and ParentsNext attract a wage subsidy of up to \$10,000 (effective July 2021). From July 2022, all wage subsidies will be more flexible to meet employer needs	Wage subsidies should be simplified to facilitate administrative efficiencies (see paragraph 3.36) Wage subsidy requirements should allow greater flexibility to permit more tailored and targeted delivery(see paragraph 3.36)
Eligible participants attract wage subsidies	Eligible participants attract wage subsidies only if they are in Enhanced Services <sup>a</sup> (effective July 2022)	Wage subsidies have a greater effect on employment outcomes for more disadvantaged participants (see paragraph 3.37) Wage subsidies may not be appropriately targeted under existing policy (see paragraph 3.36)
Wage subsidy placements must offer on average a minimum of 20 hours of work per week	Wage subsidy placements must offer on average a minimum of 15 hours of work per week (effective July 2022)	Wage subsidy requirements should allow greater flexibility to permit more tailored and targeted delivery (see paragraph 3.36)
Wage subsidy placements are expected to last for a minimum of 26 weeks	Wage subsidy placements are expected to last for a minimum of six and no more than 26 weeks, the duration of a placement will be negotiated between a provider and employer (effective July 2022)	

Note a: Under NESM, the Job Seeker Classification Instrument, currently used to allocate participants to streams within jobactive, will continue to be used to determine participants' servicing needs. The most job-ready participants will self-manage their job search online with support from the Digital Services Contact Centre managed by DESE. Participants facing the highest barriers to employment will receive Enhanced Services through employment services providers.

Source: ANAO analysis

3.53 DESE's 2021–22 funding proposal recommending these policy changes made reference to the jobactive evaluation, noting that the evaluation evidence supported targeting wage subsidies to participants who faced the greatest barriers to employment.

### Does the design of the funding arrangements for wage subsidies support the achievement of program objectives?

The funding arrangements for wage subsidies have been monitored and adjusted over time in line with the policy changes and program requirements, and were partly informed by lessons learned or evaluation findings.

3.54 Funding arrangements should be appropriate and align with the intended objectives of a program. In addition, budget decisions need to be informed by a sound evidence base to ensure that funds are allocated appropriately and can meet demand.

3.55 The jobactive program is funded through an annual appropriation. The jobactive appropriation funds the providers outcome payments<sup>43</sup>, and other jobactive program components including wage subsidies. Wage subsidies have been categorised into three funding pools by DESE for administrative purposes:

- demand-driven pool — funds Youth Bonus wage subsidies only;
- capped wage subsidy pool — funded most wage subsidies from 1 January 2017 to 1 January 2019, and has since been used to fund wage subsidies for ParentsNext, TtW, DES and CDP participants; and
- Employment Fund — funds a range of eligible purchase that can be made to support a job seeker, ranging from accredited training, relocation assistance, to wage subsidies.

3.56 Table 3.5 sets out the funding pool budgets and the wage subsidy expenditure from the three pools. Due to the design of the Employment Fund (see paragraph 3.65), the budget line in this instance is for all eligible purchases, and not only wage subsidies. DESE advised that funding reallocation occurs between the funding pools within the jobactive appropriation, where overspend can be absorbed by underspends.

**Table 3.5: Budget and expenditure for wage subsidy funding pools (\$m)**

	2015–16	2016–17	2017–18	2018–19	2019–20	2020–21
<b>Demand-driven pool</b>						
Budget <sup>a</sup>	234.7	135.0	76.3	132.1	79.8	93.9
Expenditure	19.0	29.6	95.6	82.4	54.8	70.6
<b>Capped wage subsidy pool</b>						
Budget <sup>a</sup>	0.0	0.0	57.8	59.2	20.9	18.3
Expenditure	0.0	56.9	201.8	146.9	23.4	26.3
<b>Employment Fund</b>						
Budget <sup>a</sup>	147.7	192.1	128.7	132.1	160.5	300.4
Expenditure	0.0	0.0	0.0	27.0	68.7	103.4
<b>Total expenditure</b>	<b>19.0</b>	<b>86.5</b>	<b>297.4</b>	<b>256.3</b>	<b>146.9</b>	<b>200.3</b>

Note a: DESE budget figures reflect estimates leading into the relevant financial period, and do not include any subsequent adjustments.

Source: DESE documentation

### *Demand-driven pool*

3.57 In the 2016–17 Budget, the Australian Government announced Youth Jobs PaTH as part of the Youth Employment Package and committed \$762.6 million over four years. PaTH aims to

43 Providers receive an outcome payment when they have assisted a participant to remain in sustainable employment or self-employment, or if eligible, to complete a qualifying education or training course.



improve young people's employability skills and provide them with practical work experience. The Youth Bonus Wage Subsidy was introduced as part of the PaTH package.

