

The Auditor-General

Audit Report No.30 1998-99
Performance Audit

The Use and Operation of Performance Information in the Service Level Agreements

Australian National Audit Office

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Canberra ACT
15 January 1999

Dear Madam President
Dear Mr Speaker

The Australian National Audit Office has undertaken a performance audit of selected agencies in accordance with the authority contained in the *Auditor-General Act 1997*. I present this report of this audit, and the accompanying brochure, to the Parliament. The report is titled *The Use and Operation of Performance Information in the Service Level Agreements*.

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

Yours sincerely

A handwritten signature in black ink, appearing to read 'P. J. Barrett', with a small flourish below it.

P. J. Barrett
Auditor-General

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

AUDITING FOR AUSTRALIA

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Abbreviations/Glossary

ABSTUDY	This program aims to equalise and improve the educational opportunities for indigenous people to the same level as the rest of the community.
AIC	Assistance for Isolated Children
APS	Australian Public Service
ANAO	Australian National Audit Office
the arrangement	Service Arrangement between DEETYA and Centrelink
BPA	Business Partnership Agreement between DSS and Centrelink
BPC	Business Partnership Committee
CDEP	Commonwealth Development Employment Program
CSBA	Corporate Services Business Agreement
CSDA	Commonwealth Services Delivery Agency (Centrelink)
DEETYA	Department of Employment, Education, Training and Youth Affairs
DETYA	Department of Education, Training and Youth Affairs
DEWRSB	Department of Employment, Workplace Relations and Small Business
DSS	Department of Social Security
FaCS	Department of Family and Community Services
HAPM	Host Area Partnership Model
IES	Integrated Employment System
IT	Information Technology
JSCI	Job Seeker Classification Instrument
KPI	Key Performance Indicator
MIC	Management Information Committee
MOU	Memorandum of Understanding
PAC	Procedures and Accuracy Checking
PACSTAT	Procedures and Accuracy Checking Statistics

PRPIP	Performance Reporting and Performance Information Protocol
PBS	Portfolio Budget Statements
SAMG	Service Arrangement Management Group
SARG	Service Arrangement Review Group
SARWG	Service Arrangement Review Working Group
SPA	Strategic Partnership Agreement between DSS and Centrelink
TSU	Touch Screen Usage
WAT	Work Ability Table
YA	Youth Allowance

Summary and Recommendations

Audit Summary

Introduction

1. Centrelink was established as the Commonwealth Services Delivery Agency, an independent statutory authority, in the Social Security Portfolio on 1 July 1997. Centrelink provides a range of services on behalf of a number of other agencies. Three agencies for which it currently delivers services are the Department of Family and Community Service (FaCS), the Department of Education, Training and Youth Affairs (DETYA) and the Department of Employment, Workplace Relations and Small Business (DEWRSB).

2. During the reporting phase of the audit, administrative arrangements for the departments being audited were made¹, as follows:

- FaCS was established and included all the functions undertaken by the Department of Social Security (DSS) together with additional functions from other agencies;
- the employment function was transferred from the Department of Employment, Education, Training and Youth Affairs (DEETYA) to DEWRSB; and
- DEETYA became DETYA.

3. The report continues to refer to the parties to the agreements with Centrelink at the time of the audit fieldwork, that is DSS and DEETYA.

4. However, the findings of the audit are relevant to FaCS, DEWRSB and DETYA who have taken on the relevant administrative arrangements of DSS and DEETYA respectively. These findings provide a sound basis for establishing or amending their agreements with Centrelink under the new administrative arrangements. As well, the findings are relevant to other agencies who negotiate with Centrelink to deliver services.

5. Under the previous arrangements, Centrelink delivered all program payments on behalf of DSS, but only delivered components of some of DEETYA programs. Centrelink received an allocation of \$1.4 billion for 1998–99 to provide services for DSS and \$135 million to provide services for DEETYA. The total program payments administered on behalf of DSS by Centrelink for 1998–99 were \$42.4 billion. At 30 June 1998, Centrelink employed 25 336 staff.²

¹ Under the Administrative Arrangements Order of 21 October 1998.

² Includes inoperative, part time and temporary staff. Source: Centrelink *Annual Report* 1997-98.

6. The arrangements between the purchaser and provider are set out in agreements. For 1997–98, the first year of operation, Service Arrangements for DEETYA and a Strategic Partnership Agreement for DSS were developed. Differences between DSS and DEETYA in 1997–98 were influenced by their operating environments and the extent of service provision for each agency by Centrelink. A second set of arrangements, that is, the Service Arrangement (DEETYA) and the Business Partnership Agreement (DSS), were established for 1998–99. The agreements contain, among other things, the performance information by which the provider’s service delivery performance can be assessed, as well as information needed by the respective purchasers to assess the overall performance of their particular programs. Clear specification of, and agreement about, performance information and appropriate monitoring are particularly important in a purchaser/provider environment, where the customer is at arms-length to the purchaser.

7. Due to the changes in arrangements referred to above, a copy of the draft report was sent to the Secretaries of the three agencies for comment. The findings provide a sound basis for establishing and amending agreements between FaCS, DETYA and DEWRSB and Centrelink for the delivery of services under the new administrative arrangements. As well, the findings are relevant to other agencies who negotiate with Centrelink to deliver services.

Audit objective and criteria

8. The objective of the audit was to establish whether the performance assessment framework specified in the agreements enabled the adequate assessment of achievements under purchaser/provider arrangements entered into by DSS, DEETYA, and Centrelink.

9. The audit focused on the monitoring and reporting of performance in 1997–98; the process of developing the 1998–99 agreements; the performance information contained in the agreements for 1998–99, including the accuracy and reliability of the data used to measure performance; the requirement to achieve value for money; and the cost of providing identified performance information. As well, the ANAO sought to establish progress made by agencies in preparing for the implementation of the accrual budgeting framework, from 1 July 1999, particularly in relation to the definition and costing of outputs and outcomes.

10. In establishing key criteria against which to review the service level agreements between DSS/DEETYA and Centrelink, the ANAO developed a framework covering the issues outlined in paragraph 9. More detailed criteria which the ANAO used to determine whether the performance

assessment frameworks in the DEETYA/Centrelink and DSS/Centrelink agreements were robust, are set out in each of the following chapters.

11. The audit was undertaken at the time that the departments and Centrelink were negotiating the agreements for 1998–99. This allowed the ANAO the opportunity to provide feedback during the audit fieldwork on the performance assessment framework proposed for the new agreements.

Audit conclusion

DSS agreement 1997–98

12. The ANAO concluded that the 1997–98 agreement between DSS and Centrelink contained many of the expected elements of a robust performance assessment framework. High level consultation had occurred through the Relationship Committee. As well, mechanisms to help ensure data accuracy and reliability were in place.

13. At the operational/program level, the ANAO was unable to confirm that timely and systematic monitoring of performance under the agreement had occurred due to a lack of formal documentation of such monitoring. As well, while the requirement for quarterly reports was specified in the 1997–98 agreement, the reports contained little analysis of significant performance variations so that when the data provided were examined, the reason for under/over-performance was not given. This made it difficult for the responsible party to take relevant action to address any performance problems.

14. As part of a robust framework, it is important to analyse performance reports and maintain appropriate records of performance monitoring and decision-making in line with sound corporate governance practices for internal and external assurance.

15. Quarterly reports which provide information on agency performance also need to be provided in a timely way to allow appropriate action to address any problems to be undertaken as soon as possible. While the 1997–98 agreement did not contain a reporting timetable, the March quarterly report was not delivered until June 1998, a significant period after the quarter to which the report referred.

16. DSS moved quickly to address these matters and strengthened the monitoring arrangements in the 1998–99 business partnership agreement (BPA). That is, formal consultation arrangements at the operational level (Business Partnership Committee), including individual programs, have been established and the analysis required to be included in the regular reports has been specified clearly. As well, the 1998–99 BPA contains a timetable of deadlines and reports produced so far have been within the

timeframes set. If the new arrangements operate effectively in practice, they will provide the monitoring mechanisms necessary for the required assurance.

DEETYA agreement 1997–98

17. The ANAO concluded that the performance assessment framework in the 1997–98 agreement between DEETYA and Centrelink had enabled the adequate assessment of achievements in that year. The framework included mechanisms to help ensure data accuracy and reliability. As well, it contained requirements for:

- formal consultation or monitoring arrangements at various levels; and
- regular and timely reporting supported by appropriate analysis.

18. These arrangements have been carried through to the 1998–99 agreement between DEETYA and Centrelink.

The 1998–99 agreements for DSS and DEETYA

19. In developing the 1998–99 agreements, all parties, that is DSS, DEETYA and Centrelink, had taken account of the lessons learned from the operation of the arrangements in the first year. The performance assessment framework in both agency agreements contains agreement objectives which are linked to overall program objectives. In turn, services to be delivered and performance indicators are directly linked to agreement objectives. This will assist in assuring that both the purchaser and provider can measure and assess the provider's achievements.

20. As well, DSS and Centrelink's agreement differentiates between services that are to be provided to the client (purchaser) and those that are to be provided to the customer (citizen).³ This should assist both parties to understand clearly the key indicators that relate to provider performance.

21. In developing the performance assessment framework, the agencies had addressed relevant recommendations from previous ANAO reports.

22. However, when agreements are next reviewed, agencies have further scope to improve performance information by:

- clarifying terminology used in the description of performance indicators, such as 'timely', to ensure indicators are measurable, or at least able to be understood and assessed including in a qualitative manner;

³ This terminology is used to describe Centrelink's clients by the agency itself. The use of the term customer is probably more apt in relation to the purchasers of Centrelink's services, that is, DSS and DEETYA. This comment is not simply an issue about terminology per se but more about what the term conveys and the attitudes and actions of the parties concerned.

- including standards or targets in indicators, where useful (for example, setting a target for 'low proportions', such as five percent) to help the parties to judge whether performance has been satisfactory; and
- developing key performance indicators for all services to be delivered under the agreements, including for corporate services.

23. While agencies have information on service quality, they are currently in the process of developing efficiency indicators. Taken together, these measures will enable an assessment of whether the provider has delivered real value for money.

24. DSS, DEETYA and Centrelink have made satisfactory progress in preparing for the implementation of the accrual budgeting framework. However, it is also important that purchasers have a clear understanding of the costs associated with providing performance information. While agencies did not have the appropriate data on which to judge whether performance information was being collected cost effectively, they had commenced reviews which would increase their understanding of these costs.

FaCS response

25. The department acknowledges that the conduct of this audit assisted it in the development of the 1998–99 Business Partnership Agreement.

DETYA response

26. The Department is pleased to note the audit's major findings that these agreements have enabled the two agencies to adequately assess achievements, through appropriate joint consultative and monitoring processes, and mechanisms to help ensure data accuracy and reliability. The recent changes to administrative arrangements and portfolio responsibilities introduced by the Government will provide an opportunity to review the agreement between Centrelink and this Department.

DEWRSB response

27. The Department now has responsibility for a range of employment services and labour market programs previously administered by the Department of Employment, Education, Training and Youth Affairs. The Department notes the major findings that the agreements between DEETYA and Centrelink have provided a sound basis for assessing achievements between those two agencies. The Department believes that the current agreement will provide a valuable starting point for the development of an agreement between DEWRSB and Centrelink.

Centrelink response

28. Centrelink agrees with the overall thrust of the discussion.

Key Findings

DSS/Centrelink

The operation of the 1997–98 Strategic Partnership Agreement (SPA) between DSS and Centrelink

29. DSS and Centrelink established the consultation mechanisms required by the SPA. However, some problems with effective monitoring were identified, including a lack of formal and systematic consultation or monitoring mechanisms at the operational/program level.

30. Centrelink provided quarterly reports as required under the 1997–98 SPA. While the content of these reports was considered by DSS to be generally satisfactory, the reports were not as useful to their intended audience as they could have been because they contained limited analysis to explain significant performance variations. Quarterly reports which provide information on agency performance need to be provided in a timely way to allow appropriate action to address any problems to be undertaken as soon as possible. While the 1997–98 agreement did not contain a reporting timetable, the March quarterly report was not delivered until June 1998, a significant period after the quarter to which the report referred.

31. The ANAO recognises that these issues have been addressed in the new agreement by establishing a Business Partnership Committee, as well as requiring DSS program areas and their Centrelink counterparts to implement individual consultation arrangements, to provide formal mechanisms for operational consultation. As well, the 1998–99 agreement contains a timetable of deadlines and reports produced which, at the date of the preparation of this report, have been made within the timeframes set.

32. The ANAO's preliminary examination of the current system used to measure and enhance data accuracy and reliability indicates that it provides an adequate mechanism to ensure data accuracy and reliability. However, the ANAO did not undertake detailed testing at this time as Centrelink advised that it would be undertaking an internal audit of the system, scheduled to commence late in 1998. The ANAO will examine the findings of the internal audit before deciding whether to undertake further audit work. This work would include compliance testing of data accuracy and an examination of how the results of accuracy testing and internal audits are used to improve procedures, guidelines, form design, training for staff and in the development of policy (if necessary).

Processes for the development of the 1998–99 Business Partnership Agreement (BPA) between DSS and Centrelink

33. The ANAO considers that issues covered by DSS and Centrelink’s project plan to guide the negotiation process and the conduct of a review of the previous year’s agreement indicate that the experience of operating under the 1997–98 SPA informed the development of the 1998–99 BPA.

34. However, particular problems were identified, including requests by some program areas within DSS for large amounts of performance information in early drafts of agreements which did not distinguish between those performance indicators needed to evaluate Centrelink’s performance in delivering services to the customers and the information needed to assist in evaluating DSS programs as a whole.

35. DSS and Centrelink recognise that lessons learned from the 1998–99 negotiation process need to be taken into account by both agencies in the renegotiation of any part of this agreement or the development of the agreement in subsequent years. In particular, there is a need to ensure that all parties in the negotiation process have a common understanding of what is to be achieved and the different roles played by the purchaser and the provider. The ANAO acknowledges that DSS has already begun this process through holding a two day workshop to review the better practices and problems that arose from the 1998–99 agreement process.

36. The ANAO also considers that the BPA contains appropriate arrangements to develop and/or further refine the performance information contained in the agreements thereby assisting the effective assessment of provider performance.

The 1998–99 BPA between DSS and Centrelink

37. The BPA, particularly the payment business agreements, satisfactorily reflect the principles identified by the ANAO and discussed with DSS and Centrelink during the development of the BPA. These principles include the necessary links between objectives, services to be delivered and performance indicators as well as the other related issues discussed below.

38. The majority of performance indicators in the BPA are measurable, or at least able to be assessed, and include standards or targets. However, the following improvements would enhance the performance information when these agreements are next reviewed:

- clarifying terminology used in the description of performance indicators, such as ‘timely’, to ensure indicators are measurable, or at least able to be understood and assessed, including in a qualitative manner;

- including standards or targets in indicators, where useful (for example, setting a target for 'low proportions', such as five percent) to help the parties to judge whether performance has been satisfactory; and
- developing key performance indicators for all services to be delivered under the agreements, including for corporate services (as there were gaps in this area).

39. The ANAO considers that preparations for the implementation of the accrual budgeting framework are progressing satisfactorily. It is also important that purchasers have a clear understanding that the provider supplies the appropriate information to monitor performance in a cost-effective manner. While agencies currently did not have the appropriate data on which to judge whether performance information was being collected cost effectively, they had commenced reviews which would increase their understanding of these costs.

40. While DSS and Centrelink have information on service quality, they are currently in the process of developing efficiency indicators. Taken together, these measures will enable an assessment of whether the provider has delivered real value for money.

41. Some performance indicators have not yet been developed but timeframes have been set down for their development. DSS and Centrelink have drafted a single project plan that outlines clearly the framework for achieving each of these tasks.

42. As well, DSS and Centrelink have adequately addressed relevant recommendations from previous ANAO reports.

DEETYA/Centrelink

The operation of the 1997–98 Service Arrangement (1997–98 arrangement) between DEETYA and Centrelink

43. DEETYA and Centrelink have established the consultation or monitoring mechanisms required by the 1997–98 arrangement. An approach was adopted involving regular meetings and forums at different organisational levels in which problems/issues could be raised and addressed. This approach had worked well and was carried forward to the 1998–99 arrangement as key DEETYA staff reported that it provided the most appropriate set of mechanisms for monitoring, given the nature of their business.

44. As well, quarterly payments to Centrelink were contingent on satisfactory performance, as assessed through monitoring. DEETYA and Centrelink developed the necessary reports and information to enable the

effective monitoring of performance as required under the 1997–98 arrangement. The ANAO considers the reporting framework was robust and reports were provided in a timely manner and contained appropriate analysis.

45. The ANAO found that there were mechanisms in place to help ensure data accuracy and reliability for the key performance indicators in the 1997–98 arrangement including work by DEETYA’s systems administration area and an internal audit, which was proposed to commence late in 1998. The ANAO will examine the findings of the audit before deciding whether to undertake further audit work. This work would include compliance testing of data accuracy and an examination of how the results of accuracy testing and internal audits are used to improve procedures, guidelines, form design, training for staff and in the development of policy (if necessary).

Processes for the development of the 1998–99 arrangement between DEETYA and Centrelink

46. The issues covered by progress reports, minutes of meetings, working groups and forums, changes to the arrangement during 1997–98 and the conduct of a review on the 1997–98 arrangement demonstrate that the experience of operating under the 1997–98 arrangement has informed the development of the 1998–99 arrangement.

47. The 1998–99 arrangement also contains appropriate mechanisms to develop and/or further refine the performance information contained in the arrangement.

The 1998–99 Service Arrangement between DEETYA and Centrelink

48. The broad objective in the 1998–99 arrangement is linked to DEETYA’s Portfolio Budget Statements’ program objectives. The lower level objectives in the arrangement are linked to this broad objective and the services to be delivered under this are linked to the component objectives. As well, the performance indicators in the 1998–99 arrangement are linked directly to the services to be delivered by the provider.

49. The majority of indicators are measurable, or at least able to be assessed, and contain standards or targets. However, the ANAO considers that the following improvements would enhance the performance information when the arrangement is next reviewed:

- clarifying terminology used in the description of performance indicators, such as ‘completeness’, to ensure indicators are measurable, or at least able to be understood and assessed, including in a qualitative manner;

- setting standards or targets, where useful, to help the parties to judge whether performance has been satisfactory (for example, the term 'proportion' needs to be clarified by setting a target, such as 75 percent); and
- setting key performance indicators for the service areas that do not currently have indicators.

