

Chapter 2

Review of annual reports

2.1 This chapter examines selected annual reports in greater detail, and provides the Senate with information that may be of particular interest.

2.2 The following reports under the Jobs and Small Business portfolio are discussed in this chapter:

- Department of Jobs and Small Business;
- Australian Building and Construction Commission (ABCC);
- Comcare;
- Fair Work Commission (FWC);
- Fair Work Ombudsman (FWO); and
- Registered Organisations Commission (ROC).¹

2.3 After that analysis, the following reports from the Education and Training portfolio are discussed:

- Department of Education and Training;
- Australian Research Council (ARC); and
- Australian Skills Quality Authority (ASQA).

Jobs and Small Business portfolio

Department of Jobs and Small Business

2.4 During the 2017-18 reporting year, as a result of Administrative Arrangements introduced on 20 December 2017, the department's name was changed from the Department of Employment to the Department of Jobs and Small Business.² Under these new Administrative Arrangements the department gained responsibility of 'small business and regulatory policy functions'.³

2.5 The department has two outcomes, which are to:

- Outcome 1: foster a productive and competitive labour market through employment policies and programs that help job seekers into work, meet employer needs and increase Australia's workforce participation;

1 In the relevant annual report and the flipchart of PGPA Act Commonwealth entities and companies, the Fair Work Ombudsman and the Registered Organisation Commission are listed as a single entity. However, for ease of reporting and to illustrate the clear delineation of responsibilities between these two organisations this report will analyse them separately.

2 Department of Jobs and Small Business, *Annual Report 2017-18*, p. 3.

3 Department of Jobs and Small Business, *Annual Report 2017-18*, p. 3.

- Outcome 2: facilitate jobs growth through policies that promote fair, productive and safe workplaces.⁴

2.6 Outcome 1 was measured against five employment services objectives and one program measure. The objectives are that:

- job seekers find and keep a job;
- job seekers move from welfare to work;
- job seekers meet their mutual obligations;
- jobactive organisations deliver quality services; and
- young people move into work or education.⁵

2.7 The program measure relates to the jobactive program.⁶

2.8 Outcome 2 is measured against the following three objectives. These are that:

- the Fair Entitlement Guarantee functions effectively;
- Commonwealth-funded projects are undertaken by builders accredited by the Office of the Federal Safety Commissioner; and
- the workplace relations system contributes to the productivity agenda by encouraging the adoption of flexible and modern workplace relations principles.⁷

2.9 In regards to Outcome 1, the jobactive employment services system is now in its third year of operation.⁸ In April 2018, jobactive achieved one million job placements since the program's introduction in July 2015.⁹ During the reporting period, jobactive provided over 350 000 job placements.¹⁰

2.10 The Seasonal Work Incentives Trial was implemented on 1 July 2017 in response to concerns within Australia's horticulture industry regarding attracting a sufficient number of seasonal workers.¹¹ The trial will operate for two years with a cap of 3800 workers per annum.¹²

4 Department of Jobs and Small Business, *Annual Report 2017-18*, p. 2. Please note, subsequent to the tabling of the 2017-18 Jobs and Small Business annual report, Outcome 2 was updated to read 'Facilitate jobs growth through policies and programs that promote fair, productive and safe workplaces, and facilitate the growth of small business.'

5 Department of Jobs and Small Business, *Annual Report 2017-18*, p. 10.

6 Department of Jobs and Small Business, *Annual Report 2017-18*, p. 10.

7 Department of Jobs and Small Business, *Annual Report 2017-18*, p. 11.

8 Department of Jobs and Small Business, *Annual Report 2017-18*, p. 11.

9 Department of Jobs and Small Business, *Annual Report 2017-18*, p. 12.

10 Department of Jobs and Small Business, *Annual Report 2017-18*, p. 12.

11 Department of Jobs and Small Business, *Annual Report 2017-18*, p. 16.

12 Department of Jobs and Small Business, *Annual Report 2017-18*, p. 16.

2.11 On 1 July 2018, a new Targeted Compliance Framework was introduced to 'help job seekers meet their mutual obligation requirements'.¹³ Under this new framework job seekers who fail to meet these mutual obligation requirements will 'initially have their payment delayed until they re-engage and will incur demerits for failures committed without a valid reason'.¹⁴ Individuals who incur five demerits within a six month period risk facing escalating financial penalties for additional failures.¹⁵

2.12 Between February 2017 and January 2018, 6600 job seekers participated in the Work for the Dole scheme.¹⁶ A survey of participants found that 74.9 per cent reported an increase in motivation to find employment. A similar proportion of participants reported satisfaction with the quality of their Work for the Dole activity.¹⁷