3.58 The Youth Bonus Wage Subsidy is demand-driven and the level of associated expenditure is therefore determined by the number of participants and the degree of disadvantage experienced by young people at risk of unemployment. Providers access the demand-driven Youth Bonus Wage Subsidy pool on a reimbursement basis.

3.59 In order to ensure that there is sufficient funding for the Youth Bonus Wage Subsidy to cover the level of demand, DESE and the Department of Finance review actual expenditure on the subsidies and adjust expenditure estimates for the Mid-Year Economic and Fiscal Outlook, prior to the Expenditure Review Committee consideration of budget proposals, and at the Budget.

#### *Capped wage subsidy pool*

3.60 From 1 January 2017 to 1 January 2019, wage subsidies (other than the Youth Bonus wage subsidy) were funded from the Capped wage subsidy pool (Capped Pool).

3.61 A DESE November 2017 briefing outlined that the Capped Pool had a fixed budget of \$218.6 million for the period 2017–18 to 2020–21. Wage subsidy expenditure exceeded expectations due to a range of policy changes implemented in January 2017, including:

- the introduction of kickstart;
- reducing the wage subsidy period from 12 months to six months;
- allowing employers to average the 20 hours of work per week requirement over the 26 week age subsidy period; and
- enabling employers to back-date agreements up to 84 days after the start of an employment placement and submitting reimbursement claims up to 56 days after the agreement ends.

3.62 In November 2017, DESE alerted the Minister for Employment to the risk that the high take-up of wage subsidies could prematurely exhaust funding for the Capped Pool, which could have resulted in limited availability of wage subsidies. To alleviate financial pressure on the Capped Pool, jobactive providers were directed to seek reimbursement for wage subsidies (other than for the Youth Bonus Wage Subsidy) from the Employment Fund instead of the Capped Pool for placements beginning from 1 January 2019.<sup>7</sup> DESE's decision to move the reimbursement of wage subsidies to the Employment Fund was also partly informed by evaluation evidence which indicated that providers were not offering subsidies in a targeted manner (see paragraph 3.37 for discussion of relevant evaluation findings).

3.63 ParentsNext, TtW, DES and CDP providers do not have access to the Employment Fund (a pool of funds available to jobactive providers). As a result, an amount in the Capped Pool was retained from January 2019 to allow these programs to continue accessing funding for wage subsidies excluding Youth Bonus wage subsidy. The Capped Pool is expected to cease on 30 June 2022. However, DESE advised that wage subsidies will continue to be available as part of ParentsNext and TtW under other funding arrangements from 1 July 2022.

## *Employment Fund*

3.64 As discussed in paragraph 3.62, from January 2019 jobactive providers have been required to claim wage subsidy (other than the Youth Bonus wage subsidy) reimbursement from the Employment Fund due to financial pressures on the Capped Pool.

3.65 The Employment Fund is a flexible pool of funds that jobactive providers can claim reimbursement from after providing employment program support to participants. In addition to wage subsidies, this support may include providing participants with work-related equipment, licences or training. The Employment Fund is designed to allow providers flexibility, to allocate funding support according to participant need and across different regional areas.

3.66 Under the Employment Fund, a once-only credit is made to a provider's notional bank balance when a job seeker commences with a jobactive provider.<sup>44</sup> Credits are paid into the Employment Fund as a notional bank balance for a provider site (location).<sup>45</sup> Credits can be transferred between a provider's site locations and when a participant transfers to another provider.

3.67 When providers create a Wage Subsidy Agreement for a participant, the total wage subsidy amount will be committed out of the provider site's credit balance. At the end of the Wage Subsidy Agreement period, any unclaimed wage subsidy credits return to the provider's site credit balance. Providers must claim reimbursement within 56 days from the end of wage subsidy period, and documentary evidence must be retained in order to claim any reimbursements.

3.68 Total wage subsidy expenditure from the Employment Fund is monitored monthly by the ESC and reported in the monthly wage subsidies dashboards to the Minister.

## *Wage subsidies under NESM*

3.69 Under NESM, Enhanced Services providers will continue to be reimbursed through the Employment Fund after making wage subsidy payments to employers. Enhanced Services and TtW providers will continue to access Youth Bonus wage subsidies through separate demand-driven funding. Due to the abolition of the Capped Pool, ParentsNext providers will be reimbursed through the ParentsNext Participation Fund.<sup>46</sup>

3.70 As set out in Table 3.6 expenditure on the Youth Bonus Wage Subsidy is projected to be lower under NESM than would have been the case if the current jobactive program was extended. This is because the most job-ready job seekers, who currently account for the majority of Youth Bonus Wage Subsidy expenditure, will not be eligible for wage subsidies under NESM.

