

The Auditor-General  
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Performance Audit

# **Quality On Line Control for Centrelink Payments**

**Department of Human Services**

Australian National Audit Office

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of Australia 2012

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Canberra ACT  
29 March 2012

Dear Mr President  
Dear Mr Speaker

The Australian National Audit Office has undertaken an independent performance audit in the Department of Human Services in accordance with the authority contained in the *Auditor-General Act 1997*. Pursuant to Senate Standing Order 166 relating to the presentation of documents when the Senate is not sitting, I present the report of this audit, and the accompanying brochure, to the Parliament. The report is titled *Quality On Line Control for Centrelink Payments*.

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

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ian McPhee', is positioned above the printed name.

Ian McPhee  
Auditor-General

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

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# Abbreviations

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ANAO	Australian National Audit Office
CSA	Customer Service Adviser
CtC	Check the Checking
DHS	Australian Government Department of Human Services
ISIS	Income Security Integrated System
IT	Information technology
NSO	Former National Support Office for Centrelink (now known as the Department of Human Services Canberra)
QAA	Quality Assessment and Assurance
QOL	Quality On Line
RSS	Random Sample Survey

# Glossary

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Activity	Any change made by a staff member to a customer's record in Centrelink's Income Security Integrated System. For example, customers applying for a Centrelink benefit, or supplying information that leads to a reassessment of an existing entitlement or an update to personal details.
Administrative error	Administrative error includes error caused by Centrelink staff, systems or ambiguous rules.
Centrelink	<p>The Department of Human Services (DHS) delivers a range of payments and services for retirees, the unemployed, families, carers, parents, people with disabilities, Indigenous Australians, and people from diverse cultural and linguistic backgrounds, and provides services at times of major change. Prior to July 2011, Centrelink delivered these payments and services as a separate agency. In July 2011, the <i>Human Services Legislation Amendment Act 2011</i> integrated the services of Medicare Australia and Centrelink into DHS.</p> <p>In this report, references to Centrelink's activities prior to July 2011 are references to Centrelink as an agency. References to Centrelink's activities after July 2011 are references to the activities of DHS, which delivers Centrelink services and payments.</p>
Check the Checking	Check the Checking (CtC) was a <i>quality assurance</i> program that monitored the quality of the Quality On Line (QOL) <i>quality control</i> process. CtC involved rechecking a representative sample of QOL checked and released new claim activities to determine if they were checked correctly.



Critical error	<p>An error made by a staff member in processing an activity that relates to <i>The Four Pillars of Payment Correctness</i> or critical <i>Getting It Right—Minimum Standards</i>. The critical <i>Getting It Right—Minimum Standards</i> are:</p> <ul style="list-style-type: none"> <li>• Proof of Identity (<i>Chief Executive’s Instruction</i> 19.01 to 19.04);</li> <li>• Online Documentation (<i>Chief Executive’s Instruction</i> 19.05 to 19.09); and</li> <li>• Recording Reasons for Decisions (<i>Chief Executive’s Instruction</i> 19.22 to 19.25).</li> </ul>
Customer error	Customer error is an error or omission by the customer in providing information to Centrelink.
<i>Getting It Right—Minimum Standards</i>	Centrelink standards for administering customer contacts and system updates relating to such matters as proof of identity, online documentation, records management and recording reasons for decisions.
Income Security Integrated System	A suite of systems for recording customer claims and processing Centrelink payments. The Income Security Integrated System is Centrelink’s main electronic customer database.
Non-critical error	An error made by a staff member in processing an activity that does not relate to <i>The Four Pillars of Payment Correctness</i> or <i>Getting It Right—Minimum Standards</i> .
Payment accuracy	The ability to pay eligible customers the right amount of money, through the correct program, at the right time. Payment inaccuracy includes customer and administrative error.

Payment correctness	A measure of how well the staff and systems deliver the right payment to the right person at the right rate on the right date. Centrelink aims to achieve a target of 95 per cent of payment correctness, and measures its performance using Random Sample Surveys in sufficient numbers to ensure confidence in the results.
Quality Assessment and Assurance program	A quality review process, (QAA) designed to assess the correctness of specific payment-related activities based on payment risk.
Quality On Line	A quality control process designed to detect and prevent staff errors at their source. A Quality On Line (QOL) check prevents the finalisation of a piece of work, pending the outcome of a check by a certified QOL Checker. Incorrect work is returned to the Customer Service Adviser for correction.
QOLStat	QOLStat is Centrelink's software tool for extracting management information from a central database of Quality On Line results.
QOL tool	An application used by Centrelink for Quality On Line (QOL) checking. The QOL tool provides screenshots relating to activities selected for QOL checking and a set of related questions for QOL Checkers to answer online.
<i>The Four Pillars of Payment Correctness</i>	A Centrelink policy outlining the elements of a correctly processed customer payment. The policy identifies that a correct payment outcome will be achieved if the right person is paid under the right program at the right rate for the right date(s).

## **Summary and Recommendations**



# Summary

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## Introduction

1. Every year, millions of Australians come into contact with Australian Government agencies that deliver a wide range of services to the community. Within the Human Services portfolio, Centrelink, Medicare, the Child Support Agency, CRS Australia (all within the Department of Human Services) and Australian Hearing deliver over 200 different services to the community and administer more than \$130 billion in payments on an annual basis.

## Reforming the delivery of human services

2. In December 2009, the Australian Government announced a redesign of the service delivery arrangements in the Human Services portfolio.<sup>1</sup> The major structural and service delivery reforms foreshadowed were designed to improve collaboration between the human service delivery agencies and, by increasing coordination, improve access to services for the portfolio's many and diverse customers.<sup>2</sup>

3. The Service Delivery Reform program<sup>3</sup> is to be implemented between 2010 and 2021. Significant structural changes have already occurred, with the Department of Human Services (DHS) integrating Medicare Australia and Centrelink from 1 July 2011.<sup>4</sup> The reconstituted DHS is responsible for the development, delivery, and coordination of government services, and the development of service delivery policy.<sup>5</sup>

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<sup>1</sup> The Hon Chris Bowen MP, Minister for Human Services, Address to the National Press Club, *Service Delivery Reform: Designing a system that works for you*, Canberra, 16 December 2009 [Internet]. Available from <<http://www.chrisbowen.net/media-centre/speeches.do?newsId=2809>> [accessed 28 October 2011]. In December 2009, the Human Services portfolio incorporated the Department of Human Services, Centrelink, Medicare Australia, the Child Support Agency, Australian Hearing and CRS Australia.

<sup>2</sup> *ibid.*

<sup>3</sup> Service Delivery Reform has three objectives: to make people's dealings with government easier through better delivery and coordination of services; to achieve more effective service delivery outcomes for government; and to improve the efficiency of service delivery.