2.13 The Harvest Labour Services scheme filled over 25 000 harvest positions in 11 harvest areas during the 2017-18 reporting period. This was a 78 per cent increase in placements on the 2016-17 reporting period.¹⁸

2.14 During 2017-18, the department met 16 of 19 performance targets of Outcome 1.¹⁹

2.15 One area where the department did not meet its performance targets was for total or Indigenous job placements. In 2017-18, there were 351 647 total placements and 35 668 Indigenous placements. These were short of the 380 000 and 38 000 target placements, respectively.²⁰

2.16 The department, however, exceeded all six targets regarding the proportion of job placements of four, 12 and 26 weeks for both Indigenous and non-Indigenous people.²¹

2.17 During the 2017-18 period, the department met both performance indicators for jobactive providers delivering quality services.²²

2.18 The department has further implemented a pilot program called Launch into Work. This program seeks to bridge the gap to employment for women through the

13 Department of Jobs and Small Business, *Annual Report 2017-18*, p. 17.

14 Department of Jobs and Small Business, *Annual Report 2017-18*, p. 17.

15 Department of Jobs and Small Business, *Annual Report 2017-18*, p. 17.

16 Department of Jobs and Small Business, *Annual Report 2017-18*, p. 18.

17 Department of Jobs and Small Business, *Annual Report 2017-18*, p. 18.

18 Department of Jobs and Small Business, *Annual Report 2017-18*, p. 20.

19 Department of Jobs and Small Business, *Annual Report 2017-18*, p. 22.

20 Department of Jobs and Small Business, *Annual Report 2017-18*, p. 22.

21 Department of Jobs and Small Business, *Annual Report 2017-18*, p. 22.

22 Department of Jobs and Small Business, *Annual Report 2017-18*, p. 29.

provision of 'training, work experience and mentoring to support job seekers to increase their skills, confidence and experience, and to find and stay in work'.²³

2.19 In regards to Outcome 2, during the reporting year the department supported the passage of the *Fair Work Amendment (Protecting Vulnerable Workers) Act 2017* and the *Fair Work Amendment (Corrupting Benefits) Act 2017*.²⁴ The Protecting Vulnerable Workers Act introduced higher penalties for employers that deliberately underpay their employees.²⁵ The Corrupting Benefits Act bans secret and illegal payments between employers and unions as well as implementing the recommendations of the Royal Commission into Trade Union Governance and Corruption.²⁶

2.20 In 2017-18 the department continued to administer the Fair Entitlements Guarantee (FEG), which provides a 'safety net to workers who have lost their jobs and entitlements through their employer's liquidation or bankruptcy'.²⁷ In 2017-18, \$164.9 million was paid to over 10 800 claimants under the guarantee.²⁸ Furthermore, the department met or exceeded all of its key performance measures for the FEG. Of particular note was the average processing time for claims which fell from 10.1 weeks in 2016-17 to 8.3 weeks in 2017-18.²⁹ This was far below the 14 weeks target.

2.21 The department also continued its role as the lead agency for the Seasonal Worker Programme. This program contributes to economic development of Pacific island nations and Timor-Leste through creating work opportunities in the Australian agriculture sector as well as selected accommodation and tourism sectors.³⁰ In 2017-18, the program saw 8457 visas issued.³¹

2.22 In 2017-18, the Small Business Policy area advised the government on a range of matters, including small business international engagement with the Asia-Pacific Economic Cooperation (APEC) and the Organisation for Economic Co-operation and Development (OECD).³² Advice was also provided on a range of initiatives affecting small business, including 'regulatory reform, increasing small business engagement with the digital economy, and improving payment times and practices'.³³

23 Department of Jobs and Small Business, *Annual Report 2017-18*, p. 45.

24 Department of Jobs and Small Business, *Annual Report 2017-18*, p. 59.

25 Department of Jobs and Small Business, *Annual Report 2017-18*, p. 59.

26 Department of Jobs and Small Business, *Annual Report 2017-18*, p. 59.

27 Department of Jobs and Small Business, *Annual Report 2017-18*, p. 62.

28 Department of Jobs and Small Business, *Annual Report 2017-18*, p. 62.

29 Department of Jobs and Small Business, *Annual Report 2017-18*, p. 78.

30 Department of Jobs and Small Business, *Annual Report 2017-18*, p. 65.

31 Department of Jobs and Small Business, *Annual Report 2017-18*, p. 65.

32 Department of Jobs and Small Business, *Annual Report 2017-18*, p. 77.

33 Department of Jobs and Small Business, *Annual Report 2017-18*, p. 77.

2.23 The committee noted the department's overall sound financial position. In particular the committee recognises the recorded surplus of \$1.5 million before depreciation and amortisation.³⁴

Australian Building and Construction Commission

2.24 The ABCC began operations on 2 December 2016 after the passage of the *Building and Construction Industry (Improving Productivity) Act 2016* (BCIIP Act).³⁵ It replaced its predecessor, the Office of the Fair Work Building Industry Inspectorate (also known as Fair Work Building and Construction).