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44 With the exception of Stream A participants, a provider must wait for 13 weeks before the Employment Fund is credited.

45 Providers are credited: when the participant commences in Stream B, Stream C or Stream A as a volunteer; or after a 13 week period of service for a participant commenced in Stream A (and is not a volunteer). While Stream A participants are allocated the credit at 13 weeks, they are eligible for assistance from day one.

46 The Participation Fund is currently used by ParentsNext providers to claim reimbursement after providing support to participants other than wage subsidies. The Participation Fund operates in a similar manner to the Employment Fund.

**Table 3.6: Youth Bonus Wage Subsidy budget forward estimates — NESM vs jobactive (\$m)**

	2022–23	2023–24	2024–25
NESM <sup>a</sup>	27.33	34.25	32.70
jobactive <sup>b</sup>	116.98	98.51	86.53

Note a: DESE budget forward estimate figures immediately prior to the 2021–22 Budget.

Note b: DESE budget forward estimate figures immediately prior to the 2020–21 Budget.

Source: DESE information

3.71 DESE was unable to provide a forecast of overall wage subsidy expenditure under NESM as it only forecasts total Employment Fund expenditure and does not split Employment Fund expenditure into program subcategories. Forward estimates for the Employment Fund over the period 2022–23 to 2024–25 are set out in the Table 3.7.

**Table 3.7: Budget forward estimates for the Employment Fund (\$m)**

Pool	2022–23	2023–24	2024–25
Employment Fund	119.21	257.42	346.76

Source: DESE information

3.72 DESE has monitored wage subsidy expenditure against budget and adjusted funding methods to better align over time with policy changes and objectives. There is some limited evidence that changes have also been informed by evaluation findings and lessons learned.



Grant Hehir  
Auditor-General

Canberra ACT  
8 November 2021



## **Appendices**

## Appendix 1 Department of Education, Skills and Employment response



Australian Government  
Department of Education,  
Skills and Employment

Our Ref: EC21-006135

Secretary  
Dr Michele Bruniges AM

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

*Grant*  
Dear Mr Hehir

### Performance Audit – Use and administration of wage subsidies

Thank you for your correspondence of 14 September 2021, containing the Proposed Report for the Australian National Audit Office (ANAO) performance audit – *Use and administration of wage subsidies*. I appreciate the opportunity to respond and would also like to thank you and your staff for the collaborative way in which this audit was conducted.

The report recognises the significant program of work the Department has in place to assure the effective administration of wage subsidies and found this to be largely effective. I am particularly pleased to see positive recognition of the Department's evaluation and funding arrangements. I appreciate that there are improvements to be made and the recommendation in the report will support our ongoing efforts to improve monitoring and reporting of wage subsidies in the New Employment Services Model.

I enclose my Department's response to the recommendations for inclusion in the report. Should you require further information on the response, please contact Ms Miranda Lauman, A/g First Assistant Secretary, on (02) 6240 9800 or at [Miranda.Lauman@dese.gov.au](mailto:Miranda.Lauman@dese.gov.au).

Yours sincerely

*Michele Bruniges*

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8 October 2021  
Encl.

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## Appendix 2 Improvements observed by the ANAO

1. The existence of independent external audit, and the accompanying potential for scrutiny improves performance. Improvements in administrative and management practices usually occur: in anticipation of ANAO audit activity; during an audit engagement; as interim findings are made; and/or after the audit has been completed and formal findings are communicated.

2. The Joint Committee of Public Accounts and Audit has encouraged the ANAO to consider ways in which the ANAO could capture and describe some of these impacts. The ANAO's 2021–22 Corporate Plan states that the ANAO's annual performance statements will provide a narrative that will consider, amongst other matters, analysis of key improvements made by entities during a performance audit process based on information included in tabled performance audit reports.