50. The comments, in paragraphs 39-40, in relation to the development of efficiency indicators by DSS/Centrelink, the new accrual budgeting framework and the cost of performance information are also relevant to DEETYA.

51. As well, DEETYA and Centrelink have adequately addressed relevant recommendations from previous ANAO reports.

Recommendation

The ANAO *recommends* that DSS, DEETYA and Centrelink take the following improvements into consideration when they next review their agreements' performance assessment frameworks:

- clarifying terminology used in the description of performance indicators, where necessary, to ensure that indicators are measurable, or at least able to be understood and assessed, including in a qualitative manner;
- setting targets or standards for performance indicators, where useful, (for example, setting a target for 'low proportions', such as five percent) to help the parties to judge whether performance has been satisfactory; and
- setting key performance indicators for all services to be delivered under the agreements that require them, particularly those services of a corporate nature.

Agreed: FaCS, DETYA, DEWRSB and Centrelink.

Audit Findings and Conclusions

1. Background

This chapter provides the background to the audit, including a description of the arrangements between DSS, DEETYA and Centrelink, and sets out the objective, scope, focus, methodology and criteria. It also explains the importance of performance information in a purchaser/provider environment.

Introduction

1.1 Centrelink was established as the Commonwealth Services Delivery Agency, an independent statutory authority, in the Social Security Portfolio on 1 July 1997. Centrelink provides a range of services on behalf of a number of other agencies. Three agencies for which it currently delivers services are the Department of Family and Community Service (FaCS), the Department of Education, Training and Youth Affairs (DETYA) and the Department of Employment, Workplace Relations and Small Business (DEWRSB).

1.2 During the reporting phase of the audit, administrative arrangements for the departments being audited were made⁴, as follows:

- FaCS was established and included all the functions undertaken by the Department of Social Security (DSS) together with additional functions from other agencies;
- the employment function was transferred from DEETYA to DEWRSB; and
- the Department of Employment, Education, Training and Youth Affairs (DEETYA) became DETYA.

1.3 The report continues to refer to the parties to the agreements with Centrelink at the time of the audit fieldwork, that is DSS and DEETYA.

1.4 However, the findings of the audit are relevant to FaCS, DEWRSB and DETYA who have taken on the relevant administrative arrangements of DSS and DEETYA respectively. These findings provide a sound basis for establishing or amending their agreements with Centrelink under the new administrative arrangements. As well, the findings are relevant to other agencies who negotiate with Centrelink to deliver services.

1.5 Under the previous arrangements, Centrelink delivered all program payments on behalf of DSS, but only delivered components of some of DEETYA programs. Centrelink received an allocation of \$1.4 billion for

⁴ Under the Administrative Arrangements Order of 21 October 1998.

1998–99 to provide services for DSS and \$135 million to provide services for DEETYA. The total program payments administered on behalf of DSS by Centrelink for 1998–99 were \$42.4 billion. At 30 June 1998, Centrelink had employed 25 336 staff.⁵

1.6 The arrangements between the purchaser and provider are set out in agreements. For 1997–98, the first year of operation, Service Arrangements for DEETYA and a Strategic Partnership Agreement for DSS were developed. Differences between DSS and DEETYA in 1997–98 were influenced by their operating environments and the extent of service provision for each agency by Centrelink. A second set of arrangements, that is, the Service Arrangement (DEETYA) and the Business Partnership Agreement (DSS), were established for 1998–99. The agreements contain, among other things, the performance information by which the provider’s service delivery performance can be assessed, as well as information needed by the respective purchasers to assess the overall performance of their particular programs. Clear specification of, and agreement about, performance information and appropriate monitoring are particularly important in a purchaser/provider environment, where the customer is at arms-length to the purchaser.

1.7 Due to the changes in arrangements referred to above, a copy of the draft report was sent to the Secretaries of the three agencies for comment. The findings will be relevant when FaCS, DETYA and DEWRSB negotiate new agreements with Centrelink for the delivery of services for which they are now responsible.

Audit objective, focus and scope

1.8 The objective of the audit was to establish whether the performance assessment framework specified in the agreements enabled the adequate assessment of achievements under purchaser/provider arrangements entered into by DEETYA, DSS and Centrelink.

1.9 The audit focused on the monitoring and reporting of performance in 1997–98; the process of developing the 1998–99 agreements; the performance information contained in the agreements for 1998–99, including the accuracy and reliability of the data used to measure performance; the requirement to achieve value for money; and the cost of providing identified performance information. As well, the ANAO sought to establish progress made by agencies in preparing for the implementation of the accrual budgeting framework, from 1 July 1999, particularly in relation to the definition and costing of outputs and outcomes.

⁵ Includes inoperative, part time and temporary staff. Source: Centrelink *Annual Report* 1997-98.

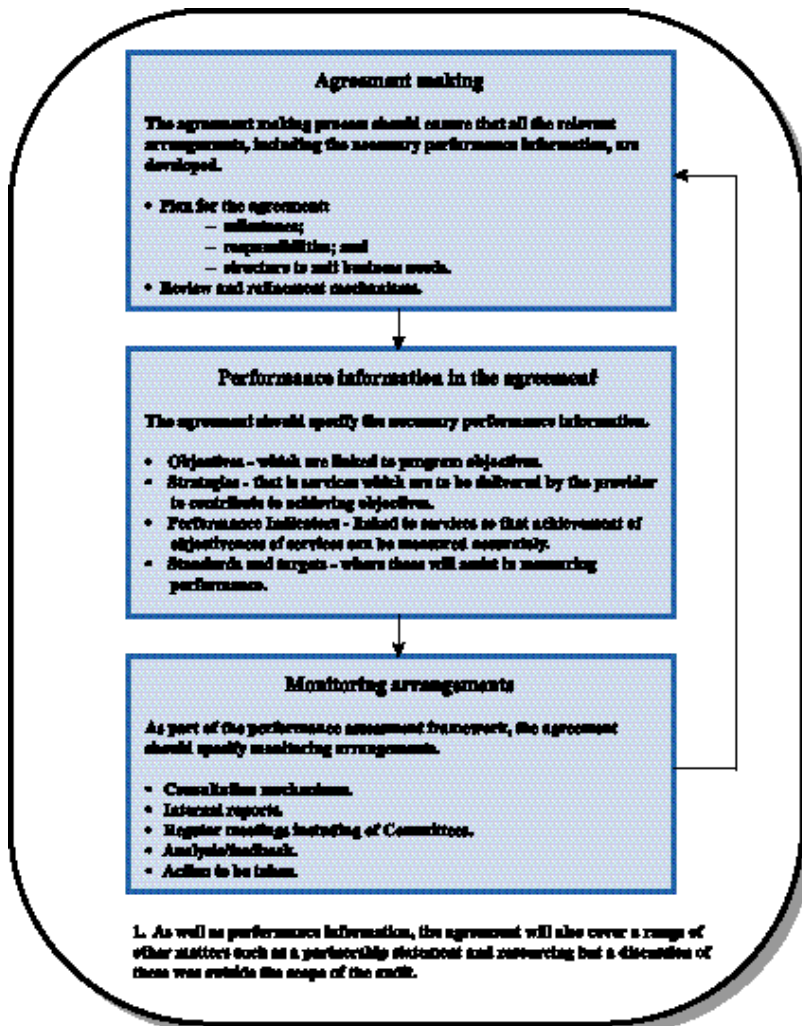
1.10 The audit was undertaken at the time that the departments and Centrelink were negotiating the agreements for 1998–99. This allowed the ANAO the opportunity to provide feedback during the audit fieldwork on the performance assessment framework proposed for the new agreements.

Audit criteria

1.11 In establishing key criteria against which to review the service level agreements between DSS/DEETYA and Centrelink, the ANAO developed the framework set out in Figure 1. More detailed discussion of the elements that you would expect to find in the agreements are set out in paragraphs 1.14 to 1.24. As well, key criteria are outlined at the beginning of each of the following chapters or the relevant section in this report.

Figure 1

Performance information in service level agreements



Audit methodology

1.12 The audit fieldwork was undertaken between June and August 1998 at the national offices of DSS, DEETYA and Centrelink. As well as reviewing a wide range of documents, the ANAO undertook interviews with key staff in the three agencies.

1.13 The audit was conducted in conformance with ANAO auditing standards at a cost of \$275 000.

Purchaser/provider arrangements

1.14 The Australian Public Service (APS) uses a range of service delivery options, including that of third party providers to deliver services directly to the public. These purchaser/provider arrangements are the basis for most contractual and commercial arrangements and can be expected to provide:

- increased flexibility in service delivery;
- a focus on outcomes rather than outputs;
- a focus on high priorities;
- encouragement to seek innovative solutions; and
- cost savings.

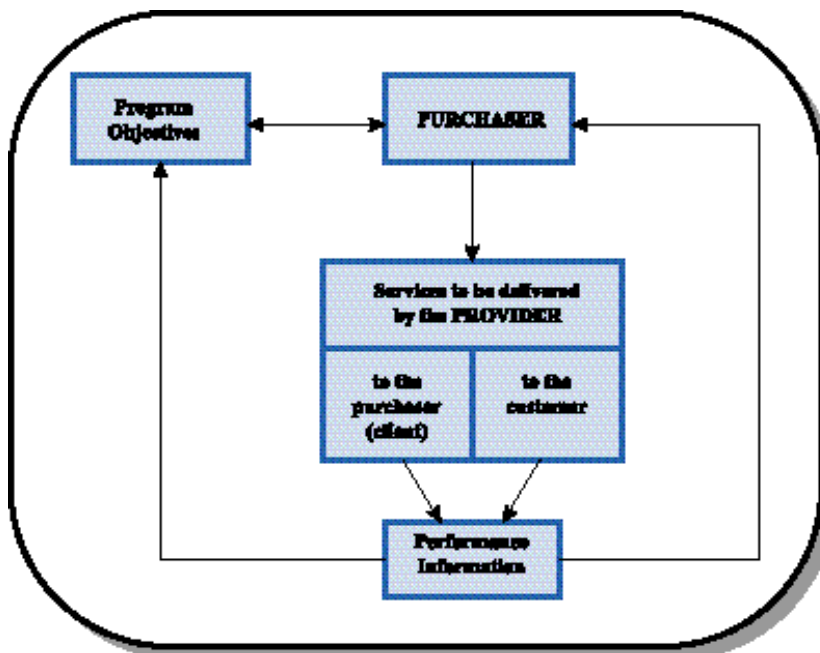
1.15 For purchaser/provider arrangements to be effective they must be well managed. The basis for sound management is the agreement or contract developed to guide the relationship between the parties, to define the services to be delivered and to specify the means by which success will be measured. It is therefore fundamental to good management that the contract or agreement sets out appropriate performance information which is well understood by both parties.

Performance information

1.16 Performance information assists agencies and stakeholders by informing their decisions. It also facilitates assessments of performance and in this way, enhances accountability. Clear specification of performance information and appropriate monitoring is particularly important in a purchaser/provider environment, where the customer is at arms-length to the purchaser. Figure 2 shows the links that should exist between performance information and the different services to be delivered by the provider to both the purchaser and to the customer.

Figure 2

Links between services to be delivered by the provider and performance information



1.17 Figure 1 sets out the framework used to review the performance information. The discussion below provides more detail on the key characteristics of sound performance information⁶, which are:

- objectives should be concise, realistic, outcome-focused statements of what the program is intended to achieve;
- strategies should articulate the means by which objectives will be achieved; and
- performance indicators should be measures of the extent to which the strategies are achieving the program objectives and can be either quantitative and qualitative. As well, indicators need to be measurable to the greatest extent possible and should have associated standards or targets where this will assist the assessment of performance. A balance of measures, that is a mix of input, process, output, client service and outcome measures, is important also to provide a range of perspectives on program performance.

⁶ For more information, see *Better Practice Guide on Performance Information Principles*, ANAO and Department of Finance and Administration, November 1996.

1.18 The performance assessment framework should include indicators of efficiency so that the purchaser can determine whether the provider has delivered value for money. Efficiency indicators would also allow the provider to test whether its services are competitive.

1.19 While it is necessary to have a balance of measures to allow performance assessment, it is important that the number of indicators, especially key performance indicators, is carefully considered. The collection and analysis of performance indicators can be a costly exercise so agencies need to be clear about what the particular indicator will measure and how the information will be used to assess and improve performance so that maximum benefit is gained. Agencies therefore need to consider both the cost of current performance information and the cost of any changes, such as new indicators.

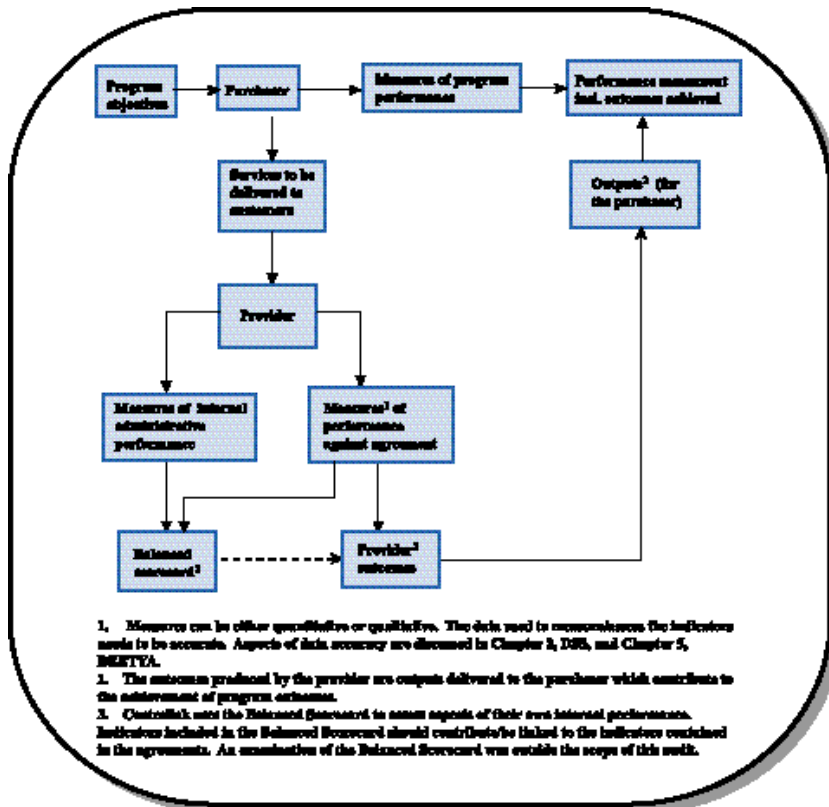
1.20 In purchaser/provider arrangements there may be a different emphasis on some areas of performance information. For example, given the agreements focus on the services to be delivered, the performance indicators specified may focus more heavily on processes than outcomes. However, agencies need to ensure that the processes being assessed are contributing to both outputs and outcomes. In the case of the provider the delivery of the services in an accurate, timely way and to a quality standard are likely to be their outcomes. As well, the provider's outcomes are likely to be (should be) the outputs which contribute to the achievement of the purchaser's outcomes. Figure 3 illustrates this relationship in the DSS/Centrelink context.

1.21 The implementation of the accrual budgeting framework will have a direct impact on performance information. Accrual budgeting is aimed at bringing about better performance management and performance improvement.⁷ It is not only about a change in how performance is measured, that is, from cash based controls to accrual budgeting, reporting and accounting but also about what is measured. This means a change in emphasis from monitoring inputs and tracking outcomes to a focus on the outputs required to achieve desired outcomes. Such outputs are to be defined in terms of their key attributes, such as cost, quantity and timeliness. While the APS now has significant experience in developing performance information, this framework requires a more explicit focus on the assessment of links between what is being achieved (outcomes) with what is being produced (outputs).

⁷ *Implementing the Commonwealth's Accrual-based Outcomes and Outputs Framework. Specification of Outcomes and Outputs—Working Draft.* Department of Finance and Administration, 1998.

Figure 3

The relationship between outputs/outcomes in the DSS/Centrelink purchaser/provider arrangement



1.22 In a purchaser/provider arrangement, outputs and outcomes of the parties to the arrangement are inextricably linked. It is therefore important that the agencies involved work together to ensure appropriate and consistent definitions of outputs and outcomes and sound costing methodologies to support them. In developing such measures, agencies should not lose sight of the fact that accrual budgeting also operates within an overall performance framework which needs to include qualitative assessments of outcomes achieved.

1.23 In examining the performance information contained in the 1998–99 agreements, these different issues have been considered. The ANAO also examined whether monitoring as required by the 1997–98 agreements was undertaken effectively. Without assessing actual performance using the indicators contained in the agreement, there is little value in identifying and collecting performance information.

1.24 Such monitoring can be undertaken, for example, through using internal reports or conduct of regular meetings. But without regular monitoring, the purchaser and the provider will not have the necessary assurance that the arrangement is working effectively and government policy objectives are being met. As well, if monitoring is not undertaken appropriately neither the purchaser nor the provider will be able to give assurances to the Parliament or the public that the arrangement is meeting the needs of customers and achieving the relevant program objectives.

Previous reviews

1.25 There have been a number of reviews which have relevance to this audit, as follows:

- Audit Report No. 18 1997–98, *Management of the Implementation of the Commonwealth Services Delivery Arrangements*, Centrelink. This audit made two recommendations which have direct relevance to this audit. Action taken in relation to these recommendations is discussed in Appendix 2; and
- Audit Report No. 11 1997–98, *Austudy*, Department of Employment, Education, Training and Youth Affairs. Among the recommendations made, there were specific references to the need to improve National Client Service Standards. Action taken to address these recommendations is discussed in Appendix 2.

1.26 As well, other reports which have relevance to the development of sound performance information, and which were taken into account by the ANAO during the audit, are as follows:

- Audit Report No. 25 1995–96, *Performance Information*, Department of Employment, Education, Training and Youth Affairs;
- *Better Practice Guide: Performance Information Principles*, November 1996, ANAO and the Department of Finance and Administration; and
- *Implementing the Commonwealth's Accrual-based Outcomes and Outputs Framework. Specification of Outcomes and Outputs—Working Draft*. Department of Finance and Administration, 1998.