2.25 The ABCC has a single outcome as well as an associated program, as outlined in the Portfolio Budget Statements 2017-18.³⁶ The outcome is to 'enforce workplace relations laws in the building and construction industry and ensure compliance with those laws by all participants in the building and construction industry through the provision of education, assistance and advice'.³⁷ The associated program is 'education, compliance and enforcement—to educate building industry participants in order to promote compliance with workplace laws'.³⁸

2.26 The ABCC achieved all eight performance criteria over the 2017-18 reporting period. Of particular note:

- 81 per cent of clients reported they were satisfied or highly satisfied with the quality and timeliness of advice and assistance provided;
- 171 formal presentations were delivered to 5110 stakeholders;
- 1070 visits were made to building and construction worksites;
- 327 code inspections and audits were undertaken; and
- 80 per cent of legal proceedings were commenced within 12 months of the initial complaints being lodged.³⁹

2.27 In the 2017-18 reporting period the ABCC noted a marked increase in the number of enquiries received. This figure increased from over 5880 in 2016-17 to nearly 7000 in 2017-18. Enquiries regarding code assessment and general code information accounted for more than half the total enquiries.⁴⁰

34 Department of Jobs and Small Business, *Annual Report 2017-18*, pp. 124–125.

35 Australian Building and Construction Commission, *Annual Report 2017-18*, p. 2.

36 Australian Building and Construction Commission, *Annual Report 2017-18*, p. 2.

37 Australian Building and Construction Commission, *Annual Report 2017-18*, p. 2.

38 Australian Building and Construction Commission, *Annual Report 2017-18*, p. 2.

39 Australian Building and Construction Commission, *Annual Report 2017-18*, pp. 12–14.

40 Australian Building and Construction Commission, *Annual Report 2017-18*, p. 18.

2.28 In June 2018, the agency published the ABCC Onsite app. This app contains information about: wages and entitlements; freedom of association; right of entry; unlawful pickets; coercion; and unlawful industrial action.⁴¹

2.29 The ABCC provided advice on the compliance of draft and Fair Work Commission (FWC) approved enterprise agreements with the Building Code. During the reporting period, the ABCC received 2694 agreements and assessed 3092.⁴² This was a marked increase on the 2016-17 reporting period.⁴³

2.30 During the reporting period, the agency increased its activities in assisting employers and employees to understand and comply with their rights and obligations in regards to the payment of wages. During 2017-18, the ABCC recovered over \$262 000 for 186 employees from 32 employers.⁴⁴

2.31 During 2017-18 the ABCC commenced 125 investigations. This was a slight decline on 2016-17. Of these new investigations 35 regarded wages and entitlements, 27 involved right of entry and 21 concerned coercion.⁴⁵

2.32 In 2017-18, the ABCC initiated 10 proceedings in the courts relating to coercion, right of entry, freedom of association and unlawful picketing breaches.⁴⁶ The ABCC further finalised 17 proceedings with a 94 per cent success rate. Of these proceedings, nearly \$6 million in penalties were imposed. This is the highest recorded amount for the ABCC and its predecessor agencies.⁴⁷

2.33 The committee notes that the ABCC recorded an operating profit of nearly \$1.9 million in 2017-18.⁴⁸ This is a marked improvement on the operating loss of \$3.4 million in 2016-17. The committee notes this increase in profitability was largely due to the decline in legal costs from \$10.8 million in 2016-17 to \$4 million in 2017-18.⁴⁹

Comcare

2.34 Comcare is a statutory authority established under the *Safety, Rehabilitation and Compensation Act 1988* (SRC Act).⁵⁰ Alongside the Safety, Rehabilitation and

41 Australian Building and Construction Commission, *Annual Report 2017-18*, p. 20.

42 The ABCC assessed more agreements than it received in 2017-18 due to a backlog in 2016-17 where it received 1371 agreements and assessed 871 of these.