<sup>4</sup> In July 2011, the *Human Services Legislation Amendment Act 2011* integrated the services of Medicare Australia and Centrelink into DHS. Australian Hearing remains under the Human Services portfolio, but is a statutory authority separate from the department.

<sup>5</sup> Commonwealth of Australia, *Administrative Arrangements Order*, 9 February 2012, p. 27.

## Centrelink

4. In 2010–11, Centrelink was the largest single agency in the Human Services portfolio.<sup>6</sup> Centrelink employed approximately 25 000 staff in 313 customer service centres and 25 call centres across Australia to deliver a range of services to 7.1 million customers and administer \$90.5 billion in payments.<sup>7</sup> Before July 2011, Centrelink operated in 15 defined geographical areas throughout Australia. Each area consisted of an Area Office and a number of customer service centres that delivered face-to-face services to the public. In July 2011, the Human Services portfolio, including Centrelink, moved to managing service delivery in 16 service zones across Australia, led by individual Service Leaders.<sup>8</sup>

5. Centrelink's focus on providing high quality services to the community and ensuring payment integrity complements the Service Delivery Reform program. Payment correctness is an important element of Centrelink's approach to quality management for assuring the integrity of payments administered by Centrelink on behalf of the Government. Centrelink defines payment correctness in terms of there being four pillars of payment correctness: right person; right program; right rate; and right date.<sup>9</sup>

## Why quality and payment correctness matter

6. The nature of Centrelink's operations makes it essential that it have in place a quality assurance framework and effective controls to support high quality service delivery, which minimises the risk of payment errors occurring. Administrative and customer error<sup>10</sup> can result in a financial impact for customers' payments, inconvenience to customers and/or additional work for Centrelink, and both require effective risk management. Centrelink seeks to mitigate the risk of administrative error through a range of procedural and system measures. Other key initiatives are staff training and monitoring the quality of work activities performed by staff.

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<sup>6</sup> In this report, references to Centrelink's activities prior to July 2011 are references to Centrelink as an agency. References to Centrelink's activities after July 2011 are references to the activities of DHS, which delivers Centrelink services and payments.

<sup>7</sup> Department of Human Services, *Centrelink Annual Report 2010–11*, DHS, Canberra, 2011, p. 17.

<sup>8</sup> In this report, either 'area' or 'zone' will be used to refer to the arrangements in existence at the time.

<sup>9</sup> Centrelink, *The Four Pillars of Payment Correctness*, 2002.

<sup>10</sup> Administrative error includes error caused by Centrelink staff, systems or ambiguous rules. Customer error is an error or omission by the customer in providing information to Centrelink.

7. For administrative error, the Australian National Audit Office (ANAO) has previously reported that:

while an [administrative] error may be immaterial to payment today – such as a coding error – it represents the possibility that compliance controls could be precluded from identifying future payment inaccuracy...From this perspective, administrative errors – whether material to outlays or not – may contribute to underlying inaccuracy.<sup>11</sup>

8. A further consequence of administrative error can be a reduction in the public's and Government's confidence in the integrity of payments made by Centrelink.

### **Quality control and quality assurance**

9. Centrelink's approach to quality management in its customer operations and processing environments involves a range of quality controls and quality assurance processes. Quality controls relate to upfront, pre-payment measures and include electronic systems design and automated decision-making processes, security management for access to Centrelink systems, and delegations to perform certain work. Quality assurance processes within Centrelink refers to post-payment measures and includes Random Sample Survey (RSS) reviews<sup>12</sup> and internal audits. Further assurance is provided about the conduct of Centrelink's business by the publication of external audits and the Commonwealth Ombudsman's reports.

10. The RSS is Centrelink's primary assurance mechanism to measure the accuracy of program outlays on social security payments administered by Centrelink. Payment correctness is measured using RSS and reported in annual reports. The survey provides a point-in-time analysis of a stratified sample of customers' circumstances designed to establish whether customers are paid accurately across the programs administered by Centrelink.

### **Quality On Line**

11. Introduced in 2000, Quality On Line (QOL) is one of Centrelink's main pre-payment quality control mechanisms for payment correctness. QOL is the first point of checking and is described by Centrelink as a preventative check.

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<sup>11</sup> ANAO Audit Report No.43 2005–06, *Assuring Centrelink Payments—The Role of the Random Sample Survey Programme*, p. 22.

<sup>12</sup> Further information about the RSS can be found in ANAO Audit Report No.43 2005–06, *Assuring Centrelink Payments—The Role of the Random Sample Survey Programme*.

12. The QOL process involves a checker reviewing a predetermined sample of a Centrelink Customer Service Adviser's (CSA) work activities<sup>13</sup> to check for correctness, in terms of processing a customer's claim and the CSA's data entry of details into Centrelink's electronic customer database. Once an activity is entered into the database, it may be selected for QOL checking based on an assessment of risk, checked for error, and then either released for payment or returned to a CSA for correction.

13. A set of national standards for the operation of QOL is in place to provide a consistent approach to the use of QOL across the Centrelink network. Compliance with the national standards is a mandatory requirement for Centrelink staff. Centrelink records QOL checking results in order to monitor quality trends and to identify correctness rates and training needs for CSAs.

### **Check the Checking—quality assurance for Quality On Line**

14. In response to ANAO Audit Report No.34 2000–01, *Assessment of New Claims for the Age Pension by Centrelink*, Centrelink introduced Check the Checking (CtC) arrangements 'as a means of providing feedback and identifying training needs for QOL checking officers'.<sup>14</sup> Centrelink operated a form of CtC for approximately 11 years, from 2000 to 2011, until the program was replaced in August 2011 by a new quality assessment and assurance process.

15. CtC was a *quality assurance* program that monitored the quality of the QOL *quality control* process. CtC involved rechecking a representative sample of QOL checked and released new claim activities to determine if they were checked correctly. CtC provided a limited level of assurance that QOL was an effective way to control the risk of administrative error, because QOL checks apply to both new claim and non-new claim activities (existing customer claims).<sup>15</sup>

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<sup>13</sup> An 'activity' refers to any change made by a staff member to a customer's record in Centrelink's Income Security Integrated System (ISIS—an electronic customer database). For example, customers applying for a Centrelink benefit, or supplying information that leads to a reassessment of an existing entitlement or an update to personal details.

<sup>14</sup> ANAO Audit Report No.34 2000–01, *Assessment of New Claims for the Age Pension by Centrelink*, p. 99.

<sup>15</sup> In 2010–11, new claim activities represented 18.5 per cent of the total QOL activities processed that year.