The report

1.27 The report discusses findings in relation to DSS/Centrelink in Chapters 2 to 4 inclusive. Each of these chapters examines the operation of the 1997–98 agreement, the development of the 1998–99 agreement and the performance assessment framework in the 1998–99 agreement, respectively. Chapter 4 also discusses the preparation for the new accrual budgeting framework.

1.28 Chapters 5, 6 and 7 relate to the agreements between DEETYA and Centrelink and cover the same matters listed above for DSS/Centrelink.

1.29 Chapter 8 provides an overall assessment of both agencies' agreements in relation to the framework outlined in Figure 1 and identifies better practices and lessons learned.

2. The operation of the 1997–98 Strategic Partnership Agreement between DSS and Centrelink

This chapter examines the mechanisms put in place by DSS and Centrelink to monitor performance against the 1997–98 Strategic Partnership Agreement. The ANAO concluded that these mechanisms operated effectively at the strategic level but some problems occurred at operational/program level. There is also a discussion of the primary mechanism used to ensure accuracy and reliability of the 1997–98 performance information.

Introduction

2.1 For 1997–98, a Strategic Partnership Agreement (SPA) was established to set out the arrangements between the purchaser, DSS, and the provider, Centrelink. Figure 4 shows the broad structure of the SPA.

Figure 4

The DSS/Centrelink 1997–98 Strategic Partnership Agreement



2.2 The SPA included a performance assessment framework and comments on this were provided in Audit Report No. 18 of 1997–98, *Management of the Implementation of the Commonwealth Services Delivery Arrangements*. As well as containing performance information in relation to the delivery of individual services by the provider, the SPA also contained a number of generic indicators. Generic indicators were those which are applied to all DSS programs and included timeliness, accuracy and customer satisfaction. In addition, the SPA specified the arrangements by which DSS and Centrelink were to monitor regularly their progress against the performance indicators.

2.3 The ANAO sought to establish whether DSS and Centrelink had implemented effective monitoring arrangements in line with the 1997–98 SPA, including:

- the establishment of the consultation mechanisms specified in the SPA;
- the provision of the reports specified in the SPA in a timely fashion and to a satisfactory quality; and
- the mechanisms agencies had in place to ensure the accuracy and reliability of data available to measure performance indicators. As noted in paragraph 2.26, the purpose of this examination was to form an opinion whether to proceed with compliance testing of accuracy as part of the audit.

Monitoring against the 1997–98 SPA

2.4 Figure 5 shows the various monitoring requirements that were outlined in the SPA. A discussion of the operation of each of these mechanisms is contained in the following paragraphs.

1997–98 consultation or monitoring arrangements

High level agency consultation

2.5 DSS and Centrelink jointly established the DSS/Centrelink Relationship Committee⁸ (the Relationship Committee) in line with the requirements of the 1997–98 SPA. The Relationship Committee was not program specific, that is, it focused on monitoring against the generic indicators included in the 1997–98 SPA (through the quarterly performance reports) as well as examining the DSS/Centrelink relationship generally.

2.6 The Relationship Committee met initially on a fortnightly basis and then less frequently (every two months). The Secretariat to the Relationship Committee produced (and regularly updated) a document that contained

⁸ The meetings were chaired jointly by the Deputy Secretary from DSS and the Deputy Chief Officer of Centrelink.

Figure 5

Monitoring arrangements required under the 1997–98 SPA

Monitoring mechanisms outlined in SPA	Timing
<i>Consultation mechanisms</i>	
<ul style="list-style-type: none"> • DSS and Centrelink to establish a high level coordination and consultation or monitoring committee, known as the DSS/Centrelink Relationship Committee. • Each of the parties also agree to consult regularly with the other on operational issues and establish appropriate consultation or monitoring mechanisms (standing committees, working parties) as may be required ... • As a general rule, there will be a Program Management Committee (for each program) comprising the Program Manager, the Customer Segment Leader, HAPM⁹ representatives, and other Agency and Departmental staff as required. This committee will meet at least quarterly, and more frequently if circumstances require. 	<p>By 1 July 1997</p> <p>As required</p> <p>Ongoing (at least quarterly)</p>
<i>Reporting mechanisms</i>	
<ul style="list-style-type: none"> • Develop a quarterly performance report covering performance measures: timeliness, accuracy, and customer satisfaction plus those listed in the Compliance and Recovery Protocol. • CSDA to work with DSS to further develop above report to also include program-specific performance measures. 	<p>By December 1997 (then quarterly)</p> <p>By 30 June 1998</p>

a summary of action proposed, the officer responsible for the action, progress to date and the date the action had been completed.

Operational consultation

2.7 Consultation or monitoring at the operational level were not formalised during 1997–98 under the SPA. Because membership of the Relationship Committee was at the senior executive level, it had limited consideration of operational issues. The sensitivity of the issues discussed meant that there had not been wide communication of its deliberations. For this reason, DSS staff, predominantly at the program manager and director levels, indicated to the ANAO that many believed the monitoring against the 1997–98 SPA was not completely satisfactory.

2.8 However, a new committee has now been created to formalise operational monitoring against the new agreement for 1998–99. This is the Business Partnership Committee (BPC) which meets every two months, in a month when the Relationship Committee is not meeting. Where the BPC is not able to resolve an issue, it is to be referred to the Relationship Committee. The ANAO considers that the arrangements for the BPC and

⁹ Host Area Partnership Model—an information technology arrangement which partners each Area Office as a host with a selection of specific programs, corporate systems and applications.

discussions surrounding analysis of performance against the new agreement at its first meeting demonstrate that DSS and Centrelink have now established the basis of a sound monitoring arrangement.

2.9 As well as these arrangements, DSS has developed a Governance and Purchaser/Provider Section¹⁰ database which assigns all tasks in the new agreement to a manager and includes provision for the project's start date, end date and comments on progress. This should help to ensure that all tasks required by the new agreement are undertaken within the designated timeframes and assist with effective monitoring.

2.10 DSS and Centrelink advised that, under the 1997–98 SPA, meetings between program areas and customer segment teams were held as needed, although some area/segments had regular meetings. A summary of the advice relating to program level monitoring arrangements is provided at Appendix 1. However, the ANAO was unable to confirm the existence of timely and systematic monitoring, including regular meetings, analysis and feedback, at this level as there was little documentation to indicate this had occurred. This issue relates to the need to maintain appropriate records, regarding the basis for decision making, in line with sound corporate governance practices. Formal mechanisms are an important element in ensuring effective monitoring of the service level agreement and accountability for the achievement of program outcomes.

2.11 Under the new agreement, liaison and consultation arrangements at the individual program/segment level are specified for all the individual programs. DSS advised that most DSS programs/Centrelink customer segment teams now have these arrangements in place. The 1998–99 monitoring arrangements should operate effectively in practice provided that each area conducts appropriate analysis of performance information which is then used by the relevant parties to inform decision making and refine training, procedures or policy, where necessary.

Monitoring the implementation of a new program initiative

2.12 Individual program level consultation or monitoring are particularly important where the program/segment is responsible for introducing a new payment. For example, the Youth and Student program/segment had responsibility for the implementation of the Youth Allowance (YA—an amalgamation of two pre-existing programs: Austudy and Newstart) on 1 July 1998. In order to manage this, the Youth areas from DSS and Centrelink arranged, under the new agreement, to meet weekly during the implementation of the YA until this was no longer considered necessary by both parties.

¹⁰ Part of the Executive Support Branch in DSS.

2.13 As well, the new agreement makes provision for relevant senior staff to meet monthly to focus on specific performance issues related to provision of youth services generally, and in particular, the YA. This information is fed into a Program Management Group (Assistant Secretary, Youth and Student Branch, DSS and Youth and Students Customer Segment Team Leader, Centrelink) which meets bi-monthly. The Program Management Group reviews Centrelink's performance reports, program management reports, key performance indicators and each organisation's obligations under the new agreement.

1997–98 reporting arrangements

2.14 As required under the 1997–98 SPA, Centrelink developed a quarterly performance report for DSS (titled 'DSS Performance Report'). The report was compiled by the Centrelink Knowledge Theme Team which produced four reports¹¹ during the life of the SPA. These reports provided data on Centrelink's performance in relation to timeliness¹², accuracy, customer satisfaction and compliance¹³.

2.15 The ANAO's discussions with DSS staff indicated that they felt the content of the reports was generally satisfactory. However, there were aspects of the performance reports with which there was a level of dissatisfaction in that the reports were not as useful to program areas as they could have been because they did not contain sufficient analysis of significant performance variations. This was because the Knowledge Theme Team assembled the reports, not the Customer Segments, the latter having the necessary detailed program knowledge. The reports therefore contained limited analysis. A minute sent by DSS to Centrelink stated:

The report will be of diminished value unless Customer Segment Leaders have an opportunity to comment on individual items of performance data and the program outlook. This should ideally include an explanation of events which cause either abnormalities or new trends in the data; and

2.16 Quarterly reports which provide information on agency performance need to be provided in a timely way to allow appropriate action to address any problems to be undertaken as soon as possible. While the 1997–98 agreement did not contain a reporting timetable, the March quarterly report was not delivered until June 1998, a significant period

¹¹ September 1997, December 1997, March 1998 and June 1998

¹² The data was provided for all programs except Program 5 (Rent Assistance), because this was not a separately identifiable payment (Rent Assistance is a supplementary payment that is linked to primary payments such as Youth Allowance).

¹³ The June 1998 DSS report was modified to include performance information relating to processing of Ministerials.

after the quarter to which the report referred. The 1998–99 agreement does contain a timetable of deadlines and reports produced so far have been made within the timeframes set.

2.17 As well, where a major problem with one of the data-sets, timeliness information, was identified by DSS in the first quarterly report in September 1997, the problem was not formally explained by Centrelink until June 1998. The ANAO found that the anomaly with this data set was corrected in the March 1998 report.

2.18 The above issues were raised at the Relationship Committee during the life of the 1997–98 SPA and have been addressed in the new agreement as well as in the first 1998–99 report, as follows:

- performance reports are to be provided every two months and the details relating to the content, structure and timing of these bi-monthly reports have been specified clearly under the new agreement. The report is to include an Executive Summary and explanations for any above or below standard performance with proposed action to correct below standard performance; and
- a standing item of the BPC’s agenda (under the 1997–98 SPA, this had been the responsibility of the Relationship Committee) is the bi-monthly report. The first meeting of the BPC agreed that the report was to be distributed to committee members one week prior to the meeting.

Statutory reporting requirements

2.19 The ANAO found that both the 1997–98 SPA and the new agreement contain appropriate clauses relating the provision of information for statutory reporting requirements. Both agreements specify that Centrelink will provide to DSS data in relation to Centrelink’s operations which are required for DSS to meet its formal reporting obligations, including material required for inclusion in the Social Security Portfolio Budget Statements, Annual Report and DoFA Estimates Memoranda.

ANAO conclusion

2.20 DSS and Centrelink established the consultation or monitoring mechanisms required by the SPA for monitoring against the 1997–98 SPA. However, although monitoring arrangements were implemented as intended, some problems were identified. Because the Relationship Committee was at a high level, a more operationally focused committee (the BPC) was established under the new agreement. The ANAO considers that the arrangements for the BPC and discussions occurring at its first meeting demonstrate that DSS and Centrelink have now established the basis of a sound monitoring arrangement.

2.21 In addition, the new agreement includes monitoring mechanisms at the individual program level. DSS advised that these have been implemented for each relevant program/customer segment team.

2.22 As well as general program monitoring, the arrangements under the new agreement enable program areas in DSS and segment teams in Centrelink to monitor satisfactorily the introduction of new program payments such as the Youth Allowance.

2.23 Centrelink provided quarterly reports as required under the 1997–98 SPA. While the content of these reports was considered by DSS to be generally satisfactory, the reports were not as useful to their intended audience as they could have been because they contained limited analysis to explain significant performance variations.

2.24 Quarterly reports which provide information on agency performance need to be provided in a timely way to allow appropriate action to address any problems to be undertaken as soon as possible. While the 1997–98 agreement did not contain a reporting timetable, the March quarterly report was not delivered until June 1998, a significant period after the quarter to which the report referred. However, the ANAO recognises that the 1998–99 agreement contains a timetable of deadlines and reports produced which, at the date of the preparation of this report, have been made within the timeframes set.

2.25 In addition, mechanisms have been implemented which enable DSS to obtain the necessary information required to meet its statutory reporting obligations.

Accuracy and reliability of performance information

2.26 In order to be able to undertake effective monitoring, the performance information being used for the assessment should be accurate. If the data used to measure performance indicators are not accurate, there is a significant risk that performance issues will not be identified or addressed appropriately. The ANAO therefore examined the arrangements which were in place to ensure data accuracy and reliability in order to form an opinion as to whether to proceed with detailed testing of accuracy as part of this audit.

2.27 The 1997–98 SPA (and the new agreement), between DSS and Centrelink, contains indicators of timeliness, accuracy and customer service which are applicable to all payments. The ANAO made a preliminary examination of the accuracy issues related to each of these indicators.

2.28 The accuracy indicator is stated as, ‘sampled grants and reassessments will be accurately determined in 95 percent of cases’. The

Procedures and Accuracy Checking (PAC) system measures performance against this indicator. The ANAO had identified some issues with the PAC system, as follows:

- errors can be cleared by the checking officer to ensure payments are made expeditiously. Such errors are classified as either procedural or qualification errors. The latter are those which are likely to lead to an under or over payment; and
- reports from PACSTAT (the system that provides reports on errors detected through PAC) are not user friendly and discussions with staff at National Office, including at senior level, have indicated that the level of use of the reports to improve performance is unknown. Anecdotal evidence would suggest that the reports are not used to improve training, procedures and related requirements. This issue was not within the scope of this audit.

2.29 The ANAO discussed these issues with Centrelink senior management who advised that, in relation to the first point above, those errors which are detected and then cleared by the checking officer are notified through PACSTAT to the assessor to be corrected and are recorded as errors for the purposes of measuring performance against the accuracy indicator. The ANAO considers that this control needs to be tested to ensure that it is operating appropriately. As a result of these discussions, Centrelink's internal audit area planned to undertake an audit of the PAC system which was scheduled to commence in November 1998.

2.30 As well, Centrelink was trialing improvements to PAC at the time of the audit fieldwork and these were expected to be implemented by April 1999.

2.31 In regard to the generic timeliness indicators, there had been concerns expressed by DSS to Centrelink for some unexplained changes which occurred to numbers of claims processed on/by a particular date. As well, there was also a corruption of timeliness data between 8 May and 3 July 1998 which meant that no timeliness data was available for reporting during that period. Both problems were corrected, however, as a result of such problems, Centrelink offered to meet with DSS¹⁴ to discuss future management of the timeliness data issue.

2.32 Information to measure the generic customer service indicator is collected through surveys undertaken by private consultants. The ANAO's discussions with staff in DSS indicate that they are generally satisfied that the current format of the survey provides the information they need.

¹⁴ This meeting had not taken place as at 15 September 1998.

2.33 The ANAO found that the new agreement states that the bi-monthly performance reports, which Centrelink provides to DSS, must contain 'explanations for any above or below standard performance'. As well, it states that:

*For all types of information supplied in each performance report, Centrelink will include a **statement of the confidence** with which those figures are supplied. This will include estimates of error due to wrong data being collected, faults in the reporting mechanism and sampling error, as appropriate. Action to improve confidence will also be reported as well as the timeframe for its completion.*

2.34 In order to be able to provide the statements of confidence with any certainty, Centrelink will need to determine the accuracy and reliability of the data through methods such as PAC and internal audits. The statements are designed to assist the parties establish how much reliance to place upon the performance information. If the statements are not based on an understanding of the accuracy and reliability of the data, they will add little value.

2.35 The performance reports are a standing agenda item for the BPC. This arrangement should assist in identifying any problems with areas such as the performance information or the data used to measure it and developing appropriate solutions within reasonable timeframes.

ANAO conclusion

2.36 The ANAO considers that the current PAC system and its proposed improvements provide an adequate mechanism to ensure data accuracy and reliability for the generic accuracy indicator, pending the testing of improvements. As well, an internal audit to identify whether there are problems was to commence late in 1998. The ANAO will examine these improvements and the findings of the audit before deciding whether to undertake further audit work, including compliance testing of data accuracy.

2.37 Such audit work would also include an examination of how the results of accuracy testing and internal audits are used to improve procedures, guidelines, form design, training for staff and in the development of policy (if necessary).

3. Processes for the development of the 1998–99 Business Partnership Agreement (BPA) between DSS and Centrelink

This chapter examines the processes for the development of the 1998–99 BPA between DSS and Centrelink as well as the responsibilities for further refining performance information under that agreement. The ANAO considers that the development process was generally satisfactory and that the experience of operating under the 1997–98 SPA informed the development of the 1998–99 BPA.

Introduction

3.1 The 1997–98 SPA between DSS and Centrelink was the first such agreement between the two parties and was developed within a tight timeframe. In developing the agreement for future years, agencies needed to have regard to the lessons learned from establishing the first agreement. As well, they needed to consider issues which arose over the life of the first agreement in developing the agreement for 1998–99¹⁵.

3.2 The ANAO therefore sought to establish the processes used to develop the agreement for 1998–99 and whether the lessons learned, referred to above, had been considered. As well, given the importance of being able to assess provider performance effectively, the ANAO examined whether responsibilities for the development and refinement of performance information were clearly specified in the agreement.

3.3 The key stakeholders in the negotiation process and an explanation of the role they played in the development of the 1998–99 Business Partnership Agreement (BPA) are listed in Figure 6.

¹⁵ The 1998–99 agreement between DSS and Centrelink can be divided into three components: the core agreement, protocols and the business agreements. The core agreement runs for three years (1998–2001), whereas the other two components are for one year (1998–99). The ANAO will refer to this structure overall as the 1998–99 agreement.

Figure 6

Key stakeholders in negotiation process

Stakeholder	Role
DSS/Centrelink Relationship Committee	Reference group for the negotiation process, including clearance of project plan (containing negotiation process milestones) and clearance of drafts of agreements.
DSS Board of Management/ Centrelink Board of Management	Strategic oversight of the process (including clearance of drafts of agreements before they went to Relationship Committee). Allocating responsibility for the developing the BPA.
Strategic Partnership Agreement (SPA) Team	Primary responsibility for developing and negotiating the BPA, particularly the core agreement. Consists of staff from DSS and Centrelink, including Centrelink Account Managers ¹⁶ , under direction of two ¹⁷ First Assistant Secretaries.
Centrelink Theme and Customer Segment Teams¹⁸ and DSS Program branches¹⁹	Negotiation of specific business agreements and protocols with their counterparts.