43 Australian Building and Construction Commission, *Annual Report 2017-18*, p. 22.

44 Australian Building and Construction Commission, *Annual Report 2017-18*, p. 25.

45 Australian Building and Construction Commission, *Annual Report 2017-18*, p. 26.

46 Australian Building and Construction Commission, *Annual Report 2017-18*, p. 29.

47 Australian Building and Construction Commission, *Annual Report 2017-18*, p. 29.

48 Australian Building and Construction Commission, *Annual Report 2017-18*, p. 56.

49 Australian Building and Construction Commission, *Annual Report 2017-18*, p. 73.

50 Comcare and Safety, Rehabilitation and Compensation Commission, *Annual Report 2017-18*, p. 13.

Compensation Commission it administers the Commonwealth's statutory framework. Comcare's principal role is to support participation and productivity through healthy and safe workplaces.⁵¹

2.35 During the reporting period Comcare set performance criteria for its four stated purposes of being a leading insurer, national regulator, showing excellence in scheme management and design, and undertaking efficient and effective operations.⁵²

2.36 Of particular note, Comcare exceeded its performance criteria in regards to ensuring the insured scheme was fully funded, achieving a second consecutive funding ratio of greater than 100 per cent.⁵³ During the reporting period the funding ratio increased from 102 per cent at 30 June 2017 to 116 per cent. This increase was largely as a result of a '\$261 million release in liabilities' and 'continued growth in Comcare's assets from continued lower than expected benefit payments'.⁵⁴

2.37 The committee notes, however, that several criteria were not met during the reporting period. These included:

- reduction of insurance scheme liabilities to \$1.9 billion by 30 June 2018;⁵⁵
- increasing the proportion of employees who have returned to work, measured by duration of incapacity benefits to facilitate recovery and reduce liability;⁵⁶
- high levels of satisfaction and engagement with Comcare services;⁵⁷ and
- timeliness of claims resolution.⁵⁸

2.38 The committee particularly notes the marked decline in the percentage of respondents who were either 'satisfied' or 'very satisfied' with the services received

51 Comcare and Safety, Rehabilitation and Compensation Commission, *Annual Report 2017-18*, p. 13.

52 Comcare and Safety, Rehabilitation and Compensation Commission, *Annual Report 2017-18*, p. 31.

53 Comcare and Safety, Rehabilitation and Compensation Commission, *Annual Report 2017-18*, p. 32.

54 Comcare and Safety, Rehabilitation and Compensation Commission, *Annual Report 2017-18*, p. 32.

55 Comcare and Safety, Rehabilitation and Compensation Commission, *Annual Report 2017-18*, p. 32.

56 Comcare and Safety, Rehabilitation and Compensation Commission, *Annual Report 2017-18*, p. 33.

57 Comcare and Safety, Rehabilitation and Compensation Commission, *Annual Report 2017-18*, p. 34.

58 Comcare and Safety, Rehabilitation and Compensation Commission, *Annual Report 2017-18*, p. 35.

from Comcare's Corporate Management Group. The 2018 survey achieved a 68 per cent satisfaction level. This was a 13 percentage point decrease on the 2017 survey.⁵⁹

2.39 The committee notes that during the reporting period, Comcare recorded an operating surplus of \$7.7 million.⁶⁰ This was significantly lower than the \$19.8 million surplus originally forecast in the budget.⁶¹

Fair Work Commission

2.40 The FWC was established by the *Fair Work Act 2009* and is responsible for administering the provisions of that legislation.⁶² The FWC's powers and functions include:

- dealing with unfair dismissal claims;
- dealing with general protections and unlawful termination claims;
- setting the national minimum wage and minimum wages in modern awards;
- assisting the bargaining process for enterprise agreements; and
- approving, varying and terminating enterprise agreements.⁶³

2.41 The FWC has one outcome, to facilitate 'simple, fair and flexible workplace relations for employees and employers through the exercise of powers to set and vary minimum wages and modern awards, facilitate collective bargaining, approve agreements and deal with disputes'.⁶⁴

2.42 During the reporting period, the FWC met all performance criteria bar one. The criteria met included:

- improving or maintaining the time elapsed from lodging applications to finalising conciliations in unfair dismissal applications within 32 days;⁶⁵
- ensuring that at least 80 per cent of survey respondents are satisfied that their conference conciliator was even-handed;⁶⁶ and
- delivering the decision in the annual wage review to enable operative date of 1 July with a target publication date of no later than 30 June.

59 Comcare and Safety, Rehabilitation and Compensation Commission, *Annual Report 2017-18*, p. 50.

60 Comcare and Safety, Rehabilitation and Compensation Commission, *Annual Report 2017-18*, p. 90.

61 Comcare and Safety, Rehabilitation and Compensation Commission, *Annual Report 2017-18*, p. 91.

62 Fair Work Commission, *Annual Report 2017-18 – Access to Justice*, p. 10.

63 Fair Work Commission, *Annual Report 2017-18 – Access to Justice*, p. 11.

64 Fair Work Commission, *Annual Report 2017-18 – Access to Justice*, p. 95.

65 Fair Work Commission, *Annual Report 2017-18 – Access to Justice*, p. 98.

66 Fair Work Commission, *Annual Report 2017-18 – Access to Justice*, p. 96.

2.43 The criterion not met by the FWC regarded improving or maintaining the agreement approval time within a median of 32 days. During 2017-18, the median approval time was 76 days, compared with a median of 32 days in 2016-17.⁶⁷ The committee notes the marked increase in approval times from previous years, but also recognises the FWC decision to implement closer monitoring and increasing resources to improve timeliness.⁶⁸ The committee will monitor this situation for the 2018-19 annual report.