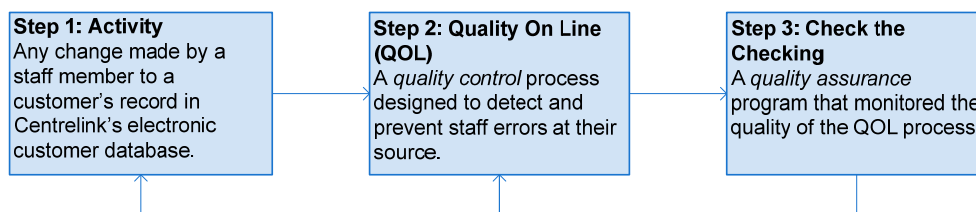
16. Centrelink had considered the inclusion of non-new claim activities in CtC, but concluded that the complexity of retrieving paper records quickly from customer service centres, processing centres or record management storage facilities located around Australia was not feasible, and would be more difficult than checking new claim activities. Centrelink anticipates that the development of virtual QOL and the increasing use of digitised records in Centrelink will make it possible to review non-new claim activities in the future, using the replacement quality assurance process for CtC.

## Overview and recent results

17. Figure S 1 is an overview of the respective roles of QOL and CtC and the relationship between them.<sup>16</sup>

**Figure S 1**

### Overview of Quality On Line and Check the Checking processes



Source: ANAO analysis.

18. As shown in Figure S 1, outcomes from the QOL and CtC processes are used to correct administrative errors made by Centrelink staff when creating or changing customer records. While QOL checks are performed in close proximity to the processing of an activity—usually on the same day—CtC can be undertaken some months after a CSA processes an activity that was subsequently selected for a QOL check.<sup>17</sup>

19. Table S 1 presents the QOL results for 2010–11 and the final round of CtC, which was conducted in 2010. The QOL and CtC processes are described and analysed in detail in Chapters 3 and 4 respectively of the audit report.

<sup>16</sup> Centrelink discontinued CtC in August 2011 during the fieldwork stage of this audit.

<sup>17</sup> In 2009 and 2010, CtC was to be repeated three times a year, allowing one month to complete the checks followed by three months between rounds.

**Table S 1****Quality On Line (2010–11) and Check the Checking (2010) results**

<b>Quality On Line</b>		<b>Result</b>
<b>Inputs</b>		
Activities processed by Centrelink		30 572 839
Activities QOL checked		3 184 124
Staff that undertook QOL checks		6210
Estimated cost of QOL		\$12.4 million
<b>Outcome</b>		
QOL correctness rate <sup>1</sup>		95.5 %
<b>Check the Checking</b>		<b>Result</b>
<b>Inputs</b>		
QOL checks available for sampling (4 week period)		21 542
QOL checks sampled by CtC		798
Staff that undertook CtC checks		130
Estimated cost of CtC		\$12 000
<b>Outcome</b>		
Payment correctness rate <sup>2</sup>		82.2% ± 2.7%

Source: ANAO analysis.

Notes: (1) The QOL correctness rate shows the proportion of QOL checked activities that were released for payment following the QOL check.

(2) The CtC results indicate that there was a 95 per cent probability that the national level of payment correctness for QOL checked and released new claim activities was within 2.7 per cent of 82.2 per cent (between 79.5 and 84.9 per cent).

20. Table S 1 highlights the relative scale of the QOL process compared to the much smaller CtC process. In 2010–11, over 6000 Centrelink staff completed approximately three million QOL checks at an estimated cost of \$12.4 million. By comparison, approximately 800 CtC checks were completed by 130 staff in 2010 at an estimated cost of \$12 000.

21. QOL supports Centrelink in achieving payment correctness. However, QOL is an internal payment control and, unlike the RSS, which is an assurance measure, QOL results were not published in the agency's recent annual reports (2006–07 to 2010–11). In Centrelink's 2010–11 annual report, a new section on 'Quality management' was included that highlighted QOL as one of a large

number of quality controls in place to support service delivery outcomes for customers and government.<sup>18</sup>

## Future of Quality On Line

22. The ongoing implementation of Service Delivery Reform is leading to changes at all levels of Centrelink's operations. Two areas of changed operation that are likely to affect QOL are:

- Customers' use of online services. An increasing number of customers are using online services to perform some transactions: claiming a payment; reporting employment income; and updating or advising customer details. Centrelink has estimated that the customer self-service transaction model accounts for 25 per cent of transactions, compared to 75 per cent of transactions being performed by CSAs.<sup>19</sup> Customer self-service transactions are not currently subject to QOL.
- Staff use of digitisation.<sup>20</sup> The expansion of digitisation will mean that Centrelink can manage workloads nationally. For QOL, this means that virtual processing (sometimes referred to as remote processing) of QOL checks will be more widely available across the Centrelink network.<sup>21</sup>

23. Since 2000, both the QOL and CtC processes have been reviewed by Centrelink. Centrelink has considered how best to align QOL and CtC to meet current and future business needs in response to changes to organisational structure, information technology (IT) systems, and business processes. QOL is being reviewed again in 2011–12 (see Chapter 3) and CtC has been replaced with a new quality assessment and assurance process (see Chapter 4).

24. In the foreseeable future, Centrelink will continue to use QOL as the main quality control mechanism for payment correctness. Therefore, it is

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<sup>18</sup> Department of Human Services, *Centrelink Annual Report 2010–11*, DHS, Canberra, 2011, p. 145.

<sup>19</sup> Fifty-three million customer self-service transactions were reported in 2010–11, including online (update and view) and interactive voice recognition. Department of Human Services, *Centrelink Annual Report 2010–11*, DHS, Canberra, 2011, p. 17. A key performance indicator for DHS in 2011–12 is 'Increase in the proportion of transactions completed through electronic channels'. Department of Human Services, *Portfolio Budget Statements 2011–12 Human Services Portfolio*, DHS, Canberra, 2011, p. 38.

<sup>20</sup> Digitisation means that Centrelink customers' paper documents can be scanned locally or centrally and a digital image of the original document attached to the customer's electronic record.

<sup>21</sup> QOL checks were referred to as virtual QOL in the former call centres, which are now known as DHS Smart Centres and include national processing teams.

important that QOL operates effectively and contributes to supporting the integrity of payments administered by Centrelink.

25. As part of Service Delivery Reform, DHS may also integrate the currently independent quality frameworks that operate in Centrelink, the Child Support Agency and Medicare, which will also affect QOL.

## Audit objective, criteria and scope

26. Previous ANAO performance audits, since 2000, have examined aspects of Centrelink's payment control and quality assurance frameworks, such as the Random Sample Survey, and included findings about the operation of QOL. The ANAO has not previously undertaken an audit that focuses exclusively on the operation of QOL and its role in Centrelink's payment control framework.