3.4 As well as the above stakeholders, the Strategies Branch in DSS played an important role in the development of the generic performance information in the BPA (discussed in Chapter 4).

Lessons learned

3.5 In preparation for the development of the 1998–99 BPA, a joint review was undertaken by a consultant to examine the working relationship between DSS and Centrelink. The review found, among other things, that the 1997–98 SPA ‘functioned well as a first agreement’ and had ‘done its job in specifying the separate roles of the two organisations’.

3.6 Key improvements, identified by the review to make the BPA more useful, were that there be two documents as follows:

- a generic statement of vision and intent and an overview of the way the relationship works; and

¹⁶ Responsibility for liaison, development and negotiation of the BPA at the operational level.
¹⁷ Executive Director with responsibility for the relationship with Centrelink, DSS, and the General Manager, Business Development Unit, Centrelink.
¹⁸ The Centrelink Customer Segment Teams involved were Retirement, Disability, Rural and Housing, Employment Services, Youth and Students and Families and Children.
¹⁹ The DSS program branches involved were Retirement, Disability and Carer, Labour Market, Youth and Student, Parenting, Families and Children, Housing and Special Payments.

- a second document to provide segment teams and program areas with ‘clear, specific program requirements including a set of carefully developed [with wide consultation] performance indicators based on outcomes’.

3.7 As well as the review highlighting areas that needed improvement, ANAO discussions with DSS and Centrelink staff, regarding the 1997–98 SPA, indicated that the success and shortcomings of the SPA had been acknowledged and were being considered in the development of the 1998–99 BPA.

3.8 DSS also advised that the approach used to develop the business agreements at individual program level reflected the need to increase the sense of ownership by program managers. This sense of ownership had been lacking in the centrally driven model used to develop the 1997–98 SPA (although, in view of the time constraints on the development of the 1997–98 SPA, such an approach had been valid). The parties expected that the increased sense of ownership would contribute to the development of better performance information, improved communication between program and segment teams and better monitoring by the purchaser of the provider’s service delivery performance in relation to individual programs.

3.9 An examination of the contents of the BPA compared to the SPA indicated the following improvements, among others, had been made:

- the BPA contains statements of partnership values (how the partners will work together);
- a Communications protocol defines clearly the responsibilities and channels for communication between the parties;
- the services to be provided by both partners to the agreement are now clearly specified;
- services to be provided to the customer (that is, applicants or beneficiaries) and to the client (purchaser) are separately specified and are linked to appropriate performance indicators (see Chapter 4 for more detail);
- the functions of key players, such as the Centrelink account managers, are defined;
- the consultation or monitoring arrangements are set out in more detail and also provide a mechanism for the ongoing review of the performance of both parties to the agreement at the operational level (the Business Partnership Committee) rather than only at the higher level (the Relationship Committee);

- there is an overall improvement in the way the management information is specified and managed, including the establishment of a Joint Management Information Committee;
- there is a greater emphasis on the delivery and measurement of customer service and detailed customer service standards have been developed;
- there is more explicit guidance on some matters, for example, the level and nature of analysis required to be included in performance reports provided by Centrelink to DSS; and
- review mechanisms for performance information are explained and the need for the development of new or improved performance indicators is identified with a timeframe indicated for completion.

3.10 Account had been taken of the operation of the previous year's agreement and the ANAO acknowledges that DSS is purchasing over \$40 billion of income support payments from Centrelink and needed time to specify the services it wanted delivered, as well as suitable performance indicators. However, the ANAO found some problems arose in the course of developing the BPA, as follows:

- while, in most cases, input to the individual program business agreements was not sought from Centrelink's customer segment teams early in the negotiation process. As well, program areas in DSS tended to present an 'advanced' draft containing a very large number of performance indicators (that did not distinguish between assessing performance of services to the client, purchaser, as opposed to the customer, applicant/beneficiary) to customer segment team leaders; and
- the services to be delivered to customers and to purchasing agencies (clients) with associated performance indicators were not separately identified until late in the process.

3.11 DSS acknowledged the problems and issues that arose in the course of negotiating the 1998–99 BPA and held a two day workshop after signing the agreement. The purpose of this workshop was to 'review the BPA process and develop an action plan for 1998–99'. Participants analysed lessons learned from the negotiations and made specific suggestions for improving the BPA process next time. For example, that:

- DSS program managers should develop a common approach to how they define critical success factors and measure whether these have been achieved;
- early development of templates for business agreements; and
- development of a high level of awareness of the BPA process within and beyond DSS by means of communication strategy.

Development and refinement of performance information in the BPA

3.12 The BPA contains specific mechanisms for the review, refinement and further development of performance information during the life of the 1998–99 BPA, as follows:

- the Business Partnership Committee has been established as an operational committee. Matters arising from this Committee can be referred to the Relationship Committee, where necessary. One of the Business Partnership Committee’s major roles is the examination of a performance report by Centrelink against the agreement every two months. This will allow DSS and Centrelink program managers, who are members of the committee, to assess whether the performance information specified in the agreement provides the necessary data to measure service delivery and determine if program performance is appropriate or whether further or different measures are required;
- given that the Business Partnership Committee (and other levels of management) may identify the need for changes, it is necessary for there to be an agreed mechanism in the BPA by which this can occur. Arrangements to change any part of the agreement have been provided through the following clause, ‘Other changes to any part of this agreement may be proposed by either party at any time and may be made with the consent of both parties’. Such changes could obviously include any necessary changes to performance information; and
- the individual business agreements, relating to program payments, indicate that:

The Department and Centrelink will agree on a strategy under which Centrelink will provide the Department with the program-specific performance and management information required in this agreement. Development and implementation of the strategy will be overseen by the Management Information Committee established under the Management Information and Data Protocol and will be in accordance with the timeframes established for program-based information strategies in that protocol.

3.13 DSS and Centrelink have also established a draft project plan with associated milestones for the development of performance indicators in the BPA for which measurement is currently not possible. Although responsibility for each task is not outlined in the project plan, the plan is linked to the individual protocols and business agreements containing each of the tasks. These documents set out the responsible parties, therefore responsibility has been assigned indirectly in the plan. As well, progress against the plan is a standing agenda item for the DSS/Centrelink Business Partnership Committee.

ANAO conclusion

3.14 The ANAO considers that the issues covered by the project plan and the conduct of the above review, in conjunction with Centrelink, indicate that the experience of operating under the 1997–98 SPA informed the development of the 1998–99 BPA.

3.15 The lessons learned from the 1998–99 negotiation process need to be taken into account by both agencies in the renegotiation of any part of this agreement or the development of the agreement in subsequent years. In particular, there is a need to ensure that all parties in the negotiation process have a common understanding of what is to be achieved and the different roles played by the purchaser and the provider. The ANAO acknowledges that DSS has already begun this process through holding a two day workshop to review the better practices and problems that arose from the 1998–99 process.

3.16 The ANAO also considers that the BPA contains appropriate arrangements to develop and/or further refine the performance information contained in the agreements thereby assisting the effective assessment of provider performance.

4. The 1998–99 Business Partnership Agreement between DSS and Centrelink

This chapter discusses the structure and performance assessment framework of the 1998–99 BPA between DSS and Centrelink, including the ability of agencies to measure whether they were achieving value for money. The ANAO considers that this framework was generally satisfactory. The issues of preparation for the implementation of the accrual budgeting framework and the cost of performance information are also examined.

Introduction

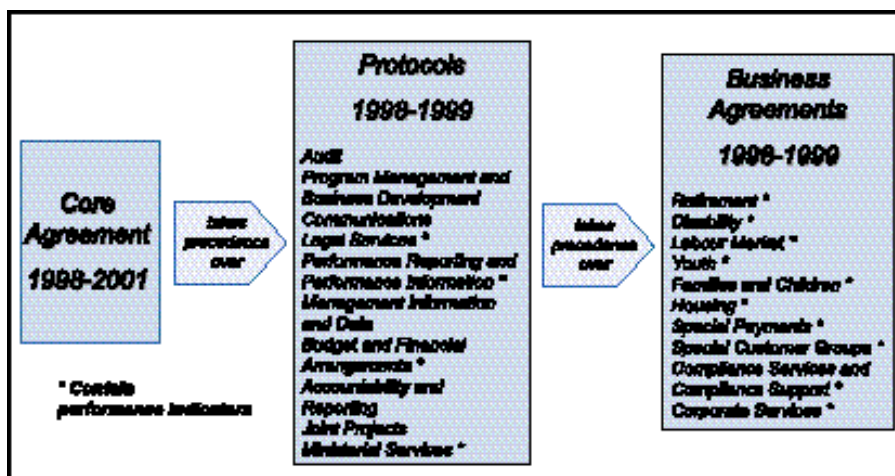
4.1 The agreement between the purchaser and the provider is a fundamental document which guides the relationship between the parties, sets out the services to be delivered to achieve program objectives and specifies the means by which such achievements will be measured.

4.2 Consideration also needed to be given to the cost of collecting and reporting performance information and developing indicators which allow agencies to determine whether they are receiving value for money. In developing the performance information for the 1998–99 agreement, agencies also needed to consider the impact of the implementation of the accrual budgeting framework.

4.3 The components of the BPA are set out in Figure 7.

Figure 7

The DSS/Centrelink 1998–99 Business Partnership Agreement



4.4 The core agreement for 1998–2001²⁰ sets out high level arrangements, between DSS and Centrelink, such as the objectives of the BPA and roles and key responsibilities. The series of protocols for 1998–99 deal with agency-wide issues, such as legal services, management information and audit matters. There are also ten business agreements for 1998–99, seven of which involve payments to customers by the provider on behalf of the purchaser (payment business agreements) with the remaining three dealing with a range of other services.

Links between the components of the BPA

4.5 The ANAO examined the links between components of the BPA to determine:

- whether there was unnecessary duplication or contradictions between components; and
- whether the components were integrated. That is, each part was linked to other parts, where necessary, to form a coherent whole.

4.6 In examining the BPA, the ANAO found that it is structured in a way which ensures that the components are linked, as follows:

- duplication occurs only where it is intended to reinforce or emphasise, for example, the need for correct payment;
- an order of precedence of core agreement over protocols and of protocols over business agreements has been established to deal with any conflicts between components of the BPA; and
- components of the BPA are integrated, for example the Performance Reporting and Performance Information Protocol (PRPIP) states that it, ‘together with the relevant business agreements, sets out the arrangements for the provision of performance information’.

Performance assessment framework under the BPA

4.7 As mentioned in Chapter 1, the ANAO conducted the fieldwork during the negotiation of the 1998–99 BPA. Earlier drafts of payment business agreements, provided to the ANAO, raised significant concerns regarding their structure and content. The ANAO provided feedback on these matters immediately to DSS and Centrelink. In line with the ANAO’s advice, these components were restructured, links were established between objectives, services to be delivered and indicators and greater attention

²⁰ Signed on 7 July 1998 by the Secretary of the Department of Social Security and the Chief Executive Officer (CEO) of Centrelink.

was given to the need for standards or targets. Services to be delivered to customers (payments to citizens) and those to be delivered to the client agency (the purchaser) were also separately identified. Where improvements were needed to performance indicators these were highlighted and a timeframe for their development was specified.

4.8 As part of addressing the problems identified, the final payment business agreements were made consistent in their layout and content. Any differences resulted from program-specific additions to standard clauses and indicators (negotiated between the parties involved).

4.9 The ANAO reviewed the relevant components of performance assessment framework in the final agreement, that is the signed 1998–99 BPA, against the following criteria to determine whether:

- the program objectives in the BPA are those stated in the DSS Portfolio Budget Statements (the PBS), and if not, are they linked to those objectives²¹;
- services in the BPA are specified clearly and linked to the objectives (that is, the services will assist in delivering the program objectives);
- there are key performance indicators in the BPA that are linked to services;
- there is a balance of indicators that include input, process, output, outcome and customer service measures;
- the performance indicators are measurable, or at least able to be assessed, including in a qualitative manner;
- the performance indicators have defined standards or targets, where useful;
- there were efficiency, as well as quality, indicators to measure whether the provider was delivering value for money; and
- DSS and Centrelink have taken recommendations from previous ANAO audits into consideration, where appropriate, in developing the performance assessment framework.

4.10 Performance information is contained in different parts of the BPA and examples are drawn from the different areas to demonstrate whether the above criteria have been met in the discussion below.

²¹ The PRPIP does not contain program objectives or program services to be delivered. These are both found in the individual payment business agreements. Links between objectives and the PBS, and between services and program objectives, are therefore only discussed in relation to those agreements.

Links between PBS objectives and those in the BPA

4.11 The ANAO found that the program objectives specified in the payment business agreements²² are consistent with those used in the PBS. In some cases, these objectives are presented as statements which take account of Centrelink’s role in helping to achieve the program objectives but these are all linked appropriately to the PBS objectives (see example in Figure 8).

Figure 8

Links between PBS objectives and those from 1998–99 payment business agreements for DSS/Centrelink

PBS Program 2 (Income security for people with a disability and for carers) objective	Program objective as stated in (1998–99 Disability Business Agreement)
<p>To ensure that people with a disability, their carers and those temporarily incapacitated for work have adequate levels of income. As part of this, the program aims to:</p> <ul style="list-style-type: none"> • ensure that payments are only made to those who are entitled and are targeted to those most in need; and • provide maximum opportunities for these people to participate in the economic and social life of the community. 	<p>Program 2 administers income support and supplementary payments for people with a disability, who are temporarily incapacitated for work or who need assistance as a result of caring responsibilities.</p>

Types of services

4.12 There are two types of services that Centrelink is to deliver under the BPA. These are:

- services to the customer (that is, to members of the public that require assistance, information and/or payment), as specified in the PRPIP, payment business agreements and Services for Special Customer Groups Business Agreement; and
- services to the client (that is, to the purchaser, DSS) as specified in the Legal Services Protocol, Ministerial Services Protocol, Compliance Activities Business Agreement and payment business agreements.

4.13 The ANAO considers that this segregation reflects the particular purchaser/provider environment within which DSS and Centrelink operate. In this case, the purchaser has overall program and policy responsibility for the portfolio and the provider delivers all the payment services for that purchaser. Each of the payment business agreements

²² That is, those business agreements that relate specifically to payments made by Centrelink under DSS programs.

separately list services to be provided to the customer and those to be provided to the client.

4.14 The following discussion of links between objectives, services and performance indicators, as well as whether the BPA contains a balance of measures, is separated into the two service types.

Customer services

Links between objectives and services in the BPA

4.15 Customer services define clearly Centrelink’s role in delivering DSS’s payment programs through links between the program and sub-program objectives and the specification of services. The ANAO found that the majority of services to be provided to the customer by Centrelink are linked directly (and the remainder, indirectly) to the program objectives and sub-program objectives (see example in Figure 9).

Figure 9

Links between the program objective (example from Retirement Business Agreement) and CUSTOMER services

Objective	Customer service that has a DIRECT link to objective	Customer service that has an INDIRECT link to objective
The <i>Retirement program</i> aims to ensure that ... payments are made only to those who are entitled and are targeted to those most in need...	<i>Ensuring compliance ...</i> only those customers with a genuine entitlement are paid ...	<i>Ensuring public awareness ...</i> ensure that the Australian community and all potential customers are made aware of the benefits that the program provides.

Links between performance indicators and services

4.16 The ANAO found that all the generic performance indicators in the PRPIP, as well as the customer service indicators in the payment business agreements, were linked directly to the services to be delivered to customers. The example in Figure 10 shows the link between two customer services from the Retirement Business Agreement and several performance indicators.

Figure 10

Links between CUSTOMER services (examples from Retirement Business Agreement) and performance indicators

Service	Linked to which performance indicators?
Assessing claims and making payment (paraphrased)—Centrelink will assess claims, determine entitlement and make payments, advise claimants promptly and fully of the results and ensure that customers are made aware of their obligations including changes in their circumstances.	Correctness of payment at time of grant Correctness of payment over time Timeliness of payment

Balance of measures in the BPA

4.17 The ANAO found that the BPA, in relation to the generic indicators and program indicators in the payment business agreements, does not contain the balance of input, process, output, outcome and customer service measures that might be expected to exist for a program managed within a department. From the purchaser’s perspective, the indicators are generally focused on process. In this arrangement, that focus is appropriate as it enables the purchaser to directly monitor the level and quality of service delivery to the customer by the provider.

4.18 As well, these processes, when delivered accurately, in a timely manner and to an agreed standard of quality constitute the outputs required to help meet the purchaser’s outcomes. This demonstrates how the purchaser/provider environment, within which these agencies operate, affects the types of indicators required to measure performance. The ANAO therefore considers that the BPA contains an appropriate balance of indicators for this purchaser/provider arrangement.

Client services

Links between objectives and services in the BPA

4.19 The client services define clearly services required by DSS, as a purchaser, to enable it to fulfil its policy advising role and to monitor Centrelink’s performance more effectively. These services include requests for program data, reports or undertaking joint projects. These services are linked directly to program objectives (Figure 11) because they are aimed at assisting DSS to advise on and/or assess overall program performance.

Figure 11

Links between the program objective (example from Retirement Business Agreement) and CLIENT services

Objective	Client services that are linked directly to the objective
<p><i>Retirement sub-program 1.3 (Portfolio agency services):</i> To provide:</p> <ul style="list-style-type: none"> • effective and efficient policy advice on income support for the retired...; • effective and efficient design and management...; and • effective, efficient and fair administration... 	<p><i>Audits</i>—The National Manager will provide the Assistant Secretary with reports on any audits that affect Program 1 ... <i>Senate Estimates hearings</i>—RPB and RCS will take a partnership approach in preparing for future Senate Estimates hearings. That is, attempt to jointly anticipate questions and prepare joint responses, including agreed statistical information.</p>

Links between performance indicators and services

4.20 The ANAO found that each of the client services to be delivered in the payment business agreements are linked directly to a performance indicator (see Figure 12).

Figure 12

Links between CLIENT services (examples from Retirement Business Agreement) and performance indicators

Service	Linked to which performance indicator?
<p><i>Records of financial investments</i>—RPB and RCS will jointly review the extent to which details of individual financial investments should continue to be obtained from customers and entered on the customer record...</p>	<p><i>Records of financial investments</i>—RPB and RCS will conduct a review ... by March 1999.</p>

4.21 As well as the client services in the payment business agreements, the Corporate Services Business Agreement (CSBA) concerns provision of services by DSS and Centrelink and vice versa, and joint provision of services.