2.44 During the reporting period 31 554 applications were lodged with the FWC, a slight decrease on the 33 071 applications lodged in 2016-17.⁶⁹ Of these applications, unfair dismissals accounted for approximately 43 per cent.⁷⁰ The majority of the total decline in applications was the drop in registered organisations applications from 1243 to 163.⁷¹ This is attributable to the establishment of the Registered Organisations Commission which now has jurisdiction over these matters.

2.45 During 2017-18, 5287 enterprise agreement applications were lodged with the FWC. Of these, 4638 agreements were finalised, of which 82 per cent were approved, 17 per cent were withdrawn and less than 1 per cent were refused.⁷²

2.46 According to the General Manager's overview, the FWC recorded a funded surplus of \$85 000 for the financial year.⁷³ This was a marked decrease on the 2016-17 financial year.

Fair Work Ombudsman

2.47 The Fair Work Ombudsman and the Registered Organisations Commission Entity comprises of two independent government bodies:

- the Fair Work Ombudsman (FWO), created by the *Fair Work Act 2009* (Fair Work Act); and
- the Registered Organisations Commission (ROC), established under the *Fair Work (Registered Organisations) Amendment Act 2016*, which commenced operations on 1 May 2017.⁷⁴

2.48 The FWO has one outcome, to ensure 'compliance with workplace relations legislation by employees and employers through advice, education and, where necessary, enforcement'.⁷⁵

67 Fair Work Commission, *Annual Report 2017-18 – Access to Justice*, pp. 98–99.

68 Fair Work Commission, *Annual Report 2017-18 – Access to Justice*, p. 67.

69 Fair Work Commission, *Annual Report 2017-18 – Access to Justice*, p. 19.

70 Fair Work Commission, *Annual Report 2017-18 – Access to Justice*, p. 19.

71 Fair Work Commission, *Annual Report 2017-18 – Access to Justice*, p. 21.

72 Fair Work Commission, *Annual Report 2017-18 – Access to Justice*, p. 61.

73 Fair Work Commission, *Annual Report 2017-18 – Access to Justice*, p. 11.

74 The Fair Work Ombudsman and Registered Organisations Commission Entity, *17-18 Annual Report*, p. 4.

2.49 During the reporting period, the FWO met all its performance indicators.⁷⁶ This included managing requests for assistance within 30 days (the FWO achieved this in 14 days on average) and finalising at least 90 per cent of requests for assistance involving a workplace dispute through education and dispute resolution services (the FWO achieved 96 per cent).⁷⁷

2.50 In 2017-18, the FWO recovered more than \$29.6 million in unpaid wages for more than 13 000 workers.⁷⁸ This marks a slight decrease on the 2016-17 reporting period where \$30.6 million was recovered.⁷⁹

2.51 During the reporting period, the FWO received 64 533 online enquiries. These enquiries, received through a variety of online mediums, mostly came from employees and their representatives (77 per cent).⁸⁰ Of these enquiries, 12 per cent came from accommodation and food services, 10 per cent from health care and social assistance industries and a further 10 per cent from professional, scientific and technical services industries.⁸¹

2.52 The FWO continued to make use of its Anonymous Report tool which allows individuals to anonymously notify the FWO of businesses or individuals who may be breaching workplace laws. Over the last year, this tool became available in sixteen languages to allow migrant workers to report issues in their native tongue.⁸² During 2017-18, the FWO received 15 138 anonymous report (44 per cent higher than 2016-17). Of these reports, 1294 were in languages other than English.⁸³ Hospitality accounted for by far the largest number of anonymous reports with 37 per cent. The next highest industry was retail with 14 per cent.⁸⁴