27. The objective of the audit was to assess the effectiveness of Centrelink's QOL control, which supports the integrity of payments administered by DHS on behalf of the Australian Government.

28. Centrelink's performance was assessed against three high-level audit criteria:

- QOL is an effective quality control process for checking payment correctness;
- management information from QOL is monitored and reported to identify trends and inform changes to business processes that will lead to a reduction in administrative error; and
- CtC is an effective quality assurance program for QOL.

29. The audit scope did not include an examination of training for QOL and CtC as there was no indication of a systemic problem with training either when planning the audit or during the conduct of audit fieldwork.

## Overall conclusion

30. Before Centrelink was integrated with DHS in 2011, it was the largest single agency in the Human Services portfolio. In 2010–11, Centrelink delivered services and administered \$90.5 billion in payments to 7.1 million customers.<sup>22</sup> Administrative error caused by Centrelink staff, systems, or

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<sup>22</sup> Department of Human Services, *Centrelink Annual Report 2010–11*, DHS, Canberra, 2011, p. 17.

ambiguous rules can adversely affect customers' payments, inconvenience customers, and lead to additional work and expense for Centrelink. Achieving payment correctness in Centrelink—paying the right person at the right rate, under the right government program, and on the right date<sup>23</sup>—supports the integrity of payments made to customers on behalf of the Australian Government and contributes to the efficiency and effectiveness of Centrelink's operations.

**31.** A better practice model for achieving payment correctness would feature a quality control and related quality assurance process, with both elements contributing to minimising administrative error and the risk of payment error occurring. In 2000, Centrelink adopted Quality on Line (QOL) as a quality control and subsequently developed Check the Checking (CtC)<sup>24</sup> as the complementary quality assurance measure. Today, QOL remains as one of the key internal quality controls used by Centrelink to support payment correctness.

**32.** The QOL process is a preventative check that involves a QOL Checker reviewing a predetermined sample of a Customer Service Adviser's (CSA) work activities.<sup>25</sup> QOL checks for correctness focus on whether a CSA has accurately processed a customer's claim for a social security benefit. In 2010–11, approximately 10 per cent (three million) of the 30.6 million activities processed by CSAs were QOL checked. The checks, undertaken by approximately 6000 Centrelink staff, cost an estimated \$12.4 million. The QOL correctness rate, which shows the proportion of QOL checked activities that were released for payment following the QOL check, was 95.5 per cent.

**33.** QOL provides a limited level of assurance and is effective at the local level in Centrelink—in customer service centres and Smart Centres<sup>26</sup>—as a routine control process for identifying administrative errors, providing feedback to CSAs about their processing of activities, and identifying training needs for individual CSAs. Common administrative errors made by CSAs that

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<sup>23</sup> Centrelink, *The Four Pillars of Payment Correctness*, 2002.

<sup>24</sup> Centrelink discontinued Check the Checking in August 2011 during the fieldwork stage of the audit. Centrelink is developing a new quality assessment and assurance program to support the QOL process (refer to Chapter 4). It is too early to assess if the new program will be able to measure the quality of QOL Checkers' work and report on the effectiveness of QOL.

<sup>25</sup> The CSA's minimum correctness rate for processing activities determines their QOL proficiency level and sample size, which ranges from two per cent (Proficient) to 100 per cent (Learner) of their work being sampled.

<sup>26</sup> Call centres and national processing teams are now known as DHS Smart Centres.

could potentially affect customers receiving the right rate of payment relate to coding and verification errors for customers' income and asset details, and errors with rent assistance payments.<sup>27</sup> While QOL is effective at the local level, there remains scope to better utilise its potential through improvements to both its operation and the manner in which QOL results are used at the national level.

34. There is scope for Centrelink to improve the operation of QOL by reviewing the underlying risk-based sampling approach and refocusing QOL towards higher-risk activities and excluding or reducing the sampling of low-risk activities where administrative errors are less likely to occur. An analysis of the available 2010–11 QOL data indicated that lower QOL correctness rates were associated with the processing of new claim activities for customers, which suggests that Centrelink could also refine its sampling for QOL to target a greater volume of new claims and reduce the checking of non-new claims (existing customer claims).<sup>28</sup>

35. There is currently no control to provide assurance that administrative rework identified during QOL checking is being corrected by CSAs. Centrelink advised that, in the future, it anticipates addressing rework for QOL by a variety of means, including by: publishing recommended procedures to manage QOL feedback and rework; improving the reports available from QOL's central database of results; and potentially, adding further controls to the QOL software tool used by QOL Checkers.

36. QOL checks apply to both new claim and non-new claim activities. As a quality assurance measure for QOL, CtC only provided a limited level of assurance that QOL was an effective means to control the risk of administrative error. This was due to CtC only reviewing QOL new claim activities, rather than both new claim and non-new claim activities.<sup>29</sup> Even with the limitation on sampling (excluding non-new claim activities), the CtC results demonstrated that QOL was less than a fully reliable indicator of the level of administrative error. The 2010–11 QOL data showed a payment correctness rate of 95.5 per cent across all QOL checked activities. In contrast,

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<sup>27</sup> Centrelink, *Check the Checking Round 3 Analysis, October–November 2010*, January 2011, p. 9.

<sup>28</sup> During 2010–11, more than 80 per cent of Centrelink's QOL checks related to non-new claims, with less than 20 per cent of QOL checks relating to new claims. However, the QOL correctness rate relating to new claims was 91.2 per cent, or 5.2 per cent lower than the rate for non-new claims (96.4 per cent).

<sup>29</sup> In 2010–11, new claim activities represented 18.5 per cent of the total QOL activities processed that year.

the CtC results in 2009 and 2010 indicated a national outcome<sup>30</sup> in the range of 73.5 per cent to 84.9 per cent<sup>31</sup> for the samples of QOL checked and released new claim activities. The difference between the CtC and QOL results lends support to Centrelink's approach to QOL, which treats QOL as only one control available to Centrelink to reduce administrative error.

37. In Centrelink, the devolution of administrative arrangements for QOL to local supervisors and managers means that the daily operation and performance of QOL is less visible at the national level to strategic management committees. While Centrelink has established both IT system-based mechanisms and a procedural framework that provide an effective basis for the operation of QOL, national-level monitoring of the effectiveness of QOL is constrained and Centrelink has not developed performance indicators to measure and report on QOL's effectiveness at the national level. In order to maximise the potential usefulness of QOL and its contribution to managing Centrelink's administrative error rate, there would be benefit in Centrelink improving its reporting capability to support national-level monitoring of key measures of QOL's performance. As part of improving its reporting capability, capturing a longer time series of data to support trend analysis<sup>32</sup> and analysing the feedback comments from QOL Checkers to CSAs to identify training needs at the national level, would be beneficial. Access to better management information for QOL at the national level would enable Centrelink to focus on improving the performance of existing business processes with a view to reducing administrative error and maintaining, or improving, payment integrity outcomes to the benefit of customers.