4.22 The ANAO found that the components of the CSBA are variable in their specification of performance information to measure the services outlined. For example, the sub-agreement for Information Technology Services has identified a significant number of performance indicators and standards and flagged the need to establish a smaller number of key indicators. However, the Contestability and Contracts sub-agreement does not contain any performance indicators.

4.23 The ANAO considers that, regardless of the nature of the service, or who is delivering it to whom, performance information is still necessary to allow each party to determine whether value for money is being achieved.

Balance of measures in the BPA

4.24 Some client services requested by the purchaser are in fact joint projects to benefit both parties. For example, both the ‘joint review of reporting measures’ and ‘enhanced communications’ in the Retirement Business Agreement are qualitative measures from both perspectives. The ANAO considers that there is a reasonable balance of indicators in this case.

4.25 However, none of the other client related business agreements/ protocols contains a balance of measures. For example, the Financial Services component of the CSBA and the Ministerial Services Protocol have a relatively sound range of performance measures but do not contain a client satisfaction measure.²³

Setting measurable performance indicators in the BPA

4.26 The majority of the indicators in the BPA (both customer and client) are measurable, that is, they are explicit as to what is to be achieved, to what standard and within what timeframe, where applicable. However, there are some indicators that, as they are currently stated, are not measurable as the terminology used has not been clarified (see example in Figure 13).

Figure 13

Example of a performance indicator that is not currently measurable (from 1998–99 Youth and Students Business Agreement)

Performance Indicator	Is the PI measurable?
<p>Key Performance Indicator 3: development and maintenance of a quality partnership in the delivery of youth and student programs as determined by timely provision of management and performance information and accurate and effective communication between staff.</p>	<p>No—this indicator is a qualitative statement that may better serve as a lower level objective with associated performance indicators developed to measure or assess its achievement through clarifying terms such as ‘quality’, ‘timely’ and ‘effective’.</p>

Setting standards or targets in BPA

4.27 Most of the performance indicators in the BPA have associated standards or targets to help the purchaser form a judgment as to whether

²³ Under the Ministerial Services Protocol, the Minister is the client.

or not performance has been satisfactory. For example, the generic customer satisfaction indicator has a target of 70 percent satisfaction in all cases.

4.28 However, there are some indicators where an associated standard or target has not been set. For example, an indicator from the 1998–99 Labour Market and Employment Services Business Agreement states that, for compliance, ‘accuracy of decision making will also be assessed through: ... (b) low proportions of decisions of Original Decision Maker and/or ARO appeals being overturned...’ The term ‘low proportions’ has not been clarified by setting a target, such as five percent.

4.29 For other indicators, clear timeframes for the establishment of the means of measuring the performance information have been developed. The project plan to guide these timeframes was discussed in Chapter 3.

Value for money

4.30 The assessment of whether services are being provided in an efficient and effective manner is a key issue for any agency particularly in a purchaser/provider arrangement where it is necessary to identify whether a provider is delivering value for money. In a contestable environment, the issue of providing value for money becomes increasingly important.

4.31 The 1997–98 SPA indicated that by 30 June 1998, a measure of the administrative cost per 1000 customers of delivering services for Newstart Allowance and Age Pension customers was to be developed. As well, Centrelink was to agree on a strategy and timetable for subsequently extending this measure to all programs in this protocol. Discussions with DSS staff indicated that this measure of value for money was not developed.

4.32 However, the 1998–99 BPA, in a section headed ‘Payments for outputs’, indicates that ‘DSS and Centrelink will jointly determine and reach agreement with DoFA on a price per customer per type, on an accrual basis, including overheads, by 31 December 1998.’ In deriving the prices to be paid to Centrelink, DSS will specify the services or processes for each payment type that it will require Centrelink to deliver on its behalf. As well, DSS have advised that value for money indicators will be developed as part of the accrual budgeting framework

4.33 While there is information on service quality, the ANAO found that no efficiency indicators were available to measure performance in 1997–98. However, the measures proposed for development in 1998–99 will assist to measure efficiency and therefore, value for money.

Previous audit recommendations

4.34 The ANAO found that DSS and Centrelink had adequately addressed relevant recommendations from previous audit reports. For further details, see Appendix 2.

ANAO conclusion

4.35 The ANAO found that the BPA does not contain any unnecessary duplication. The ANAO considers duplication occurs only where it is intended to reinforce or emphasise a particular issue. The issue of any potential contradiction between the components is dealt with by a precedence clause in the core agreement, although the ANAO did not find any contradictions. The ANAO considers that all necessary links between the various components exist and that the components are integrated to form a coherent whole.

4.36 The performance indicators in the BPA are linked to the program objectives and services to be delivered, where relevant. In turn, the services to be delivered by the provider are linked to these objectives. As well, the delineation between customer and client service indicators and the types of measures reflect the particular purchaser/provider model within which these agencies operate.

4.37 The BPA, particularly the payment business agreements, satisfactorily reflect the principles identified by the ANAO and discussed with DSS and Centrelink during the development of the BPA. That is, the restructuring of the BPA to incorporate:

- links between objectives, services to be delivered and performance indicators;
- the importance of distinguishing between services to the customer and services to the client;
- measurability of performance indicators; and
- the setting of appropriate standards or targets.

4.38 The majority of indicators are measurable and contain standards or targets. However, the following improvements would enhance the performance information when these agreements are next reviewed:

- clarifying terminology used in the description of performance indicators, such as 'timely', to ensure indicators are measurable or at least able to be understood and assessed, including in a qualitative manner; and
- including standards or targets in indicators, where useful (for example, setting a target for 'low proportions', such as five percent) to help the parties to judge whether performance has been satisfactory.

4.39 Where indicators have not yet been developed, timeframes have been set down for their development. DSS and Centrelink have drafted a single project plan that outlines clearly the framework for achieving each of these tasks.

4.40 It is particularly important that purchasers have a clear understanding that the provider is delivering value for money. While DSS and Centrelink had information on service quality, they are currently in the process of developing efficiency indicators. Taken together, these measures will enable an assessment of whether the provider has delivered real value for money.

4.41 As well, DSS/Centrelink have adequately addressed relevant recommendations from previous ANAO reports.

Preparation for accrual budgeting

4.42 The development of the performance information for the 1998–99 agreement occurred during the trial year for the accrual budgeting framework. Therefore, the ANAO examined what preparations were being made by agencies to accommodate the changes arising from the introduction of this framework and its impact on performance information.

4.43 The ANAO found that DSS has developed a framework, through consultation with program areas, which contains seven output classes with appropriate sub-classes needed ‘to produce the information for more effective internal decision making...’ DSS is linking this output framework to the development of a time recording system to allow the allocation of direct labour costs to outputs.

4.44 DSS also plans to use a basic costing model with a later examination of the use of activity based costing for which the data from the time recording system will be important. The 1998–99 BPA makes reference in a number of areas of the agreement to the need for arrangements for the implementation of the first accrual budget in conjunction with Centrelink.

4.45 The ANAO found that Centrelink was in the process of defining an outputs and outcomes framework by customer type, in conjunction with its purchasing departments. This will later be tailored so that appropriate information can be provided to purchasers. Centrelink has also undertaken initial work to establish a Services Costing Model to attribute agency expended running costs against each payment and service as a cost per customer for that service.

Centrelink has adopted a top down approach to building the model with the levels of detail in defining expenditures, processes and cost objectives to be progressively increased. This has enabled an initial model to be built relatively quickly, providing a basis for moving into activity based costing.

Cost of performance information

4.46 Information on Centrelink’s performance under the BPA is required in order for purchasing agencies to effectively monitor the delivery of their

services. As far as possible, collection of this information should form an integral part of Centrelink's operational systems. However, when specifying the information required, both parties should have a good understanding of the costs involved in collecting information against a range of possible indicators. Such costs could include the need to modify existing management information systems, undertake surveys, engage industry experts and so on. Therefore, agencies should choose a suite of performance indicators which provide the information needed in a cost effective manner.

4.47 In addition to performance information on services delivery, purchasing agencies will also need information on the performance of the program as a whole in terms of achievement of outcomes. As Centrelink is not directly responsible for program outcomes, collection of this type of information will not necessarily be an integral part of its operational systems. However, because of its relationship with the customers, Centrelink may be best placed to collect this type of information on behalf of its purchasers. This service should be included in the purchaser/provider agreement and again a clear understanding of the costs involved should be established.

4.48 DSS and Centrelink have recognised that information, both for the purposes of monitoring provider and program performance and for the development of policy advice is a very necessary part of the purchaser/provider arrangement. Agencies acknowledge that information provision uses considerable resources, both in terms of staff, systems and financial resources. However, prior to the creation of the purchaser/provider arrangement, the provision of information was an internal matter and a clear understanding or specification of those costs had not been essential.

4.49 With the separation of the purchaser from the provider and the requirement for Centrelink to provide information for monitoring and management purposes, the issue of the costs of information has become a greater priority. It also needs to be noted that much of the performance information is provided as a result of administrative processes, that is, the main purpose of the system is to process payments to customers but as a result data is collected which can be used to monitor performance.

4.50 The ANAO sought to establish the action agencies had taken to understand the cost of collecting and reporting performance information. The ANAO acknowledges that some performance information is collected as an integral part of operations. However, others are part of special collection and analysis exercises and therefore can be costed discretely.

4.51 At the time of the audit fieldwork, agencies were undertaking reviews, establishing mechanisms or planning to improve various aspects of information provision, including an understanding of the associated costs.

4.52 DSS and Centrelink have established the Management Information Committee (MIC), specified in the 1998–99 BPA, to regulate and set priorities for information requests. The key performance indicators required by DSS will be provided and all the necessary reporting arrangements for this to occur are in place. The greater problem is the cost of other information required, particularly ad hoc requests. The role of the MIC in this case, is to establish priorities for information requests and the resources available to deal with such requests. DSS/Centrelink have developed a detailed plan with key milestones to address information issues.

ANAO conclusion

4.53 The ANAO considers that preparations for the implementation of the accrual budgeting framework are progressing satisfactorily. It is also important that purchasers have a clear understanding that the provider supplies the appropriate information to monitor performance in a cost-effective manner. While agencies currently did not have the appropriate data on which to judge whether performance information was being collected cost effectively, they had commenced reviews which would increase their understanding of these costs.

5. The operation of the 1997–98 Service Arrangement between DEETYA and Centrelink

This chapter examines the arrangements put in place by DEETYA and Centrelink to monitor performance against the 1997–98 Service Arrangement. The ANAO concluded that these mechanisms operated effectively at all levels. There is also a discussion of the mechanisms used to ensure accuracy and reliability of the 1997–98 performance information.

Introduction

5.1 The 1997–98 arrangement between DEETYA and Centrelink was established to provide the framework in which the purchaser and provider would operate. The purpose of such arrangements was discussed in Chapter 2 in relation to DSS and apply equally to DEETYA. It should be noted that, due to the transfer of program components to Centrelink during 1997–98, DEETYA and Centrelink had two Service Arrangements for 1997–98, No. 1 and No. 2, as well as a Memorandum of Understanding which modified the later arrangement to take account of the changes to the employment market that came into effect on 1 May 1998.²⁴ The ANAO used Service Arrangement No. 2 (referred to as the 1997–98 arrangement) as the basis for analysis and comment in this report.

5.2 As with the agreement between DSS and Centrelink, the ANAO sought to establish whether DEETYA and Centrelink had implemented effective monitoring arrangements in line with the 1997–98 arrangement including:

- the establishment of the consultation or monitoring mechanisms specified in the arrangement;
- the provision of the reports specified in the arrangement in a timely fashion and to a satisfactory quality; and
- the mechanisms agencies had in place to ensure the accuracy and reliability of data available to measure performance indicators. As noted in paragraph 5.24, the purpose of this examination was to form an opinion whether to proceed with compliance testing of accuracy as part of the audit.

²⁴ Service Arrangement Number 1, dated 1 July 1997, covered the period 1 July 1997 to 31 December 1997. Service Arrangement Number 2, dated 28 November 1997, covered the period 1 January 1998 to 30 April 1998. The Memorandum of Understanding (to modify Service Arrangement Number 2) covered the period 1 May 1998 to 30 June 1998.

Monitoring against the 1997–98 arrangement

5.3 Figure 14 identifies the monitoring requirements that were outlined in the 1997–98 arrangement. A discussion of the operation of each of these mechanisms is contained in the following paragraphs.

Figure 14

Monitoring arrangements required under the 1997–98 arrangement

Monitoring mechanisms outlined in the 1997–98 arrangement	Timing
<i>Consultation mechanisms</i>	
DEETYA and Centrelink to establish a high level National Management Group to review and resolve management planning and operational issues relating to the Service Arrangement	Monthly
A joint high level departmental state and agency area office group to be formed to review and resolve local management and operational issues relating to the Service Arrangement	Not specified
Joint specialist forum groups to be established, by the high level Groups, to develop and implement plans in relation to joint functional responsibilities. These will include forum groups for Systems, Performance Monitoring and Service Standards and for Communication issues	As required
Working groups to be established to undertake joint reviews and evaluations	Not specified
<i>Reporting mechanisms</i>	
Centrelink to provide a report commenting on their performance against key performance indicators (KPIs)	Monthly
Both agencies agree to provide each other with relevant data, not available on their individual systems	Monthly
Centrelink to provide reports outlining student assistance compliance activities	Monthly
Centrelink to provide frequency distribution of telephone response times and assist in interpretation for management information purposes	Not specified

1997–98 consultation mechanisms

5.4 DEETYA has adopted an approach to monitoring which involves a series of regular meetings and forums at different management and operational levels within the organisation in line with the requirements of the 1997–98 arrangement.

5.5 Therefore DEETYA and Centrelink have established the appropriate forums in line with the 1997–98 arrangement. Key forums include:

- the monthly Service Arrangement Review Group (SARG) which reviewed Centrelink's performance against the requirements in the arrangement; and

- the Service Arrangement Management Group, held three days prior to the SARG, which was an internal DEETYA meeting to discuss performance reports, identify any issues for discussion at the SARG and to develop an agenda in conjunction with Centrelink for those meetings.

5.6 These forums were found to be effective. For example, action items arising from the SARG meetings addressed various issues regarding performance reports, the arrangement and so on. Each action item identified a responsible agency and officer (that is whether DEETYA or Centrelink would investigate the issue) and whether the action had been completed. Progress on each action was discussed at the following meeting.

5.7 DEETYA's payments to Centrelink were contingent on satisfactory performance determined through the monitoring process. The Agency Liaison Section in DEETYA prepared an overview minute and other documents to indicate that performance was satisfactory to support the payment authorisation. The delegate, that is the Deputy Secretary, would then consider the advice and approve payment. The authority also existed to reject payment if performance had not been satisfactory, although this had not occurred.

5.8 The ANAO's discussions with key DEETYA staff indicated that the consultation or monitoring mechanisms outlined in the 1997–98 arrangement (as stated in Figure 14) have been carried forward to the 1998–99 arrangement because DEETYA considers that they provide the most appropriate mechanisms for monitoring given the nature of its business.

ANAO conclusion

5.9 DEETYA and Centrelink have established the consultation or monitoring mechanisms required by the 1997–98 arrangement. An approach was adopted involving regular meetings and forums at different organisational levels in which problems/issues could be raised and addressed. An example of this was the SARG where issues were raised and action items attached to be followed up at subsequent meetings. This approach had worked well and was carried forward to the 1998–99 arrangement as key DEETYA staff reported that it provided the most appropriate set of mechanisms for monitoring given the nature of its business.

1997–98 reporting arrangements

5.10 The ANAO found that DEETYA and Centrelink developed the reports and information, required under the 1997–98 arrangement, to enable the effective monitoring of performance. DEETYA had retained ownership

of the integrated employment system (IES)²⁵ and therefore provided raw performance data to Centrelink each month. Centrelink then used this data to produce the monthly performance reports.

5.11 Senior DEETYA staff indicated that the reporting framework was robust and contained valuable information which met the requirements of the 1997-98 arrangement. DEETYA also reduced the number of its own internal reports because Centrelink provided the required information in the monthly performance reports.

5.12 The ANAO found that DEETYA was generally satisfied with the analysis in the monthly reports provided by Centrelink, that is the *Report on Employment Services Performance* and the *Student Assistance Report*. For example, the latter report contained analysis of response times to telephone calls compared to the previous year's results and the number of applicants subject to the actual means test²⁶.

5.13 In addition, the monthly report that DEETYA provided to Centrelink, the *DEETYA Systems Availability and Performance Report*, contained extensive analysis by DEETYA. For example, targets for areas including transaction response and central service availability were analysed in regard to the effectiveness with which they had been met.

5.14 As well as containing appropriate analysis, the ANAO also found that the regular performance reports were produced in a timely manner. Each set of monthly reports was provided in sufficient time to allow distribution prior to each SARG meeting, where they were discussed.

ANAO conclusion

5.15 DEETYA and Centrelink developed the necessary reports and information to enable the effective monitoring of performance as required under the 1997-98 arrangement. The ANAO considers the reporting framework was robust and reports were provided in a timely manner and contained relevant analysis.

Accuracy and reliability of performance information

5.16 In order to be able to undertake effective monitoring, the performance information being used should be accurate and reliable. If the data used to measure performance indicators is not accurate, there is a significant risk that performance issues will not be identified and will not therefore be able to be addressed.

²⁵ IES stores data relating to employment, such as registration numbers.

²⁶ The actual means test was introduced in 1996 to assess eligibility for benefits on the basis of parental expenditure.

5.17 The 1997–98 arrangement contained a number of KPIs, such as registration of job seekers, that the agencies used to monitor performance against the arrangement. Centrelink delivers components of some DEETYA programs and DEETYA maintained ownership of its information technology (IT) systems which provide the raw data the Centrelink uses for reporting against the KPIs. The mechanisms used by DEETYA to ensure accuracy and reliability of data are internal audit and the systems administration area.

Internal audit

5.18 Key Performance Indicator 2, ‘completeness and accuracy of job seeker data’, is measured through ‘regular audits undertaken jointly by the Department and Centrelink’. An audit of all the employment services’ components delivered by Centrelink was planned to commence in October 1998 and be undertaken by the Centrelink internal audit area, in consultation with DEETYA.