75 The Fair Work Ombudsman and Registered Organisations Commission Entity, *17-18 Annual Report*, p. 4.

76 The Fair Work Ombudsman and Registered Organisations Commission Entity, *17-18 Annual Report*, p. 9.

77 The Fair Work Ombudsman and Registered Organisations Commission Entity, *17-18 Annual Report*, p. 9.

78 The Fair Work Ombudsman and Registered Organisations Commission Entity, *17-18 Annual Report*, p. 13.

79 The Fair Work Ombudsman and Registered Organisations Commission Entity, *16-17 Annual Report*, p. 14.

80 The Fair Work Ombudsman and Registered Organisations Commission Entity, *17-18 Annual Report*, p. 14.

81 The Fair Work Ombudsman and Registered Organisations Commission Entity, *17-18 Annual Report*, p. 14.

82 The Fair Work Ombudsman and Registered Organisations Commission Entity, *17-18 Annual Report*, p. 16.

83 The Fair Work Ombudsman and Registered Organisations Commission Entity, *17-18 Annual Report*, p. 16.

84 The Fair Work Ombudsman and Registered Organisations Commission Entity, *17-18 Annual Report*, p. 16.

2.53 As a result of the new provisions in the *Fair Work Amendment (Protecting Vulnerable Workers) Act 2017*, that commenced in September 2017, the FWO was 'equipped...with extra tools and higher penalties that will help [it] respond more effectively to the exploitation of [migrant workers and visa holders]'.⁸⁵

2.54 In regards to enforcement, the FWO initiated litigation on 35 cases, achieving over \$7.2 million worth of court-ordered penalties.⁸⁶ This signified the highest amount in penalties ever secured by the FWO in a financial year.

Registered Organisations Commission

2.55 The ROC has one outcome, to ensure 'effective governance and financial transparency of registered employee and employer organisations, through regulation, investigation and appropriate enforcement'.⁸⁷

2.56 During the reporting period the ROC achieved all performance criteria. This included 100 per cent of financial reports and annual returns assessed by the ROC within 40 working days following lodgement.⁸⁸

2.57 During the financial year, the ROC undertook a wide array of education programs. This included two face-to-face information sessions, six broad-based education campaigns targeted at organisations and their members, 44 face-to-face meetings with organisations, registered auditors and peak bodies and five webinars which attracted 520 participants.⁸⁹

2.58 In 2017-18, the ROC commenced and concluded six inquiries into the compliance by registered organisations with financial obligations or into the application of civil penalty provisions.⁹⁰ There remained three open inquiries as of 30 June 2018. Of the six inquiries concluding during 2017-18, none required further action.⁹¹

2.59 During the reporting period, the ROC also concluded three investigations into compliance by registered organisations with their financial obligations, or to ascertain

85 The Fair Work Ombudsman and Registered Organisations Commission Entity, *17-18 Annual Report*, p. 17.

86 The Fair Work Ombudsman and Registered Organisations Commission Entity, *17-18 Annual Report*, p. 21.

87 The Fair Work Ombudsman and Registered Organisations Commission Entity, *17-18 Annual Report*, p. 4.

88 The Fair Work Ombudsman and Registered Organisations Commission Entity, *17-18 Annual Report*, p. 27.

89 The Fair Work Ombudsman and Registered Organisations Commission Entity, *17-18 Annual Report*, p. 28.

90 The Fair Work Ombudsman and Registered Organisations Commission Entity, *17-18 Annual Report*, p. 31.

91 The Fair Work Ombudsman and Registered Organisations Commission Entity, *17-18 Annual Report*, p. 32.

whether there had been a breach of a civil penalty provision.⁹² Of the three investigations concluded, Federal Court proceedings commenced in two, and one required no further action.⁹³

2.60 The Royal Commission into Trade Union Governance and Corruption was established in 2014 to 'inquire into alleged financial irregularities associated with union affairs'. Of the 24 matters that were transferred to the ROC, 11 are currently before the Federal Court, two were closed by the ROC with no further action and 11 were in abeyance pending police investigations or criminal proceedings.⁹⁴

2.61 During the financial year the FWO and ROC registered an operating deficit of \$9.2 million. This marked a \$500 000 increase on the 2016-17 reporting period. This increase was largely due to an increase in the costs of employee benefits and services during the financial year.⁹⁵

Education and Training portfolio

Department of Education and Training

2.62 The Department of Education and Training has two outcomes:

- Outcome 1: Improved early learning, schooling, student education outcomes and transitions to and from school through access to quality child care, support, parent engagement, quality teaching and learning outcomes; and
- Outcome 2: Promote growth in economic productivity and social wellbeing through access to quality higher education, international education, and international quality research, skills and training.⁹⁶

2.63 In regards to Outcome 1, the department rolled out the new Child Care Subsidy System on 2 July 2018. This included 'transitioning families and service providers from the existing Child Care Benefit and Child Care Rebate schemes'.⁹⁷ As of 2 July 2018, over one million families and 6040 child care providers had transitioned to the new scheme.⁹⁸

2.64 Under Outcome 1, the department achieved, or partially achieved, all its key performance results. The department ensured the new Child Care Subsidy System was ready for implementation on 2 July 2018. The department also met its target of more