38. The QOL process aligns with the ongoing focus in DHS on Service Delivery Reform and providing a better experience for customers of government services. Administrative errors can result in post-QOL rework by Centrelink to correct underpayments or initiate debt recovery action for overpayments to customers. Using QOL to improve the quality of CSAs' original decision-making could lessen appeal fatigue for customers involved in

<sup>30</sup> The national outcome is the overall payment correctness for QOL checked and released new claim activities, for all benefits combined (refer to Chapter 4).

<sup>31</sup> The average payment correctness level for the final three rounds of CtC performed in 2009 and 2010 was 78.8 per cent. The payment correctness rate presented in Table S 1, and Note 2, is only for CtC results in 2010.

<sup>32</sup> Centrelink stores QOL results in a central (DB2) database for a rolling period of 14 months.

seeking reviews of administrative decisions<sup>33</sup> and decrease the amount of rework for Centrelink. In this context, Centrelink's current review of QOL is a timely opportunity to determine if QOL is effectively and efficiently meeting business needs. Any major changes made to QOL, as an outcome of the review, would benefit from a post-implementation review to identify the lessons learned.

39. The ANAO has made two recommendations aimed at improving the effectiveness of QOL and maximising QOL's contribution to Centrelink's payment integrity performance by: examining the current approach to risk-based sampling rates for QOL; and ensuring that a quality assurance mechanism is maintained to underpin QOL.

## Key findings

### Governance, Policy and Guidelines (Chapter 2)

40. Centrelink's governance arrangements for monitoring the operation of QOL at a national level could be improved, in particular for the National Quality Sub-Committee—the main governance committee for quality-related matters. While there was no routine QOL or CtC reporting against agreed key performance indicators, the Sub-Committee has endorsed significant changes to QOL and CtC. Monitoring QOL performance at a national level could be improved if routine reporting was introduced. This reporting could focus on agreed key performance indicators against which QOL or CtC equivalent results could be measured and, if necessary, trigger remedial action nationally.

41. Underpinning the day-to-day operation of QOL (and previously CtC) is a series of policies and guidance that, among other things, are designed to align with Centrelink's approach to payment correctness and administrative priorities. By its nature, QOL is a risk mitigation strategy for payment correctness. However, the policies and guidance should be supported by a risk management plan that identifies the risks to the operation and performance of QOL and identifies risk mitigation treatments.

42. During the fieldwork stage of the audit, Centrelink developed a risk assessment for QOL, which indicated that Centrelink's IT systems do not fully

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<sup>33</sup> ANAO Audit Report No.16 2010–11, *Centrelink's Role in the Process of Appeal to the Social Security Appeals Tribunal and to the Administrative Appeals Tribunal*, examined customer requested reviews or appeals of decisions made by Centrelink.



support the implementation of QOL's operational guidance or the generation of national reports. A current review of QOL provides Centrelink with an opportunity to finalise a risk management plan for QOL, which addresses the risks that are specific to the operation of QOL.

### **Quality On Line (Chapter 3)**

43. The software tool supporting QOL uses a risk-based approach of targeting QOL checking at activities and staff deemed to be of higher risk of making a processing error. However, currently there is no central oversight or regular review of the sampling regime, including the sampling rates. Further, Centrelink's draft overarching risk assessment for QOL does not comprehensively identify the risks associated with processing each activity or establish a methodology for ranking the risks of processing different activities.

44. For QOL to be most effective, it is important that Centrelink establish and maintain the risk-based sampling rates. This should be premised on a systematic approach to assessing the risks of processing individual activities and include periodic reviews of the level of risk and rate of QOL sampling for each claim processing activity. The development of a risk management plan for QOL in the future could be used to inform the setting of risk-based sampling rates in QOL, which would improve the effectiveness of QOL and, potentially, produce a cost benefit for Centrelink.

45. The administrative arrangements in place to support the assessment of staff proficiency (level of accuracy in processing activities) and the annual certification of QOL Checkers are central to the effective functioning of QOL—for targeting activities for checking and the integrity of individual QOL checks. Centrelink currently devolves responsibility for administering those processes to local supervisors and managers. As a result, Centrelink has no performance indicators against which to support a national assessment of QOL's effectiveness.

46. While Centrelink's software for QOL provides a degree of functionality at the individual and office level that allows areas for improvement to be identified and targeted, QOL results are not regularly monitored and reported at a national level. Access to information about QOL's performance would support national-level decision-making about the operation of business integrity controls in Centrelink. However, the operation of the QOL software provides little scope for national-level monitoring, including reporting basic metrics (the number of QOL Checkers and the average time taken to complete a check), or identifying areas for systemic improvement. Currently, Centrelink

also has limited visibility over how much rework is being generated by QOL, whether this work is being completed, and both the ongoing cost of rework and full cost of QOL. Readily available access to such information would assist Centrelink to obtain assurance about the effective operation of QOL and the success or otherwise of modifications to the process.

47. The QOL process has been in place for more than 10 years and Centrelink will need to consider the role and effectiveness of QOL in the context of the Service Delivery Reform program. Greater use of digitisation for customers' records has the potential to improve Centrelink's capacity to manage QOL workloads and build expertise. A significant shift towards customers using self-service options (online and phone) has also placed transactions outside the current QOL process and could lead to the QOL process being transformed at some future point in time. In this regard, Centrelink's 2011–12 review of QOL will inform the future development and effectiveness of the QOL payment control within Centrelink's broader quality framework and business operating environment.

### **Check the Checking (Chapter 4)**

48. Centrelink operated a form of CtC for approximately 11 years from 2000 to 2011 to monitor the quality of the QOL process. The CtC results provided a limited level of assurance to Centrelink that the QOL system worked effectively. CtC results were stable over time and demonstrated that QOL was less than fully reliable as an indicator of the level of administrative error occurring in work performed by CSAs processing activities for customers of Centrelink. An average payment correctness level of approximately 78.8 per cent for the final three rounds of CtC checks in 2009 and 2010 was consistent with an earlier series of checks.