Systems administration

5.19 Centrelink uses parts of DEETYA’s IT systems to input data such as client characteristics and these contain a number of logic checks to help ensure that inaccurate data are not entered, that is data which falls outside certain set parameters.

5.20 As well, the DEETYA systems administration area receives daily batch processing data from Centrelink. This data is then ‘cleaned’, that is, incomplete or corrupted data items are corrected. This will complete the processing for that customer and therefore enable the customer to, for example, start or continue to receive welfare payments.

5.21 Meetings between DEETYA and Centrelink (the Centrelink/DEETYA interface issues meeting) are held every two weeks. The agendas and records of action taken, show that the aim of these meetings is to resolve operational and accuracy problems.

5.22 The ANAO considers that DEETYA has checks in place to help ensure data accuracy and reliability. However, the system for detecting errors in decision making, that is internal audits, is undertaken infrequently. Such errors could be detected by Centrelink’s PAC system (see Chapter 2). However, the areas checked by PAC do not currently include Centrelink’s delivery of components of DEETYA programs.

5.23 The ANAO recognises that this would require significant system changes that would have a cost attached and this cost should be considered. The ANAO understands that there have been discussions between

Centrelink and DEETYA as to whether DEETYA's programs will eventually be included in PAC coverage but this issue had not been finalised at the conclusion of the audit fieldwork.

ANAO conclusion

5.24 The ANAO found that there were mechanisms in place to help ensure data accuracy and reliability for KPIs including an internal audit, which was proposed to commence late in 1998 and work by DEETYA systems administration. The ANAO will examine the findings of the internal audit before deciding whether to undertake further audit work itself, including compliance testing of data accuracy and reliability.

5.25 Such ANAO audit work would also include an examination of how the results of internal audits and other accuracy testing are used to improve procedures, guidelines, form design, training for staff and in the development of policy (if necessary).

5.26 However, the system for detecting errors in decision making, that is internal audits, is undertaken infrequently. Such errors could be detected by Centrelink's PAC system. However, the areas checked by PAC do not currently include Centrelink's delivery of components of DEETYA programs. DEETYA and Centrelink have held discussions regarding this issue but a decision had not been reached at the conclusion of the audit fieldwork.

6. Processes for the development of the 1998–99 Service Arrangement between DEETYA and Centrelink

This chapter examines the processes for the development of the 1998–99 arrangement between DEETYA and Centrelink as well as the responsibilities for further refining performance information under that arrangement. The ANAO considers that the process for development of the agreement was robust and that responsibilities have been adequately defined.

Introduction

6.1 In 1997–98, DEETYA and Centrelink developed a service arrangement to guide the relationship and define services to be delivered. Changes to DEETYA's policy and operations throughout that year led to changes in the services delivered by Centrelink and necessitated a second service arrangement followed by a memorandum of understanding (MOU) to amend that second arrangement (as outlined in Chapter 5). Therefore, DEETYA had already had the opportunity to refine and improve its arrangements through negotiating the second arrangement and MOU.

6.2 As discussed in Chapter 3, in relation to DSS/Centrelink, the ANAO sought to establish whether Service Arrangement No. 3 (the 1998–99 arrangement) was developed taking into account the lessons learned from the operation of the 1997–98 arrangement. As well, the ANAO examined whether responsibilities for the development and refinement of performance information was clearly specified in the arrangement.

6.3 The key stakeholders in the development of the 1998–99 arrangement have been listed in Figure 15, as well as a description of the role they played.

Figure 15

Key stakeholders in negotiation process

Stakeholder	Role
Service Arrangement Review Group (SARG)	Provided a forum for input into the arrangement for DEETYA and Centrelink and cleared drafts of the arrangements.
Service Arrangement Review Working Group²⁷ (SARWG)	Reviewed the 1997–98 arrangement in preparation for using lessons learned in the 1998–99 arrangement.
DEETYA and Centrelink Review Coordinating Teams	Coordinated the review of the 1997–98 arrangement. Developed a strategy for the review and set a timeline including milestones to achieve objectives.
IT Forum	Advised the SARG regarding the development of information technology and systems protocols.
Service Arrangement Management Group (SAMG)	Provided a forum for issues to be raised for the 1998–99 arrangement in preparation for the SARG .
Performance Monitoring Working Party	Developed a performance review framework and examined the performance monitoring role of DEETYA state offices as opposed to national office.

6.4 A timeline was also produced outlining key milestones for both DEETYA and Centrelink and the action necessary to complete negotiations for the 1998–99 arrangement.

Lessons learned

6.5 In preparation for the development of the 1998–99 arrangement, a joint review was undertaken with the aim of assessing whether the objectives of the 1997–98 arrangement were being met successfully and to facilitate the development of subsequent arrangements between DEETYA and Centrelink.

6.6 Key recommendations to improve the 1998–99 arrangement were made and agreed to by the SARWG and presented to the Executive of both organisations. These included that:

- the 1998–99 arrangement should be of one year’s duration;
- a protocol should be developed jointly to address the management of the arrangement; and
- outcomes and outputs should be the primary focus, with a minimal focus on process.

6.7 The ANAO found that the recommendations from the review were taken into account when developing the 1998–99 arrangement, as follows:

²⁷ The SARWG and IT Forum are both sub-committees of the SARG.

- the arrangement states it is to be of one year's duration;
- management of the arrangement has been addressed through the inclusion of *The Principles Guiding the Service Arrangement—A Strategic Partnership in the 1998–99 Arrangement*. This includes information regarding the overall purpose of the arrangement, addressing strategic servicing priorities and the development of policies; and
- together, the key performance indicators (KPIs) and other performance information requirements, outlined in the 1998–99 arrangement, address process, output and outcome issues. Overall, this provides a balanced set of indicators for DEETYA to monitor Centrelink's performance. The indicators contained in the 1998–99 arrangement are discussed further in Chapter 7.

6.8 As well as the review, which highlighted areas requiring refinement, the process of amending the 1997–98 arrangement to reflect the changes to the employment market²⁸ fed into the development of the 1998–99 arrangement. In addition, on 5 May 1998, a minute was circulated to Division Heads in DEETYA requiring them to identify any changes in the 1 May MOU for the 1998–99 arrangement.

6.9 The approach for the development of the 1998–99 arrangement has taken the recommendations made by the ANAO²⁹ (see Appendix 2) concerning the 1997–98 arrangement into consideration and also examined the 1997–98 DSS and Centrelink SPA. For example, a meeting between DEETYA and DSS was held on 19 March 1998 regarding DSS's progress on the review of its 1997–98 SPA with Centrelink. An outcome from this meeting is that DEETYA and DSS have decided to hold ongoing discussions regarding their respective arrangement/agreement.

6.10 The ANAO found that a number of joint meetings and correspondence fed into the process of negotiating the 1998–99 arrangement. For example, there was correspondence from Centrelink to DEETYA concerning the development of the 1998–99 arrangement. Issues were raised regarding:

- Centrelink's concern about the number of KPIs, timeframes and the cost of producing information; and
- the need for clearer requirements regarding customer objectives, performance information and KPIs.

²⁸ That is, the 1 May MOU that amended Service Arrangement No. 2.

²⁹ ANAO Audit Report No. 18 of 1997-98, *Management of the Implementation of the Commonwealth Services Delivery Arrangements*.

6.11 As a result of these concerns, a meeting was held between high level staff from Centrelink and DEETYA. An outcome from this meeting was that both parties agreed that Centrelink would develop a new way of producing necessary performance information.

6.12 An examination of the 1997-98 arrangement and the 1998-99 arrangement indicates that the following improvements, among others, have been made:

- services to be provided to the customer (applicants or beneficiaries) under the new employment market are clearly defined and linked to KPIs and other performance information;
- the 1998-99 arrangement specifies explicitly the delivery of services to customers by Centrelink emphasising a greater focus on outcomes and outputs; and
- a number of new KPIs have been identified to enable the Department to reflect and monitor changes under, and Centrelink's performance in relation to, the new employment market.

Development and refinement of performance information in the 1998-99 arrangement

6.13 Mechanisms which allow DEETYA and Centrelink to modify the performance assessment framework to reflect any changes in the partnership environment within which these agencies operate need to have been included in the 1998-99 arrangements.

6.14 The ANAO found that the 1998-99 arrangement contains specific mechanisms for the review, refinement and further development of performance information during the life of the arrangement, as follows:

- where access could not be gained to information that was required to assess performance, the new arrangement explicitly states the DEETYA and Centrelink will develop an agreed strategy for gathering this information;
- DEETYA and Centrelink are also to work cooperatively to produce and develop the types of performance information required. For example, as discussed further in Chapter 7, some of the KPIs require benchmarks to be determined during the life of the arrangement;
- at the conclusion of the audit fieldwork, a new format for the monthly report to reflect the implementation of the 1998-99 arrangement, was close to agreement. DEETYA and Centrelink will also review the format and content of the monthly report on a regular basis to ensure its appropriateness; and

- the consultation or monitoring mechanisms in place in the 1998–99 arrangement are the same as those in the 1997–98 arrangement.

ANAO conclusion

6.15 The issues covered by progress reports to the SARG and SAMG, minutes of meetings, working groups and forums, the development of the 1 May MOU and the conduct of the above review on the 1997–98 arrangement, in conjunction with Centrelink, demonstrate that the experience of operating under the 1997–98 arrangement has informed the development of the 1998–99 arrangement.

6.16 The ANAO also considers that the 1998–99 arrangement contains appropriate mechanisms to develop and/or further refine the performance information contained in the arrangement.

7. The 1998–99 Service Arrangement between DEETYA and Centrelink

This chapter discusses the structure and performance assessment framework of the 1998–99 arrangement between DEETYA and Centrelink, including the ability of agencies to measure whether they were achieving value for money. The ANAO considers that this framework was generally satisfactory. The issues of preparation for the implementation of the accrual budgeting framework and the cost of performance information are also examined.

Introduction

7.1 In Chapter 4 the importance of the service agreement between DSS and Centrelink was discussed. These matters are also relevant to agreements between DEETYA and Centrelink.

7.2 In developing the performance information for the 1998–99 arrangement, agencies also needed to take into account the requirements of the implementation of the accrual budgeting framework. Consideration also needed to be given to the cost of collecting and reporting performance information.

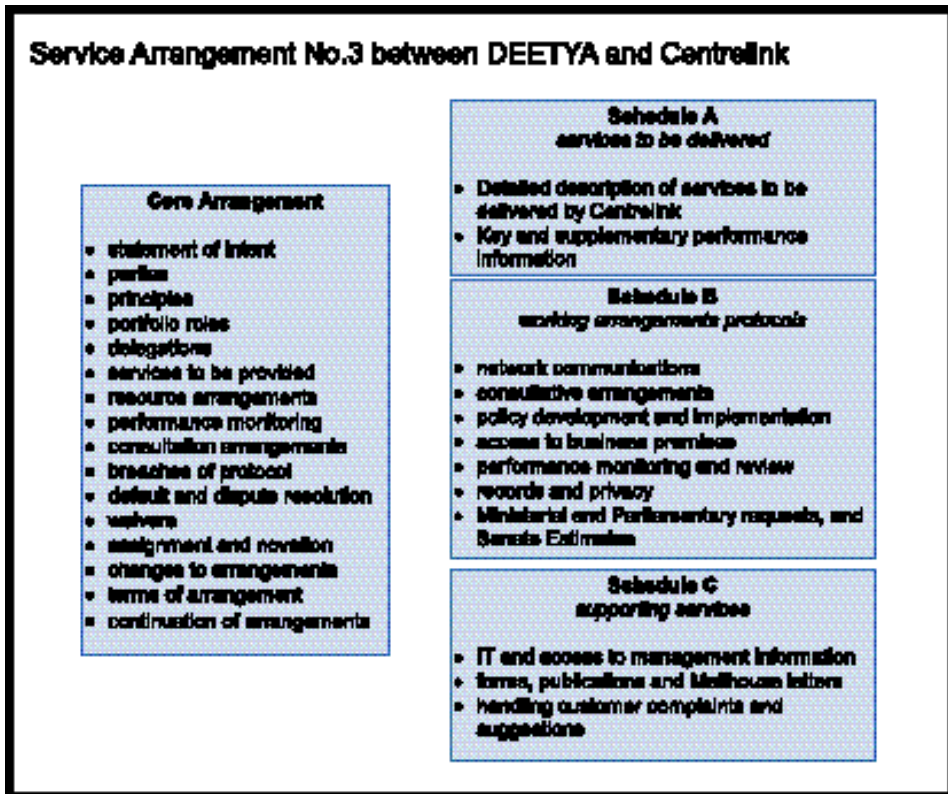
Links between the components of the 1998–99 arrangement

7.3 The components of the 1998–99 arrangement³⁰ are set out in Figure 16.

³⁰ Signed by the Acting CEO of Centrelink and the Secretary of DEETYA on 18 August 1998.

Figure 16

The DEETYA/Centrelink Service Arrangement No. 3



7.4 The core arrangement³¹ sets out high level arrangements between DEETYA and Centrelink such as, the objectives of the 1998–99 arrangement, roles and key responsibilities. Schedule A details the services to be delivered and includes a series of key performance indicators (KPIs) and a number of other performance information requirements (other performance information requirements is the term used by DEETYA to refer to those performance indicators in Schedule A that are not KPIs). Schedule B, which contains a series of working arrangements protocols, and Schedule C, which outlines supporting services, contain limited performance information.

7.5 The ANAO examined the links between components of the 1998–99 arrangement to determine whether the components were integrated. That is, each part was linked to other parts, where necessary, to form a coherent whole.

³¹ The ANAO uses this term to refer to the primary document in the DEETYA/Centrelink Service Arrangement No. 3, that is, the document that accompanies the three schedules.

7.6 In examining the 1998–99 arrangement, the ANAO found that it is structured in a way which ensures that the components are integrated. For example, the core arrangement states that ‘Centrelink will report to the Department in accordance with the working arrangement protocol on performance monitoring and review which is set out in Part B5 of Schedule B.’ The core arrangement also states that ‘The Department and Centrelink agree to follow the consultation, liaison and reporting obligations detailed in Part B2 of Schedule B.’

7.7 The ANAO found that this information is contained in the relevant parts of Schedule B.

Performance assessment framework under the 1998–99 arrangement

7.8 The ANAO reviewed the 1998–99 arrangement between DEETYA and Centrelink to establish whether:

- the objectives are linked to the overall program objectives contained in the DEETYA Portfolio Budget Statement (the PBS);
- the services to be delivered by Centrelink are linked to the objectives and performance indicators are linked to those services;
- there is a balance of indicators that include input, process, output, outcome and customer service measures;
- the performance indicators are measurable, or at least able to be understood and assessed, including in a qualitative manner;
- the performance indicators have defined standards or targets, where useful;
- there were efficiency, as well as quality, indicators to measure whether the provider was delivering value for money; and
- DEETYA and Centrelink have taken recommendations from previous ANAO audits into consideration, where appropriate, in developing the performance assessment framework.

Statement of objectives in the 1998–99 arrangement

7.9 The ANAO found that the core arrangement contains a broad objective stating that the overall purpose of the arrangement is:

*. . . to provide **the best possible means** of assisting unemployed people get a job or, particularly in the case of young people and students, increasing their access to education and training opportunities.*

7.10 This links directly to the program objectives in the PBS. For example, it is linked to the PBS objective for Program 4.1, Employment Services which states:

*To provide sustainable employment outcomes for job seekers through a **competitive and flexible approach** to the delivery of employment services and assistance to job seekers with special needs.*

7.11 The ‘competitive and flexible approach’ is linked directly to the ‘best possible means.’

7.12 Schedule A of the 1998–99 arrangement also contains objectives. These are not the objectives contained in the PBS but are stated at a more operational level to reflect the fact that Centrelink is delivering services for components of DEETYA’s programs. The ANAO found that each of these objectives was linked to the broad objective from the core arrangement. For example, the objective for A1.1, Registration and maintenance of job seeker records, is linked to the broad objective (see Figure 17).

Figure 17

Links between objectives in the 1998–99 arrangement between DEETYA and Centrelink

Broad objective in core arrangement	A1.1, Registration and maintenance of job seeker records objective
To provide the best possible means of assisting unemployed people get a job or, particularly in the case of young people and students, increasing their access to education and training opportunities.	Register job seekers by recording their details in IES, including details required for the application of the Job Seeker Classification Instrument. Registration will enable them access to services under Job Network or labour market programs and in the case of young people, education and other youth services , or other programs according to their assessed needs and availability. Job seeker registration should be carried out in a culturally appropriate way.

7.13 Because the broad objective in the core arrangement is linked to the PBS and objectives in Schedule A are linked to the broad objective, they are therefore linked (indirectly) to the PBS.

Links between objectives and services and between services and performance indicators in the 1998–99 arrangement

7.14 The ANAO found that each of the services to be delivered in Schedule A were linked to their respective objectives. As well, performance indicators were linked to those services (see example in Figure 18).

Figure 18

Links between objectives, services and performance indicators in the 1998–99 arrangement between DEETYA and Centrelink (example from A1.1)

Objective	Service	Performance indicator
<p>Register job seekers by recording their details in IES, including details required for the application of the JSCI. Registration will enable them access to services under Job Network or labour market programs and in the case of young people, education and other youth services, or other programs according to their assessed needs and availability. Job seeker registration should be carried out in a culturally appropriate way.</p>	<p>Operate the JSCI, including any secondary classification process, in a consistent, accurate and uniform manner across all Centrelink areas.</p>	<p>Customer details must be accurately and completely recorded on IES, paying particular attention to the uniformity of collection and accuracy of data used in the operation of the JSCI. KPI 2: The completeness and accuracy of job seeker data gathered from job seekers and recorded on IES, both at registration and when the customer informs Centrelink of a change in their circumstances. As monitored by regular audits undertaken jointly by the Department and Centrelink.</p>

Balance of measures

7.15 Schedule A of the 1998–99 arrangement contains seventeen KPIs which relate to the program components delivered by Centrelink and have been identified by DEETYA as the main or key aspects of Centrelink’s performance to be monitored. Schedule A also contains a number of other performance information requirements which are mainly collected by Centrelink (although some are collected by DEETYA) and monitored directly by DEETYA.