92 The Fair Work Ombudsman and Registered Organisations Commission Entity, *17-18 Annual Report*, p. 32.

93 The Fair Work Ombudsman and Registered Organisations Commission Entity, *17-18 Annual Report*, p. 33.

94 The Fair Work Ombudsman and Registered Organisations Commission Entity, *17-18 Annual Report*, p. 34.

95 The Fair Work Ombudsman and Registered Organisations Commission Entity, *17-18 Annual Report*, p. 55.

96 Department of Education and Training, *2017-18 Annual Report*, p. 5.

97 Department of Education and Training, *2017-18 Annual Report*, p. 14.

98 Department of Education and Training, *2017-18 Annual Report*, p. 14.

than 95 per cent of children, both indigenous and non-indigenous, enrolled in quality early childhood education for more than 600 hours per annum before attending full time school.⁹⁹

2.65 The department also partially met its target to ensure that a 'greater proportion of students achieve at or above minimum standards for reading, writing and numeracy under the National Assessment Program'.¹⁰⁰ Between 2017 and 2018, there was a slight increase in the proportion of students achieving at or above the minimum standards of reading and numeracy. However, there was a marginal decline in writing standards.¹⁰¹

2.66 In regards to Outcome 2, the department achieved six out of ten of its performance criteria. The department met its target relating to increasing participation in higher education amongst both individuals from a low socioeconomic status (SES) and with indigenous backgrounds.¹⁰² In 2017-18, 18.7 per cent of domestic undergraduates were from a low SES background (exceeding the 17.9 per cent target) and 0.9 per cent of higher degrees by research were indigenous (exceeding the 0.7 per cent target).¹⁰³

2.67 The department also registered that 87.3 per cent of vocational education and training (VET) graduates were satisfied with the overall quality of their teaching and 82.2 per cent of employers in the VET sector were satisfied with nationally recognised training. Both of these performance criteria exceeded the targets set by the department.

2.68 The committee, however, notes that during the reporting period, only 63 per cent of VET students indicated that they were studying for business related reasons.¹⁰⁴ This was far below the 80 per cent target set by the department. The department noted that this difference was, in large part, due to students studying courses to get into another course of study.

2.69 During the reporting period, the department also did not meet the target of 80 per cent of employers being satisfied with apprenticeships and trainees, instead registering a 77.5 per cent level of satisfaction.¹⁰⁵ The department noted that this measure historically varies 'within a few percentage points of the target' and that the decline between 2015 and 2017 should not be viewed as a part of a trend.¹⁰⁶

99 Department of Education and Training, *2017-18 Annual Report*, pp. 19–20.

100 Department of Education and Training, *2017-18 Annual Report*, p. 20.

101 Department of Education and Training, *2017-18 Annual Report*, p. 20.

102 Department of Education and Training, *2017-18 Annual Report*, pp. 23–24.

103 Department of Education and Training, *2017-18 Annual Report*, pp. 23–24.

104 Department of Education and Training, *2017-18 Annual Report*, p. 24.

105 Department of Education and Training, *2017-18 Annual Report*, p. 25.

106 Department of Education and Training, *2017-18 Annual Report*, p. 25.

2.70 During the financial year, the Department of Education and Training registered a \$35.3 million deficit on continuing operations.¹⁰⁷ This marks a \$6.6 million greater deficit than originally budgeted. This discrepancy is largely due to a \$9.9 million write-down and impairment of assets.¹⁰⁸

2.71 The committee notes the significant change in the layout and formatting of the 2017-18 annual report compared to previous iterations. The committee, in particular, notes the removal of many graphs and tables showing long-term trends in a variety of areas from the performance statements chapter. This makes it significantly more difficult to analyse long-term trends and evaluate departmental performance compared with previous years. The committee strongly encourages the department to include, where appropriate, previously used graphs and tables in future annual reports.

Australian Research Council

2.72 The ARC was established under the *Australian Research Council Act 2001* (ARC Act).¹⁰⁹ The role of the council is to administer the National Competitive Grants Program (NCGP) and assess the quality, engagement and impact of research, and advise the Australian Government on research matters.¹¹⁰

2.73 The ARC has one outcome, to ensure the 'growth of knowledge and innovation through managing research funding schemes, research excellence and providing policy advice'.¹¹¹

2.74 During 2017-18, the ARC 'continued to support two new measures announced by the Australian Government in December 2015 as part of the *National Innovation and Science Agenda* (NISA)'.¹¹² These measures were the introduction of the continuous application process for the ARC *Linkage Projects* scheme and the development of a nationwide system facilitating the engagement and impact of university research.¹¹³

2.75 During the reporting period, the ARC considered nearly 5400 proposals for NCGP funding and awarded 1111 grants for research projects.¹¹⁴ Both these figures mark a decline on previous reporting periods. The ARC similarly recorded declines in the number of grants awards for Discovery and Linkage projects compared with the previous reporting period.¹¹⁵