49. Before 2011, the decreasing visibility and functionality of CtC—due to suspensions of CtC, reduced rounds of checking and loss of detail in reporting the results—combined with predictable results, eroded the value of CtC over time and contributed to Centrelink's decision to replace CtC. A new quality assessment and assurance (QAA) program, introduced in August 2011, is developmental.<sup>34</sup> Centrelink intends that the new program will incorporate lessons learned from CtC about the skill level of checkers, results from

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<sup>34</sup> QAA has a dual purpose—to assess the causes of administrative error in Centrelink and to provide assurance about the operation of QOL and other work processes used by CSAs to process customers' claims for the payment of social security benefits.

previous CtC checking rounds, and the potential to improve database management for CtC. However, it is too early to assess the effectiveness of QAA as a replacement quality assurance process for QOL.

## Summary of agency response

50. The Department of Human Services (the department) welcomes this report and considers the implementation of its recommendations timely given the reforms currently being undertaken. The department has commenced work on analysing the opportunities to amalgamate Quality Frameworks, including investigation of quality control and assurance processes.

# Recommendations

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## **Recommendation No.1**

### **Para 3.16**

To establish and maintain effective risk-based activity sampling rates for Quality On Line (QOL), the ANAO recommends that the Department of Human Services:

- (a) document an approach to assessing risk and assigning QOL sampling rates;
- (b) complete a risk assessment for each claim processing activity, including those currently exempt from QOL checking; and
- (c) periodically review the level of risk and rate of QOL sampling associated with each claim processing activity.

**DHS response:** Agreed.

## **Recommendation No.2**

### **Para 4.34**

Following the replacement of Check the Checking with a new Quality Assessment and Assurance Program in August 2011, the ANAO recommends that the Department of Human Services maintain a capacity to provide quality assurance for Quality On Line (QOL) that measures the consistency and accuracy of QOL checks and provides for reporting on the effectiveness of QOL for checking payment correctness.

**DHS response:** Agreed.

## **Audit Findings**



# 1. Introduction

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*This chapter provides background information about Centrelink's Quality On Line control, and explains the audit approach and structure of the report.*

## Reforming the delivery of human services

**1.1** In December 2009, the Australian Government announced a redesign of the service delivery arrangements in the Human Services portfolio.<sup>35</sup> The major structural and service delivery reforms foreshadowed were designed to improve collaboration between the human service delivery agencies and, by increasing coordination, improve access to services for the portfolio's many and diverse customers.<sup>36</sup>

**1.2** The Service Delivery Reform program<sup>37</sup> is to be implemented between 2010 and 2021. Significant structural changes have already occurred, with the Department of Human Services (DHS) integrating Medicare Australia and Centrelink from 1 July 2011.<sup>38</sup> The reconstituted DHS is responsible for the development, delivery, and coordination of government services, and the development of service delivery policy.<sup>39</sup>

## Centrelink

**1.3** In 2010–11, Centrelink was the largest single agency in the Human Services portfolio. Centrelink employed approximately 25 000 staff in 313 customer service centres and 25 call centres across Australia to deliver a range of services to 7.1 million customers and administer \$90.5 billion in

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<sup>35</sup> The Hon Chris Bowen MP, Minister for Human Services, Address to the National Press Club, *Service Delivery Reform: Designing a system that works for you*, Canberra, 16 December 2009 [Internet]. Available from <<http://www.chrisbowen.net/media-centre/speeches.do?newsId=2809>> [accessed 28 October 2011]. In December 2009, the Human Services portfolio incorporated the Department of Human Services, Centrelink, Medicare Australia, the Child Support Agency, Australian Hearing and CRS Australia.

<sup>36</sup> *ibid.*

<sup>37</sup> Service Delivery Reform has three objectives: to make people's dealings with government easier through better delivery and coordination of services; to achieve more effective service delivery outcomes for government; and to improve the efficiency of service delivery.

<sup>38</sup> In July 2011, the *Human Services Legislation Amendment Act 2011* integrated the services of Medicare Australia and Centrelink into DHS. Australian Hearing remains under the Human Services portfolio, but is a statutory authority separate from the department.

<sup>39</sup> Commonwealth of Australia, *Administrative Arrangements Order*, 9 February 2012, p. 27.

payments.<sup>40</sup> Before July 2011, Centrelink operated in 15 defined geographical areas throughout Australia. Each area consisted of an Area Office and a number of customer service centres that delivered face-to-face services to the public. In July 2011, the Human Services portfolio, including Centrelink, moved to managing service delivery in 16 service zones across Australia, led by individual Service Leaders.<sup>41</sup>

**1.4** Centrelink's focus on providing high quality services to the community and payment integrity complements the Service Delivery Reform program. The key characteristics of quality, as defined by Centrelink, are:

- accuracy (of payments and services);
- efficiency (including timeliness and cost);
- consistency of process and outcomes; and
- continuous improvement.<sup>42</sup>

**1.5** Payment correctness is an important element of Centrelink's approach to quality management for assuring the integrity of payments administered by Centrelink on behalf of the Government. Centrelink defines payment correctness in terms of there being four pillars of payment correctness: right person; right program; right rate; and right date.<sup>43</sup>

## **Why quality and payment correctness matter**

**1.6** The nature of Centrelink's operations makes it essential that it have in place a quality assurance framework and effective controls to support high quality service delivery, which minimises the risk of payment errors occurring. Administrative and customer error<sup>44</sup> can result in a financial impact for customers' payments, inconvenience to customers and/or additional work for Centrelink, and both require effective risk management. Centrelink seeks to mitigate the risk of administrative error through a range of procedural and system measures. Other key initiatives are staff training and monitoring the quality of work activities performed by staff.

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<sup>40</sup> Department of Human Services, *Centrelink Annual Report 2010–11*, DHS, Canberra, 2011, p. 17.

<sup>41</sup> In this report, either 'area' or 'zone' will be used to refer to the arrangements in existence at the time.

<sup>42</sup> Centrelink, *Quality Management in Centrelink*, February 2011, p. 1.

<sup>43</sup> Centrelink, *The Four Pillars of Payment Correctness*, 2002.

<sup>44</sup> Administrative error includes error caused by Centrelink staff, systems or ambiguous rules. Customer error is an error or omission by the customer in providing information to Centrelink.



**1.7** For administrative error, the ANAO has previously reported that:

while an [administrative] error may be immaterial to payment today – such as a coding error – it represents the possibility that compliance controls could be precluded from identifying future payment inaccuracy...From this perspective, administrative errors – whether material to outlays or not – may contribute to underlying inaccuracy.<sup>45</sup>

**1.8** A further consequence of administrative error can be a reduction in the public's and Government's confidence in the integrity of payments made by Centrelink.