7.16 The ANAO found that the KPIs (listed in Appendix 3) are predominantly process and output oriented. However, the Centrelink activities that these KPIs are measuring are related directly to DEETYA’s outcomes. That is, Centrelink delivers components of DEETYA programs and those components contribute to the achievement of program outcomes.

7.17 As well, the indicators in the other performance information requirements (listed in Appendix 4) are mainly output and outcome measures. Therefore, these indicators, together with the KPIs, provides a balanced set of indicators overall for DEETYA to monitor Centrelink’s performance.

Setting measurable performance indicators in the 1998–99 arrangement

7.18 The majority of the KPIs in Schedule A are measurable, that is, they are explicit as to what is to be achieved, to what standard and within what timeframe, where applicable. One of the seventeen KPIs is not measurable because it contains terms that have not been clarified (see Figure 19).

Figure 19

Performance indicator that is not currently measurable

KPI	Description	Is the PI measurable?
2	The completeness and accuracy of job seeker data gathered from job seekers and recorded in IES, both at registration and when the customer informs Centrelink of a change in their circumstances.	No, because the terms 'completeness' and 'accuracy' have not been clarified.

7.19 It should also be noted that KPI 14 is yet to be defined and is to be set through agreement between DEETYA and Centrelink.

Setting standards or targets in the 1998–99 arrangement

7.20 The majority of the KPIs have associated standards or targets to help the purchaser to form a judgment as to whether or not performance has been satisfactory. However, there are six KPIs (2, 3, 5, 6, 7 and 13) that the ANAO considers require, but do not currently have, associated standards or targets. For example, KPI 7 does not contain a target, such as 75 percent, for the 'proportion of all requests'.

7.21 Schedule A states that KPI 5 will have an associated benchmark developed jointly by Centrelink and DEETYA. However, no timeframe for this has been set. The ANAO considers that, where the parties propose to develop performance indicators (such as KPI 5 and 14), they need to set timeframes within which to do so (for example, by 30 September 1998).

7.22 The other performance information requirements (as shown in Appendix 4) generally do not contain standards or targets. The role of the other performance information requirements in the arrangement is as a supplement to the KPIs. They provide DEETYA with a more complete view of Centrelink's performance. These indicators are a part of the accountability process (as Centrelink must still deliver the associated services under the arrangement) but are not considered 'key' indicators.

7.23 The information is sourced from the systems where Centrelink provides the input (but the systems are owned and maintained by DEETYA). Some other performance information requirements are linked directly to KPIs and others are stand alone indicators (such as the number of breaches). Although they are not separately reported on and do not

generally have standards or targets associated with them, DEETYA monitors them regularly to check for any anomalies (such as a sudden increase or drop in numbers). If this occurs, Centrelink will then be asked to explain the reasons for this.

Performance information in other parts of the 1998–99 arrangement

7.24 Schedule B, which contains a series of working arrangements protocols and Schedule C, which outlines supporting services, concern the provision of services by both DEETYA and Centrelink to each other and the joint provision of services.

7.25 The ANAO found that these schedules vary in their specification of performance information to measure the delivery of services outlined. For example, Schedule B4, Access to Business Premises, has a number of performance standards designed to assist visiting arrangements (for example, 'Departmental staff must, in general, give at least three working days notice to the Area Manager before visiting a Centrelink outlet'). However, in Schedule C, C2.1, 'Handling of Customer Complaints and Suggestions', performance information is not clearly specified. The terminology used includes 'timely and helpful' and 'promptly'. The ANAO recognises that qualitative indicators are important but there still needs to be some description of what is required.

7.26 The ANAO considers that, regardless of the nature of the service, or who is delivering it to whom, performance information is required for each relevant party to determine whether the appropriate level and quality of service has been delivered.

Value for money

7.27 Chapter 4 stated that measures of efficiency and effectiveness are key issues for a determination as to whether a provider is delivering good value for money. In 1997–98, the DEETYA/Centrelink arrangements did not contain any performance indicators which would allow an assessment of efficiency.

7.28 However, in the 1998–99 arrangement, reference has been made to developing such measures as follows:

The Department and Centrelink will establish a mechanism for identifying best practice for the delivery of Services under this Arrangement and costing these services within agreed costing parameters. This may in turn lead to a variation in the level of resources provided to Centrelink or a variation in the services to delivered and subsequent variation of the Arrangement.

7.29 To facilitate the identification of best practice, a Joint Operations Group has been established as a sub-committee of the SARG. As the title indicates, this is to be a joint DEETYA/Centrelink Committee. DSS are also members of the Committee. It is intended that the Joint Operations Group will 'rapidly identify, prioritise and implement the most efficient operational arrangements possible for the delivery of services only ...'.

7.30 While there was information on service quality, the ANAO found that no efficiency indicators were available to measure performance in 1997–98. However, the measures proposed for development in 1998–99 will assist DEETYA to assess the value for money aspects of its agreement with Centrelink.

Previous audit recommendations

7.31 The ANAO found that DEETYA and Centrelink have adequately addressed relevant recommendations from previous audit reports. For further details, see Appendix 2.

ANAO conclusion

7.32 The ANAO considers that all necessary links between the various components of the 1998–99 arrangement exist and that the components are integrated to form a coherent whole.

7.33 The broad objective in the core arrangement is linked to the PBS program objectives. The component objectives in Schedule A are linked to this broad objective and the services to be delivered under this Schedule A are linked to the component objectives. As well, the performance indicators in the 1998–99 arrangement are linked to the services to be delivered by the provider.

7.34 The majority of indicators are measurable, or at least able to be assessed, and contain standards or targets. However, the ANAO considers that the following improvements would enhance the performance information when the arrangement is next reviewed:

- clarifying terminology used in the description of performance indicators, such as 'completeness', to ensure indicators are measurable, or at least able to be understood and assessed, including in a qualitative manner;
- setting standards or targets, where useful, to help the parties to judge whether performance has been satisfactory (for example, the term 'proportion' needs to be clarified by setting a target, such as 75 percent); and
- setting clear timeframes for the development or refinement of particular performance indicators; and
- setting key performance indicators for the service areas in Schedules B and C that do not already have indicators.

7.35 The ANAO found that no efficiency indicators were available to measure or assess performance in 1997–98. However, the measures proposed for development in 1998–99 will assist DEETYA to assess the value for money aspects of its agreement with Centrelink.

7.36 As well, DEETYA and Centrelink have adequately addressed relevant recommendations from previous ANAO reports.

Preparation for accrual budgeting

7.37 The ANAO examined the preparations which DEETYA was making for the implementation of the accrual budgeting framework. Centrelink's preparations were discussed previously in Chapter 4. As well, the related issue of the cost of collecting and reporting performance information is also discussed.

7.38 The ANAO found that DEETYA had progressively developed, in consultation with program managers, the outcome framework and the output classes to be used in the framework. At the time the audit fieldwork was being concluded (that is, late August 1998), DEETYA noted that 'further work is still being undertaken with respect to appropriate performance measures for outcomes/outputs in the framework...'.

7.39 The arrangement between DEETYA and Centrelink for 1998–99 clearly specifies that they will work together to develop the framework. In order to identify the costs of outputs within the framework DEETYA is engaging an external expert to develop an appropriate costing methodology to be implemented across DEETYA.

Cost of performance information

7.40 As noted in Chapter 4, a clear understanding of the costs involved with collecting and reporting performance information have become a matter of greater priority because of the need for information to be provided by both parties to each other rather than it being an internal departmental matter.

7.41 As discussed earlier, DEETYA retained ownership of the IES which provided most of the necessary performance information. DEETYA advised that where the need for additional performance information is identified within DEETYA then a formal request must be made to the Information Technology Advisory Committee. This allows the consideration of the cost of information, relative priorities across the organisation and the opportunity cost of providing this particular information rather than meeting other requests.

ANAO conclusion

7.42 The ANAO found that:

- preparations for the implementation of the accrual budgeting framework were progressing satisfactorily; and
- the cost of performance information was not known although a project was in place which, if undertaken in an appropriate manner, should address this matter.

8. Elements of better practice and lessons learned

This chapter provides a comparison of the two agreements, that is between DSS and Centrelink and between DEETYA and Centrelink and draws together the ANAO's findings in relation to the model outlined in Chapter 1. It outlines the reasons why certain practices worked well (better practice) as well as the lessons to be learned. The ANAO has made one recommendation in this area.

Introduction

8.1 Both DSS and DEETYA have had service agreements³² with Centrelink since 1 July 1997. The preceding chapters have discussed each of these separately. The ANAO examined these agreements together against the model outlined in Figure 1, Chapter 1 of this report. This was to provide a comparison of the two arrangements in order to identify elements of better practice and any lessons to be learned which are discussed below.

The operation of the 1997–98 agreements

8.2 Both DSS and DEETYA established the consultation and reporting arrangements outlined in their respective agreements. The arrangements between DEETYA and Centrelink worked well primarily because:

- consultation was formal in that intra/inter-agency, strategic and operational level meetings were specified separately and held on a regular (for example, monthly) basis, with agendas, minutes, responsible officers nominated and evidence of resulting action; and
- the different reports produced under the agreement contained appropriate analysis of performance variations to identify problems and allow relevant action to be taken.

8.3 However, some problems were identified with DSS and Centrelink's arrangements as follows:

- operational/program level consultation was not formal in that the strategic consultation mechanism was considered by the parties to be at too high a level to enable wide dissemination of its deliberations. A separate operationally focused committee did not exist but was created under the 1998–99 agreement to meet this need. Consultation at the individual program level was largely informal and ad hoc. The ANAO

³² The word 'agreement' is also taken to refer to 'arrangement'.

found that this was linked to the need to maintain appropriate records regarding the basis for decision making, in line with sound corporate governance practices. That is, inadequate documentation of monitoring and consultation was kept by program areas. Arrangements have been implemented in 1998–99 to formalise this level of consultation to ensure that it occurs systematically and in a timely manner; and

- quarterly performance reports produced under the agreement contained little analysis of performance variations so that when the data provided were examined, the reason for under/over-performance was not given. This made it difficult for the responsible party to take relevant action to deal with the issue.

8.4 The ANAO found that the parties to the agreements had mechanisms in place to help ensure data accuracy and reliability. In addition, DSS have required in their agreement, that Centrelink provide a statement of confidence as to the accuracy of data presented in each performance report.

Lessons for other agencies

8.5 Consultation mechanisms, including roles of particular forums, responsibilities of the parties to the agreement and frequency of meetings, should be clearly specified at all levels to help ensure effective monitoring. Sound corporate governance practice includes the need to maintain appropriate records, regarding the basis for decision making. This is linked to demonstrating timely and systematic monitoring. As well, reporting arrangements should be specified clearly, including the timing, format, level of detail, and the standard of analysis to be contained in the report.

8.6 Mechanisms should exist to ensure data accuracy and reliability. It can also be useful to include a statement of confidence as to the accuracy and reliability of the performance data presented.

Processes for the development of the 1998–99 agreements

8.7 DSS, DEETYA and Centrelink established central coordination teams in their National Offices for negotiating the 1998–99 agreements. DSS and Centrelink had used a consultant to conduct a review of the 1997–98 agreement, while DEETYA undertook an internal review of the operation of their 1997–98 agreements. Both reviews fed into the development of their respective 1998–99 agreements. This process included an examination of the lessons learned from the previous year, that is 1997–98, to inform improvements in negotiating the 1998–99 agreements.

8.8 Both DSS and DEETYA developed project plans, in consultation with Centrelink, to guide negotiation processes for the 1998–99 agreements. These plans contained milestones and set out the responsibilities of the various parties.

8.9 The resulting agreements were tailored to the structures of the particular purchaser/provider arrangements. That is, DSS and Centrelink's 1998–99 agreement reflects the fact that Centrelink delivers all DSS's program payments whereas, DEETYA and Centrelink's 1998–99 agreement shows that Centrelink only delivers components of some of DEETYA's programs.

8.10 DEETYA and Centrelink had already renegotiated their contract during 1997–98. This was because changes in DEETYA's program responsibilities, and therefore Centrelink's service delivery, necessitated a second agreement, six months after the first, as well as a memorandum of understanding four months later to amend that second agreement. Therefore, DEETYA and Centrelink were able to draw upon this experience in their negotiations for the third agreement, that is the one for 1998–99.

8.11 DSS and Centrelink had only one agreement for 1997–98. This was drafted by a central team and coincided with major shifts in departmental responsibilities in DSS, including the transfer of 21 000 staff to the newly created Centrelink. DSS's intention with the second agreement, that is 1998–99, was to devolve some of the negotiating responsibility to the program areas. One problem with this process was that some program areas within DSS requested large amounts of performance information in early drafts of agreements and did not distinguish between those performance indicators needed to evaluate Centrelink's performance in delivering services to the customers and the information needed to assist in evaluating DSS programs as a whole. This led to protracted negotiations over some of the individual program business agreements (part of the overall 1998–99 agreement).

Lessons for other agencies

8.12 There should be processes put in place to support the negotiations. The aim of this is to achieve a signed agreement by a specified date. Elements of a successful process are as follows:

- there is a plan that guides the stages of negotiation and defines key milestones and responsibilities;
- the process builds upon any previous experience through review and consultation; and
- each party to the agreement achieves a common understanding of their particular role as either purchaser or provider.

8.13 The ANAO notes that sound processes are not ends in themselves. They operate as important support for the successful negotiation of effective, value for money agreements. It should also be noted that the output from this process, that is a signed agreement, is not the end point. The parties also need to ensure that they have the appropriate contract management skills to operate successfully under the agreement. The agreement needs to be a living document which can be modified, improved or renegotiated to ensure that the agreement reflects, as closely as possible, the current needs of the parties to the agreement.

Content of the 1998–99 agreements

8.14 The 1998–99 agreements, between DSS and Centrelink and between DEETYA and Centrelink, contain sound performance assessment frameworks. That is, overall program objectives were linked to agreement objectives, services to be delivered and performance indicators. These will assist to ensure that both the purchaser and provider can measure the provider's achievements. As well, DSS and Centrelink's agreement differentiates between services that are to be provided to the client (purchaser) and those that are to be provided to the customer (applicant or beneficiary). The ANAO considers this to be better practice.

8.15 However, there were some areas where both agencies could improve when they next review the performance assessment frameworks through their particular consultation forums. The lessons learned are contained in the recommendation below.

Recommendation

8.16 The ANAO *recommends* that DSS, DEETYA and Centrelink take the following improvements into consideration when they next review their agreements' performance assessment frameworks:

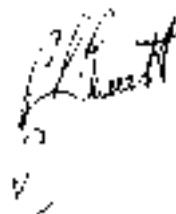
- clarifying terminology used in the description of performance indicators, where necessary, to ensure that performance indicators are measurable, or at least able to be understood and assessed, including in a qualitative manner;
- setting targets or standards for performance indicators, where useful, (for example, setting a target for 'low proportions', such as five percent) to help the parties to judge whether performance has been satisfactory; and
- setting key performance indicators for all services to be delivered under the agreements that require them, particularly those services of a corporate nature.

ANAO conclusion

8.17 The first year of operation of the service agreements between Centrelink and these two purchasers of services, DSS and DEETYA, produced both elements of better practice as well as some lessons that were drawn upon in developing the 1998–99 agreements. The final agreements for 1998–99 generally contain a satisfactory performance assessment framework that can be refined and improved over the course of this agreement as well as providing a sound basis for future agreements.

8.18 The ANAO considers that other agencies entering into purchaser/provider arrangements of this nature can also learn from the experiences of DSS and DEETYA.

Canberra ACT
15 January 1999



P. J. Barrett
Auditor-General

Appendices

Appendix 1

Advice from DSS regarding program monitoring against the 1997–98 SPA

Program	Examples of monitoring
Disability and Carer	<ul style="list-style-type: none"> • regular informal meetings with Centrelink (Branch Head, Directors, sections); and • regular statistical analysis and other monitoring (phone, email).
Retirement	<ul style="list-style-type: none"> • in November 1997, produced their own Communications Protocol with the Centrelink Customer Segment Team that included provision for regular fortnightly meetings; and • regular statistical analysis and other monitoring (phone, email).
Labour Market	<ul style="list-style-type: none"> • informal monthly meeting with Centrelink (Branch Head/National Manager); • informal monthly meeting with Centrelink (Directors); • informal 'ad hoc' topical meetings; and • regular statistical analysis and other monitoring (phone, email).
Youth and Student	<ul style="list-style-type: none"> • informal fortnightly meetings with Centrelink (Directors) for implementation of Youth Allowance (YA); • monthly meetings of Joint YA Implementation Steering Committee; • informal monthly meetings of other DSS/Centrelink YA stakeholders; • Student Assistance Steering Committee; and • regular statistical analysis and other monitoring (phone, email).
Families and Children	<ul style="list-style-type: none"> • regular/frequent informal meetings with Centrelink; and • regular statistical analysis and other monitoring (phone, email).
Parenting	<ul style="list-style-type: none"> • informal fortnightly meetings with Centrelink Branch Head/National Manager); • regular informal meetings with Centrelink (operational level); • monthly phone conferences with Centrelink; • six weekly inter-agency meetings (including Child Support Agency); • JET Steering Committee (meets quarterly); • Child Support Steering Committee; and • regular statistical analysis and other monitoring (phone, email).
Housing	<ul style="list-style-type: none"> • informal 'as required' meetings with Centrelink (Branch Head/ National Manager); • informal weekly meetings with Centrelink (Directors/senior project officers); and • regular statistical analysis and other monitoring (phone, email).
Special	<ul style="list-style-type: none"> • monthly meetings with stakeholders re: Customer Concessions; - • regular discussions with Centrelink re: Special Benefit; • informal periodic meetings (Directors) re: Retirement Assistance for Farmers Scheme; and • regular statistical analysis and other monitoring (phone, email).