107 Department of Education and Training, *2017-18 Annual Report*, p. 86.

108 Department of Education and Training, *2017-18 Annual Report*, p. 91.

109 Australian Research Council, *Annual Report 2017-18*, p. 14.

110 Australian Research Council, *Annual Report 2017-18*, p. 14.

111 Australian Research Council, *Annual Report 2017-18*, p. 17.

112 Australian Research Council, *Annual Report 2017-18*, p. 2.

113 Australian Research Council, *Annual Report 2017-18*, p. 2.

114 Australian Research Council, *Annual Report 2017-18*, pp. 24–25.

115 Australian Research Council, *Annual Report 2017-18*, p. 33.

2.76 The committee notes that the proportion of ARC-funded research projects that involve research in one of the Australian Government's Science and Research Priority areas declined during the reporting period. The proportion of NCGP projects in this area fell from 66 per cent in 2016-17 to 60.4 per cent in 2017-18. The proportion of Discovery and Linkage projects that involved research in a priority area also declined from 59.7 per cent to 56.1 per cent and 85.4 per cent to 79.9 per cent respectively from between 2016-17 and 2017-18.¹¹⁶

2.77 During 2017-18, the ARC recording a deficit on continuing operations of \$1.4 million.¹¹⁷

Australian Skills Quality Authority

2.78 ASQA was established by the enactment of the *National Vocational Education and Training Regulator Act 2011* and supplementary legislation.¹¹⁸ Its purposes, as defined in the *ASQA corporate plan 2017-18*, are:

- to protect the quality and reputation of the VET sector;
- to regulate the VET sector utilising a contemporary, risk and standards based regulatory approach; and
- to facilitate access and accurate information about VET.¹¹⁹

2.79 During the reporting period, ASQA announced a new regulatory initiative to enhance scrutiny of organisations seeking to enter the training market. The new initiative implements stronger controls on new entrants to the training market and involves substantial changes to the initial registration process for organisations. The implementation of this initiative commenced on 1 July 2018.¹²⁰

2.80 In May 2018, ASQA received an \$18.6 million increase in its budget appropriation over the next four years. This extra funding will be used to increase the audit activities of ASQA and its regulatory scrutiny in high-growth areas such as childhood, aged care and disability.¹²¹

2.81 During 2017-18, ASQA received 487 applications for organisations seeking to enter the VET and/or international education sector. Of these, 29.1 per cent of applications were rejected by ASQA. This is a 9.6 percentage point increase on the previous year and is higher than any financial year since 2013-14.¹²² ASQA also

116 Australian Research Council, *Annual Report 2017-18*, p. 30.

117 Australian Research Council, *Annual Report 2017-18*, p. 94.

118 Australian Skills Quality Authority, *Annual Report 2017-18*, p. 6.

119 Australian Skills Quality Authority, *Annual Report 2017-18*, p. 6.

120 Australian Skills Quality Authority, *Annual Report 2017-18*, p. 1.

121 Australian Skills Quality Authority, *Annual Report 2017-18*, p. 2.

122 Australian Skills Quality Authority, *Annual Report 2017-18*, pp. 19–20.

undertook nearly 1480 audits over the reporting period. This marks a decrease of over 150 on the previous reporting period.¹²³

2.82 The reporting period also saw a significant increase in the number of providers who were removed from the market by having their registration cancelled. In 2013-14, 25 organisations had their registration cancelled. By 2016-17 this figure had increased to 125. In 2017-18, it was 322.¹²⁴

2.83 During the reporting period ASQA continued to embed its regulatory risk framework. This includes 'ongoing environmental scanning to identify systematic risks in the sector' as well as 'identifying providers that consistently fail to meet their regulatory obligations'.¹²⁵

2.84 *ASQA's Regulatory strategy 2017-18* identified the priority focus areas for ASQA's regulatory activity. This included Australia's international education sector, trainer and assessor capability, unduly short training and increasing scrutiny of new registered training organisations entering the VET sector.¹²⁶

2.85 The committee welcomes the steps taken by ASQA to improve the scrutiny placed on organisations seeking to enter the VET sector.

2.86 During the financial year, ASQA recorded an operating surplus of \$1.9 million. This surplus is in contrast to the originally budgeted deficit of \$2.2 million and was due to lower than expected expenses from employee benefits and higher than expected income from other revenue sources.¹²⁷

Senator Slade Brockman Chair

123 Australian Skills Quality Authority, *Annual Report 2017-18*, p. 25.

124 Australian Skills Quality Authority, *Annual Report 2017-18*, p. 29.

125 Australian Skills Quality Authority, *Annual Report 2017-18*, p. 37.

126 Australian Skills Quality Authority, *Annual Report 2017-18*, p. 38.

127 Australian Skills Quality Authority, *Annual Report 2017-18*, p. 55.