## Quality control and quality assurance

**1.9** Centrelink's approach to quality management in its customer operations and processing environments involves a range of quality controls and quality assurance processes. Quality controls relate to upfront, pre-payment measures and include electronic systems design and automated decision-making processes, security management for access to Centrelink systems, and delegations to perform certain work. Quality assurance processes within Centrelink refers to post-payment measures and includes Random Sample Survey (RSS) reviews<sup>46</sup> and internal audits. Further assurance is provided about the conduct of Centrelink's business by the publication of external audits and the Commonwealth Ombudsman's reports.

### Quality On Line

**1.10** One of Centrelink's main pre-payment quality control mechanisms is Quality On Line (QOL)—a quality control for payment correctness introduced in 2000. QOL is the first point of checking and is described by Centrelink as a preventative check.

<sup>45</sup> ANAO Audit Report No.43 2005–06, *Assuring Centrelink Payments—The Role of the Random Sample Survey Programme*, p. 22.

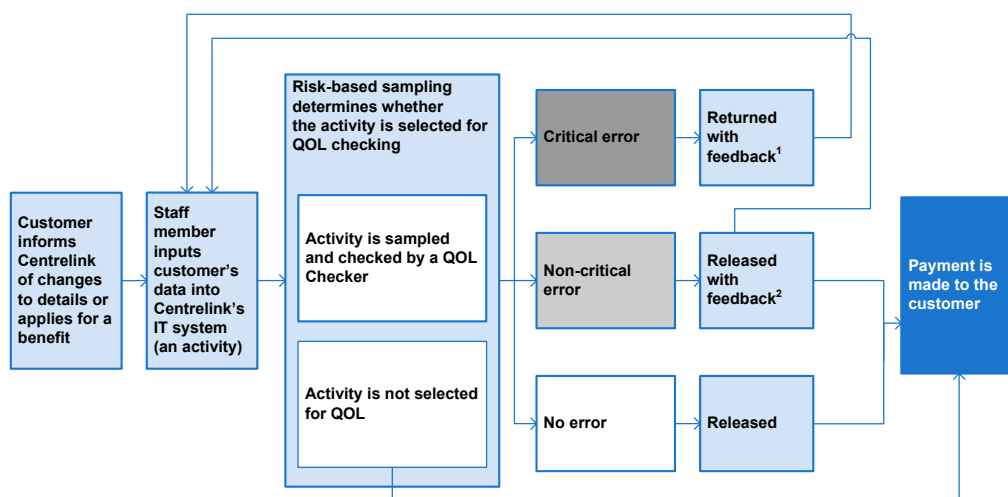
<sup>46</sup> The Random Sample Survey (RSS) is Centrelink's primary assurance mechanism to measure the accuracy of program outlays on social security payments administered by Centrelink. The survey provides a point-in-time analysis of a stratified sample of customers' circumstances designed to establish whether customers are paid accurately across the programs administered by Centrelink. Further information about the RSS can be found in ANAO Audit Report No.43 2005–06, *Assuring Centrelink Payments—The Role of the Random Sample Survey Programme*.

**1.11** The QOL process involves a checker reviewing a predetermined sample of a Centrelink Customer Service Adviser's (CSA) work activities<sup>47</sup> to check for correctness, in terms of processing a customer's claim and the CSA's data entry of details into Centrelink's electronic customer database.

**1.12** The QOL process involves various stages and has evolved over time to the current model. Figure 1.1 provides an overview of the QOL process and shows that once an activity is entered into Centrelink's electronic customer database, it may be selected for checking based on an assessment of risk, checked for error, and then either released for payment or returned to a CSA for correction.

**Figure 1.1**

### The Quality On Line process



Source: ANAO analysis.

Notes: (1) Returned with feedback activities must be corrected prior to payment. When the staff member corrects the error and resubmits the activity, the resubmitted activity re-enters the population of activities from which the QOL sample is drawn.

(2) Released with feedback activities are released for payment before the correction of non-critical errors. The staff member that processed the activity can search for feedback relating to the activity and correct the non-critical error. Any correction is treated as a new activity and enters the population of activities from which the QOL sample is drawn.

<sup>47</sup> An 'activity' refers to any change made by a staff member to a customer's record in Centrelink's Income Security Integrated System (ISIS—an electronic customer database). For example, customers applying for a Centrelink benefit, or supplying information that leads to a reassessment of an existing entitlement or an update to personal details.

**1.13** A set of national standards for the operation of QOL is in place to provide a consistent approach to the use of QOL across the Centrelink network of customer service centres and Smart Centres.<sup>48</sup>

**1.14** Compliance with the national standards is a mandatory requirement for Centrelink staff. Centrelink records QOL checking results in order to monitor quality trends and to identify correctness rates and training needs for CSAs.

## **Check the Checking—quality assurance for Quality On Line**

**1.15** In response to ANAO Audit Report No.34 2000–01, *Assessment of New Claims for the Age Pension by Centrelink*, Centrelink introduced Check the Checking (CtC) arrangements ‘as a means of providing feedback and identifying training needs for QOL checking officers’.<sup>49</sup> Centrelink operated a form of CtC for approximately 11 years, from 2000 to 2011, until the program was replaced in August 2011 by a new quality assessment and assurance process. (The changeover occurred during the fieldwork stage of this audit).

**1.16** CtC was a *quality assurance* program that monitored the quality of the QOL *quality control* process. CtC involved rechecking a representative sample of QOL checked and released new claim activities to determine if they were checked correctly. CtC provided a limited level of assurance that QOL was an effective way to control the risk of administrative error because QOL checks apply to both new claim and non-new claim activities (existing customer claims).<sup>50</sup>

**1.17** Centrelink had considered the inclusion of non-new claim activities in CtC, but concluded that the complexity of retrieving paper records quickly from customer service centres, processing centres or record management storage facilities located around Australia was not feasible, and would also be more difficult than checking new claim activities. Centrelink anticipates that the development of virtual QOL and the increasing use of digitised records in Centrelink will make it possible to review non-new claim activities in the future, using the replacement quality assurance process for CtC.

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<sup>48</sup> Call centres and national processing teams are now known as DHS Smart Centres.

<sup>49</sup> ANAO Audit Report No.34 2000–01, *Assessment of New Claims for the Age Pension by Centrelink*, p. 99.

<sup>50</sup> In 2010–11, new claim activities represented 18.5 per cent of the total QOL activities processed that year.

## Operation of Quality On Line and Check the Checking

**1.18** In the service zones, QOL checks (and previously CtC checks) are undertaken by CSAs as part of their role. In DHS Canberra<sup>51</sup>, the Payment Accuracy Branch has responsibility for quality matters across the network, the operation of QOL, and also previously CtC.<sup>52</sup>

**1.19** Table 1.1 presents a snapshot of the performance and cost of QOL in 2010–11 and the final round of CtC, which was conducted in 2010. The QOL and CtC processes are described and analysed in detail in Chapters 3 and 4 respectively of the audit report.