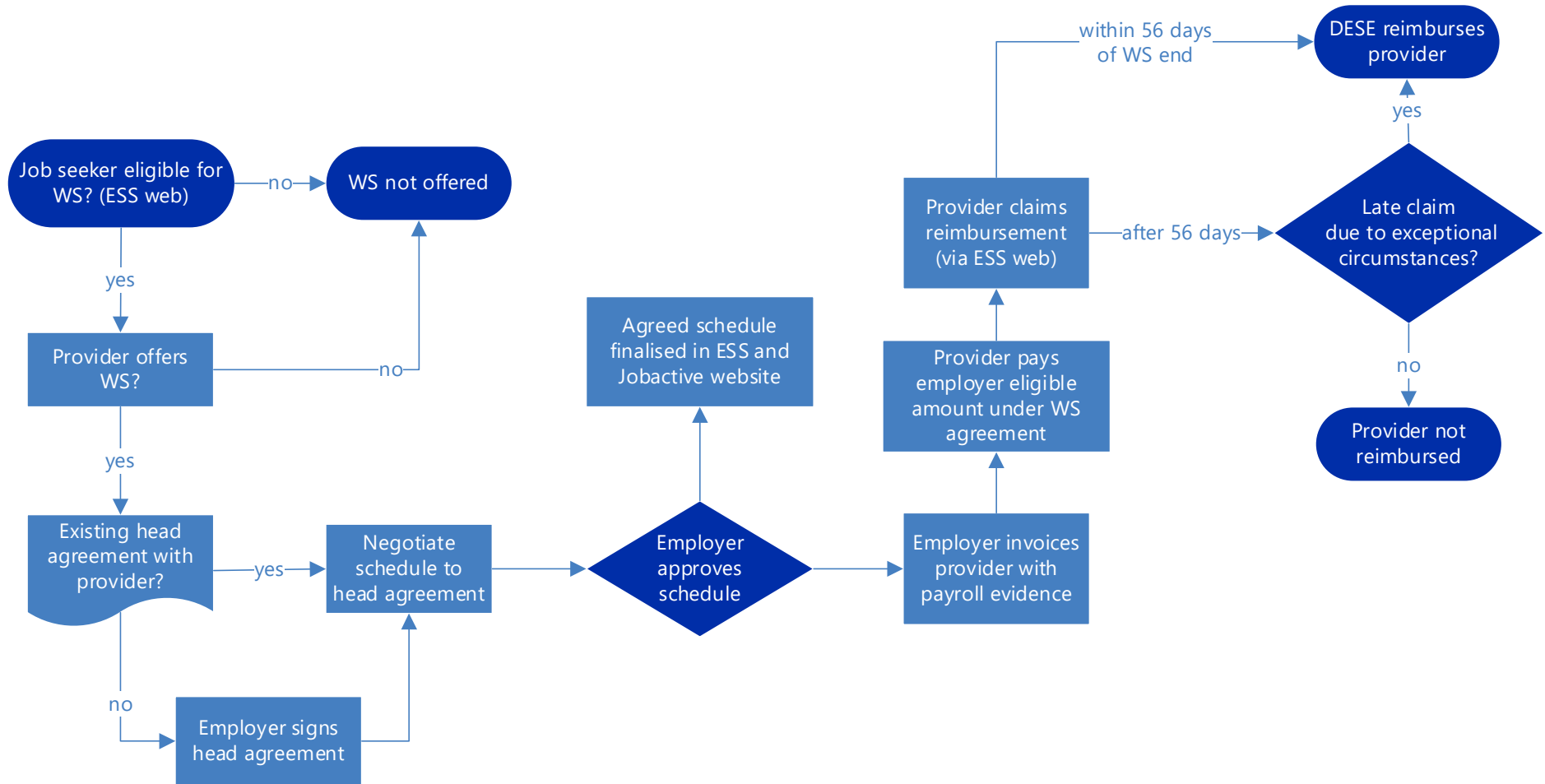
3. Performance audits involve close engagement between the ANAO and the audited entity as well as other stakeholders involved in the program or activity being audited. Throughout the audit engagement, the ANAO outlines to the entity the preliminary audit findings, conclusions and potential audit recommendations. This ensures that final recommendations are appropriately targeted and encourages entities to take early remedial action on any identified matters during the course of an audit. Remedial actions entities may take during the audit include:

- strengthening governance arrangements;
- introducing or revising policies, strategies, guidelines or administrative processes; and
- initiating reviews or investigations.

4. In this context, the below actions were observed by the ANAO during the course of the audit. It is not clear whether these actions and/or the timing of these actions were planned in response to proposed or actual audit activity. The ANAO has not sought to obtain assurance over the source of these actions or whether they have been appropriately implemented.

- In May 2021, the Department of Education, Skills and Employment updated the Managing Wage Subsidies Guideline (version 5) to address new policy changes which took effect on 1 July 2021. The updated version also addressed some minor discrepancies that the ANAO found in the previous version.
- DESE identified that internal reporting to governance groups and management on the RSS results was incorrect. This was due to the sampling methodology and reporting approach applied, and that some values were extracted from an incorrect source. DESE intended to correct the reporting for the next cycle, including updating prior cycle results (paragraph 2.60).

### Appendix 3 Department of Education, Skills and Employment wage subsidies process



Source: ANAO analysis.