Appendix 2

Coverage of previous audit recommendations

Audit recommendation	Have DSS/DEETYA/Centrelink addressed this?
<i>Management of the Implementation of the Commonwealth Services Delivery Arrangements, Audit Report No. 18 of 1997–98</i>	
<p>3. The ANAO recommends that Centrelink, in consultation with its current purchaser departments, identify those essential features which would form the core of any future partnership agreements, including:</p> <ul style="list-style-type: none"> • explicit links between service objectives and performance information upon which Centrelink is required to report; • the process for changing performance information and developing achievable standards that include timeframes, where relevant; • specification of the mechanism for collecting and reporting performance information that takes account of cost efficiency; and • a high level of responsibility for Centrelink in how the services are to be delivered. 	<p>Yes—outlined in Chapters 4 and 7</p> <p>Yes—outlined in Chapters 4 and 7</p> <p>Yes—outlined in Chapters 4 and 7</p> <p>Yes—outlined in Chapters 4 and 7</p>
<p>4. The ANAO recommends that Centrelink directly links the performance information required by purchaser departments to that which is used to assess the performance of individuals or teams in Centrelink to assist in ensuring that all Centrelink staff work towards the targets required by the organisation as a whole.</p>	<p>Centrelink has addressed this in two ways:</p> <ol style="list-style-type: none"> 1. Linking the indicators in client section of Balanced Scorecard to those which measure Centrelink's performance in the BPA; and 2. Linking staff pay increases to an improvement in two balanced scorecard measures without a reduction in others.

Audit recommendation	Have DEETYA/Centrelink addressed this?
<p><i>Performance Information, DEETYA, Audit Report No. 25 of 1995–96</i></p> <p>Education Assistance and Income Support sub-program</p> <p>1. The ANAO recommends that:</p> <ul style="list-style-type: none"> • where cost-effective, the Department develop further indicators which provide an assessment of sub-program effectiveness; and • annotate information on the effectiveness of the sub-program to indicate that a direct link cannot be made between the receipt of assistance and the indicators used. <p>2. The ANAO recommends that the Department, as appropriate, cross references sections of the Annual Report relevant to the operations of the Education Assistance and Income Support sub-program with the Schools program and includes annotations which indicate that the information provides only an indirect link with the objective.</p>	<p>Followed as part of Audit report No. 11 of 1997–98 (AUSTUDY)</p>
<p>Education Assistance and Income Support sub-program</p> <p>3. The ANAO recommends that the Department improves its performance measurement of outcomes by:</p> <ul style="list-style-type: none"> • assessing quantitatively the costs and benefits of the inclusion of an additional question(s) in the Post Program Monitoring survey to allow the direct measurement of the impact of participation in labour market programs in terms of gaining full or part-time unsubsidised employment or education and training; or • annotating the results of the Post Program Monitoring survey to indicate that a direct link cannot be made between a client's participation in a labour market program and the achievement of a positive outcome at this time. This should be done if the inclusion of further questions in the Post Program Monitoring survey is not considered feasible. 	<p>Outside the scope of the current audit because dealing with DEETYA's monitoring of its outcomes as opposed to the link between Centrelink's performance and DEETYA outcomes covered under the Service Arrangement.</p>

Audit recommendation	Have DEETYA/Centrelink addressed this?
<p data-bbox="266 953 292 1745"><i>Performance Information, DEETYA, Audit Report No. 25 of 1995–96</i></p> <ol style="list-style-type: none"> <li data-bbox="341 820 494 1745">4. The ANAO recommends that the Department: <ul style="list-style-type: none"> <li data-bbox="380 820 494 1745">• provides information in internal reports on cost performance successful outcome on a regular basis to allow the assessment of the relative efficiency of Labour Market Programs and Operational Areas in order to ensure that remedial action is taken where necessary; and <li data-bbox="505 820 615 1745">• use information systems to provide, on an ongoing basis, performance information on the reasons participants cease to attend courses prior to completion. Specifically, it should identify instances where participants leave because the course was inappropriate to their needs. <li data-bbox="626 820 938 1745">5. The ANAO recommends that the Department: <ul style="list-style-type: none"> <li data-bbox="665 820 775 1745">• provides positive outcome information separately for the two types of outcome identified by the Department, that is, separate information on outcomes relating to progress into unsubsidised employment and those relating to progress into unsubsidised education and training; <li data-bbox="786 820 870 1745">• when presenting information in the Annual Report, provides sufficient information to allow valid comparisons of the various outcomes reported for each Labour Market Program; and <p data-bbox="881 820 938 1745">provides information for more than one year to allow the assessment of trends in outputs and outcomes of Labour Market Programs.</p>	<p data-bbox="341 154 451 820">Outside the scope of the current audit because dealing with DEETYA's monitoring of its outcomes as opposed to the link between Centrelink's performance and DEETYA outcomes covered under the Service Arrangement.</p>

Audit recommendation	Have DSS/DEETYA/Centrelink addressed this?
<p><i>AUSTUDY, Audit Report No. 11 of 1997–98 (*NB. Responsibility for this program, in reduced form and as part of the Youth Allowance, transferred to DSS from DEETYA on 1 July 1998)</i></p>	
<p>10. The ANAO recommends that the National Client Service Standards be reviewed by Centrelink to ensure that:</p> <ul style="list-style-type: none"> • the operational performance of AUSTUDY is assessed through a range of acceptable measures with greater emphasis placed on quality; • there are credible and accepted performance measures for all levels of administration responsible for the service delivery of AUSTUDY which promote accountability for, and commitment to, achievement of client service standards and targets; and • accurate and timely reporting against the standards occurs to generate performance improvement. 	<p>Yes—there is a balance of measures with plans to develop improved measures, such as the quality of advice to customers. The ANAO reviewed the performance information in the BPA at the national level only.</p> <p>The 1998-99 BPA has an improved reporting framework including bi-monthly provision of reports from Centrelink to DSS with specification outlined for the level of analysis required in the reports.</p>
<p>11. The ANAO recommends that Centrelink, in consultation with the DEETYA and DSS:</p> <ul style="list-style-type: none"> • analyses the results of the latest National Client Satisfaction Survey to determine areas requiring improvement; and • ensures that the results of future surveys are produced in a timely manner so that the information obtained can be used to improve processes in the following applications processing year. 	<p>DSS and Centrelink have agreed, as part of the client agency services required in the Youth and Students business agreement, to develop and conduct customer surveys as part of the assessment of performance information where both parties agree. It will be important for those parties to review the lessons learned by DEETYA in undertaking such surveys, as demonstrated by this recommendation.</p>
<p>14. The ANAO recommends that to improve the timeliness and quality of reviews undertaken, Centrelink should:</p> <ul style="list-style-type: none"> • review the current 60 day timeliness standard for the handling of requests for internal review of AUSTUDY decisions; and • develop a national client service standard in relation to reviews that measures the timeliness and quality of reviews handling. 	<p>The Legal Services Protocol 1998–99 sets out the performance measures for each level of administrative review. The relevant standards for internal reviews across all DSS programs (which now include AUSTUDY) is 75 percent of all reviews are to be completed within 28 days and 95 percent of all reviews involving customers with no ongoing income are to be completed within fourteen days.</p>

Audit recommendation	Have DSS/DEETYA/Centrelink addressed this?
<p>15. The ANAO recommends that Centrelink should analyse the number, nature and outcome of requests for internal review:</p> <ul style="list-style-type: none"> • at an operational level, to determine staff training needs and opportunities to improve client service; and • at a national level, at least annually, to improve the framing of regulations, training materials provided to SACs and documents used to support applications processing (for example, the policy guidelines manual). 	<p>As well as measuring the timeliness of internal reviews, DSS and Centrelink need to work cooperatively in analysing review requests and outcomes to feed into both policy and procedural work (see comments under recommendation 17).</p>
<p>17. The ANAO recommends that Centrelink analyses the statistics relating to appeals lodged with the Social Security Appeals Tribunal and the Administrative Appeals Tribunal to identify:</p> <ul style="list-style-type: none"> • common areas of appeal; • training needs for internal review officers; • ambiguities and uncertainties in the regulations; • trends in the decisions of the Social Security Appeals Tribunal and the Administrative Appeals Tribunal (numbers and categories of appeals affirmed, varied and set aside); and • opportunities to improve processes and decision-making. 	<p>According to the Performance reporting and performance information protocol, DSS and Centrelink will review how to measure and report on Centrelink's complaints handling mechanisms, including addressing policy and service related issues and review and appeal information. The results of appeals should be analysed to feed into both policy and procedural work.</p>
<p>20. The ANAO recommends that Centrelink analyses the records of ministerial, Ombudsman and client complaints to determine opportunities for improving client service and provide feedback to both national and operational staff.</p>	<p>Complaints handling mechanisms should also include Ministerials and Ombudsman inquiries.</p>

Appendix 3

Key Performance Indicators (KPIs) from Schedule A of the 1998–99 Service Arrangement between DEETYA and Centrelink

KPI	Description	Measure
1	The proportion of customers, including those in special groups, satisfied with services delivered by Centrelink. In particular: <ul style="list-style-type: none"> • the services they received at registration, the waiting times at the counter, for teleservicing and for interviews; • the type and quality of information received at registration and in subsequent contacts with Centrelink; and • whether were referred to Job Network members of their choice where possible. 	Customer service
2	The completeness and accuracy of job seeker data accuracy gathered from job seekers and recorded in IES, both at registration and when the customer informs Centrelink of a change in their circumstances.	Process
3	The proportion of eligible job seekers enrolled with a Job Network member for Job Matching, within 28 days of registration or by 31 August if registered prior to 1 May 1998, and with at least one link maintained at all times after enrolment.	Process timeliness
4	The number of people registered disaggregated by special groups, by length of registration (non-allowees) or length of receipt of income support (allowees), by gender and by number of CDEP ³³ participants.	Input/ process
5	The proportion of all youth and eligible job seekers who are not claiming Newstart or Youth Allowance registered within three days of their initial contact with Centrelink. The proportion of all job seekers who are claiming Newstart or Youth Allowance registered within seven days of their initial contact with Centrelink (with the exception of job seekers identified for secondary classification). The proportion of all job seekers identified for secondary classification registered within fourteen days of their initial contact with Centrelink (unless external advice is unable to be obtained within this timeframe).	Process timeliness
6	The number of reclassifications made as a proportion of the the number of requests for reclassification resulting from the application of the JSCI, including any secondary classification.	Process accuracy
7	The proportion of all requests for review of the JSCI classification completed and the customer or Job Network members advised of the outcome within 5 working days of the request being lodged (unless external advice is unable to be obtained within this timeframe).	Process timeliness

³³ Community Development Employment Program.

8	The number of job seekers with WAT ³⁴ scores of 50 or more (or as agreed between DEETYA and DH&FS) who are referred to Intensive Assistance.	Output
9	The level of touch screen usage (TSU) per office by type of search as monitored by the number of job searches and the number of Job Network member searches per TSU per day.	Output
10	The number of job seekers referred to Intensive Assistance by level and by special groups.	Output
11	The number of job seekers referred to Job Search Training.	Output
12	The proportion of Job Network Members, including New Apprenticeships Centres, who are satisfied with the services of Centrelink. In particular: <ul style="list-style-type: none"> • the number and types of job seekers being directed/referred to them for job placements, Job Search Training, Intensive Assistance, traineeships, apprenticeships and labour market assistance; and • arrangements with Centrelink to display promotional material. 	Client Service
13	The number of reviews upheld as a proportion of the number of requests for reviews of eligibility in respect of job seekers referred to as an indicator of the consistent application of Job Search Training identification process on a national basis.	Process accuracy
14	This KPI will be set after 31 July 1998 following agreement between the Department and Centrelink about the review process. ³⁵	N/A
15	The number of 18–24 year olds referred to mutual obligation activity by type of activity (Work for the Dole, Literacy and Numeracy Pre-training Assessments, Literacy and Numeracy Training, Career Counselling, Job Search Training, Intensive Assistance, Jobs Placement, Employment and Training).	Output
16	The proportion of ABSTUDY and AIC students that report they are satisfied with: <ul style="list-style-type: none"> • accessibility and quality of advice and information provided; • quality of response and inquiry response time; and • accuracy and timeliness of assessments. 	Customer service
17	Achievement Year to Date of the ABSTUDY and AIC Service Standards outlined above in relation to: <ul style="list-style-type: none"> • applications processing; • processing customer initiated changes in circumstances; • accuracy of eligibility, entitlements, and payment decisions; • review response times; and • telephone response times (provided by Centrelink). 	Process timeliness and accuracy

³⁴ Work Ability Table

³⁵ As at 27 August 1998 discussions between Centrelink and DEETYA on this issue had not been finalised.

Appendix 4

Other performance information requirements from Schedule A of the 1998–99 Service Arrangement between DEETYA and Centrelink

Area	Other performance information requirements	Type of measure	Target/standard
A1.1	<p>Information should be provided by Centrelink on the number and category (ie. special groups) of customers serviced using different strategies. This should include information related to:</p> <ul style="list-style-type: none"> • tele-servicing; • face-to-face registration interviews; • use of specialist services at registration, by category of specialist service eg. interpreters, Multicultural Service Officers etc; • visiting service; and • remote area servicing. <p>The Department and Centrelink will develop an agreed strategy for gathering this information by the end of September 1998.</p>	Output	×
A1.1	The number of job-seekers classified by the JSCI classification and outcomes (as recorded on IES and directly monitored by the Department).	Output/ outcome	×
A1.1	The number of job-seekers being identified for secondary classification as recorded on IES and directly monitored by the Department.	Output	×
A1.1	The number of requests for reclassification and the reclassifications made, with specific reference to the JSCI factor(s) renewed to be provided on a monthly basis.	Outcome	✓
A1.2.1	Number of breaches raised by type of breach (as recorded on IES and directly monitored by the Department).	Output	×
A1.2.1	Number of possible breaches notified by Job Network members by service type, by type of branch and the outcomes of those breach notifications by type of outcome (as recorded on IES and directly monitored by the Department).	Output outcome	×
A1.2.1	<p>For breaches which are applied as a result of possible breach notifications from Job Network members or in relation to Work for the Dole:</p> <ul style="list-style-type: none"> • Number of requests for review submitted to Centrelink and the outcome of those requests for review broken down according to breach reason and result (as provided by Centrelink); and • Number of appeals submitted to the SSAT and the outcome of those appeals broken down according to legislation and result (as provided by Centrelink). 	Output	×
A1.2.2	Number of approved activity commencements by month, type of activity, and duration of activity (as recorded on IES and directly monitored by the Department).	Output	×

A1.3	<p>The proportion of customer, including those from special groups, that report they are satisfied with:</p> <ul style="list-style-type: none"> • the type, amount and quality of the information provided to them on the availability of services provided on behalf of the Department; • the information provided to them on how to access the services delivered on behalf of the Department; and • the information provided about the availability and usage of Job Network Access, the presentation of the area, working order of facilities, Centrelink assistance and level of access to Job Network Access. <p>As monitored by the annual Departmental Survey of Customer Perceptions of Service Quality referred to in KPI 1.</p>	Customer service	✓
A1.3	<p>The proportion of Job Network members who are satisfied with the arrangements for displaying promotional material in Centrelink offices as monitored by the Annual Departmental Survey of Service Provider's Perception of Service Quality (see KPI 12)</p>	Customer service	✓
A1.4	<p>The number of intensive Assistance referrals by JSCI score, classification level, specialist group, at high risk and duration of UE, by type of provider (as recorded on IES and directly monitored by the Department).</p>	Output	✓
A1.4	<p>The number of Job Search Training referrals by special group, and duration of UE, by type of provider (as recorded on IES and directly monitored by the Department).</p>	Process/ Output	✓
A1.4	<p>The number of requests for reviews and number of reviews upheld of the selection and referral under Job Search Training.</p>	Output/ outcome	×
A1.4	<p>The number of Job Search Training referrals by category of job search skills and specialist group, by type of provider (as recorded on IES and directly monitored by the Department).</p>	Output	✓
A1.5	<p>The number of approved placements by month, and duration of activity in Work for the Dole projects (as recorded on IES and directly monitored by the Department).</p>	Output	×
A1.5	<p>The types and numbers of job seekers who are referred for PSNAs and SNAs including those jobseekers from special groups (as monitored by monthly reports from Centrelink to the Department).</p>	Output	×
A1.5	<p>The total number of PSNAs (split between "Secondary Classification" and "Other"), and SNAs conducted (as monitored by the Department through IES).</p>	Outcome	×
A1.5	<p>The outcomes of PSNAs (split between "Secondary Classification" and "Other") and SNAs (ie. the number of job seekers who are identified as having "special needs" and the number of job seekers who are identified as "not having special needs") (as monitored by the Department through IES).</p>	Outcome	×
A1.5	<p>The number of CSP providers who obtain "employment outcome payments" for placing CSP participants in employment (as monitored by Centrelink through performance management of CSP).</p>	Output/ Outcome	×

A1.5	The number of job seekers who have been provided with assistance by contracted CSP providers and the effectiveness of this assistance. This will include the number of people who leave the CSP and become eligible for Intensive Assistance; who transfer to a more appropriate benefit or pension; or who secure employment or further education. Information is also required on the length of time it has taken for these outcomes to be achieved (as monitored by monthly reports from Centrelink to the Department).	Output	×
A1.5	The numbers and types of complaints received by Centrelink about CSP providers.	Customer service/output	×
A1.5	Information on the Community Support Programme (as provided by Centrelink) including the names, locations and numbers of contracted CSP providers.	Input	×
A2	The number of customers registered or referred to Job Network members through each visiting service by Centrelink Region as reported by Centrelink to the Department.	Output	×
A3	The number of 18–24 year olds undertaking a mutual obligation activity compared with the number eligible for mutual obligation. All available places for programmes contributing to mutual obligation are filled consistent with customer eligibility and choice. As monitored by Centrelink on a monthly basis.	Output	×
A3	The number of referrals and placements for Work for the Dole by type of referral (ie. voluntary or compulsory, and whether mutual obligation or non-mutual obligation).	Output	×
A3	The proportion of young people of all job seekers referred to Job Search Training and Intensive Assistance as obtained through KPIs 10 &11.	Output	×
A4	Provide monthly statistics to the Department in a format to be agreed/specified by the Department by the tenth day of the following month which detail ABSTUDY and AIC programme savings and recoveries.	Output	×
A4	Provide six monthly reports on ABSTUDY and AIC fraud investigations, or more frequently as requested, in a format to be developed jointly by Centrelink and DEETYA.	Process/Output	×
A4	Provide a report to DEETYA identifying debts recovered and arrears payment made with respect to individual cases where DEETYA fraud investigation commenced prior to 1 July 1997, within 3 weeks of DEETYA providing case IDs to Centrelink.	Process/Output	✓
A5	Centrelink will meet Intensive Assistance referral targets for Indigenous Australian job seekers.	Output	×
A5	Number of CDEP participants registered for employment assistance.	Output	✓

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