## Appendix 4 Department of Education, Skills and Employment Portfolio Budget Statement (PBS) and Corporate Plan performance indicators to which wage subsidies contribute

Year	Activity	Performance measures		
<b>DESE PBS 2021–22<sup>a</sup></b> Outcome 4: Foster a productive and competitive labour market through policies and programs that assist job seekers into work and meet employer needs.	Help job seekers find and keep a job	Proportion of job placements sustained to 26 weeks. • Target: 30%	Proportion of job seekers employed three months following participation in employment services. • Target: 45%	
<b>DESE corporate plans and PBS 2019–20 and 2020–21</b> Outcome 1 — Foster a productive and competitive labour market through employment policies and programs that assist job seekers into work, meet employer needs and increase Australia’s workforce participation.	Help job seekers find and keep a job	Proportion of job placements sustained to 26 weeks • Overall: 30% • Indigenous: 30% <b>Methodology:</b> Number of job placements that sustained to a 26-week employment outcome over the total number of job placements, that can achieve a 26-week outcome, in a 12-month period	Proportion of job seekers employed three months following participation in employment services • Overall: 45% • Stream A: 55% • Stream B: 40% • Stream C: 25 % <b>Methodology:</b> Estimated number, of a representative sample, of job seekers employed three months following participation in jobactive over the total number of job seekers who participated in jobactive during the reference period (a rolling 12-month period)	Proportion of job seekers moving off income support, or with reduced reliance on income support, six months after participation in jobactive • Target 40% <b>Methodology:</b> Number of job seekers off income support, or with reduced reliance on income support (defined as a reduction of 60% or more), six months after participating in jobactive over the total number of job seekers on income support who participated in jobactive during the reference period

Note a: DESE has undertaken a review of performance measures since the 2020–21 Budget and several measures have been added, removed, or amended in the 2021–22 Portfolio Budget Statements. This resulted in an overall reduction in the related job placement performance measures. The 2021–22 DESE PBS also recognises that from 2022–23, the New Employment Services Model will replace jobactive. As a result, performance measures will be reviewed and updated to reflect the new employment services operating environment for 2022–23 and beyond.

Source: DESE Corporate Plan and Portfolio Budget Statements.

## Appendix 5 Governance committees and responsibilities

Committee	Responsibilities
<p><b>Employment Services Committee (ESC)</b></p> <p>Membership:</p> <ul style="list-style-type: none"> <li>• Deputy Secretary, Employment and Workforce Group;</li> <li>• Senior Responsible Officer, New Employment Services Model;</li> <li>• First Assistant Secretaries, Employment and Workforce Group;</li> <li>• First Assistant Secretary, Digital Services Division; and</li> <li>• Chief Internal Auditor as an observer.</li> </ul>	<p>The ESC meets weekly, and the joint ESC meets monthly.<sup>a</sup> Its purpose is to advise the Deputy Secretary, Employment and Workforce Group, on employment and pre-employment policy and program development and implementation, performance, contract management and evaluation.</p>
<p><b>Employment Branch Manager Committee (EBMC)</b></p> <p>Membership:</p> <ul style="list-style-type: none"> <li>• All Assistant Secretaries within the Employment and Workforce Group;</li> <li>• State Managers;</li> <li>• Assistant Secretaries from the Digital Services Division;</li> <li>• Assistant Secretary from the Foundation Skills Branch, Skills and Training Group; and</li> <li>• Chief Internal Auditor as an observer.</li> </ul>	<p>The EBMC meets weekly, and is a subcommittee of the ESC. Its purpose is to support and advise the ESC on all matters within its terms of reference.</p>
<p><b>Program Integrity Sub Committee for Employment Services (PISCES)</b></p> <ul style="list-style-type: none"> <li>• First Assistant Secretaries and Assistant Secretaries within the Employment and Workforce Group;</li> <li>• State Managers; and</li> <li>• Chief Internal Auditor, Director of Enterprise Risk, representatives from Department of Social Services, National Indigenous Australians Agency and other DESE representatives as observers.</li> </ul>	<p>PISCES meets monthly. Its role is to support and advise the ESC on matters relating to the risk profile and program integrity of all government-funded employment services.</p>

Note: The joint ESC is a full meeting of all SES officers in the Employment and Workforce Group and SES officers from the Digital Solutions Division and the Foundation Skills Branch, Skills and Training Division.

From 13 September 2021 the ESC became the Workforce and Employment Steering Committee (WESC) and the EBMC became the Employment and Workforce Assistant Secretaries' Committee (EAC). Membership and responsibilities of the committees remains the same.

Source: DESE documentation.