**Table 1.1**

### Performance snapshot: Quality On Line (2010–11) and Check the Checking (2010)

Quality On Line	Result
Activities processed by Centrelink	30 572 839
Activities QOL checked	3 184 124
Staff that undertook QOL checks	6210
Estimated cost of QOL	\$12.4 million
QOL correctness rate <sup>1</sup>	95.5%
Check the Checking	Result
QOL checks available for sampling (4 week period)	21 542
QOL checks sampled by CtC	798
Staff that undertook CtC checks	130
Estimated cost of CtC	\$12 000
Payment correctness rate <sup>2</sup>	82.2% ± 2.7%

Source: ANAO analysis.

Notes: (1) The QOL correctness rate shows the proportion of QOL checked activities that were released for payment following the QOL check.

(2) The CtC results indicate that there was a 95 per cent probability that the national level of payment correctness for QOL checked and released new claim activities was within 2.7 per cent of 82.2 per cent (between 79.5 and 84.9 per cent).

<sup>51</sup> The National Support Office (former Centrelink head office in Canberra) is now known as DHS Canberra.

<sup>52</sup> The Payment Accuracy Branch is part of Centrelink's Business Integrity Division and is responsible for the development of a quality framework and quality improvement matters throughout Centrelink. The branch produces a quarterly quality newsletter, maintains the infrastructure supporting the QOL tool, manages a technical support hotline, maintains QOL guidance documents and previously maintained CtC guidance documents and administered the CtC process.

## Payment correctness and types of error

**1.20** A key performance indicator for Centrelink in 2010–11<sup>53</sup> was to ‘support the delivery of accurate customer payments’.<sup>54</sup> Payment correctness was measured using RSS and reported in Centrelink’s annual report for 2010–11. The payment correctness result was ‘the proportion of surveys that [were] found not to include errors made by Centrelink that result in an incorrect payment’.<sup>55</sup>

**1.21** Centrelink’s payment integrity standard (performance target) for payment correctness was 95 per cent. Centrelink reported a payment correctness level of 96.7 per cent in 2010–11, compared to 96.5 per cent for the previous year.<sup>56</sup>

**1.22** QOL supports Centrelink in achieving its payment correctness target, but, as an internal payment control, QOL results were not published in the agency’s recent annual reports (2006–07 to 2010–11). In Centrelink’s 2010–11 annual report, a new section on ‘Quality management’ was included that highlighted QOL as one of a large number of quality controls in place to support service delivery outcomes for customers and government.<sup>57</sup>

## Future of Quality On Line

**1.23** The ongoing implementation of Service Delivery Reform is leading to changes at all levels of Centrelink’s operations. Two areas of changed operation that are likely to affect QOL are:

- Customers’ use of online services. An increasing number of customers are using online services to perform some transactions: claiming a payment; reporting employment income; and updating or advising customer details. Centrelink has estimated that the customer

<sup>53</sup> In 2011–12, DHS’ key performance indicator for the integrated department is ‘Achievement of payment quality standards’. Department of Human Services, *Portfolio Budget Statements 2011–12 Human Services Portfolio*, DHS, Canberra, 2011, p. 38.

<sup>54</sup> Department of Human Services, *Centrelink 2010–11 Portfolio Budget Statements*, DHS, Canberra, 2011, p. 60.

<sup>55</sup> Reporting on payment correctness using RSS ‘does not account for customer error or Centrelink errors that do not affect a customer’s payment’. Department of Human Services, *Centrelink Annual Report 2010–11*, DHS, Canberra, 2011, p. 145.

<sup>56</sup> *ibid.*, pp. 144–145.

<sup>57</sup> *ibid.*, p. 145.

self-service transaction model accounts for 25 per cent of transactions, compared to 75 per cent of transactions being performed by CSAs.<sup>58</sup>

- Staff use of digitisation. The expansion of digitisation will mean that Centrelink can manage workloads nationally. For QOL, this means that virtual processing (sometimes referred to as remote processing) of QOL checks will be more widely available across the Centrelink network.<sup>59</sup>

**1.24** While customer self-service transactions are not currently subject to QOL, the growth in those transactions could lead to the QOL process being transformed at some future point in time.

**1.25** Since 2000, both the QOL and CtC processes have been reviewed by Centrelink. Centrelink has considered how best to align QOL and CtC to meet current and future business needs in response to changes to organisational structure, IT systems and business processes. QOL is being reviewed again in 2011–12 (see Chapter 3) and CtC has been replaced with a new quality assessment and assurance process (see Chapter 4).

**1.26** In the foreseeable future, Centrelink will continue to use QOL as the main quality control mechanism for payment correctness. Therefore, it is important that QOL operates effectively and contributes to supporting the integrity of payments administered by Centrelink.

**1.27** As part of Service Delivery Reform, DHS may also integrate the currently independent quality frameworks that operate in Centrelink, the Child Support Agency and Medicare, which will also affect QOL.

## Audit approach

### Audit objective, criteria and scope

**1.28** Eight ANAO audit reports published between 2000 and 2008 contain findings about the operation of QOL. Some of the issues identified included:

- initial concerns about the reliability of QOL data and the absence of quality assurance measures; and

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<sup>58</sup> Fifty-three million customer self-service transactions were reported in 2010–11, including online (update and view) and interactive voice recognition. Department of Human Services, *Centrelink Annual Report 2010–11*, DHS, Canberra, 2011, p. 17. A key performance indicator for DHS in 2011–12 is 'Increase in the proportion of transactions completed through electronic channels'. Department of Human Services, *Portfolio Budget Statements 2011–12 Human Services Portfolio*, DHS, Canberra, 2011, p. 38.

<sup>59</sup> QOL checks performed in call centres are already referred to as virtual QOL.

- QOL's reporting capability being limited to general result (correct or incorrect) data rather than more detailed information about the nature of errors identified during checking.

**1.29** The ANAO has not previously undertaken an audit that focuses exclusively on the operation of QOL and its role in Centrelink's payment control framework.

**1.30** The objective of the audit was to assess the effectiveness of Centrelink's QOL control, which supports the integrity of payments administered by DHS on behalf of the Australian Government.

**1.31** Centrelink's performance was assessed against three high-level audit criteria:

- QOL is an effective quality control process for checking payment correctness;
- management information from QOL is monitored and reported to identify trends and inform changes to business processes that will lead to a reduction in administrative error; and
- CtC is an effective quality assurance program for QOL.

**1.32** The audit scope included an examination of QOL and CtC. The audit scope did not include an examination of:

- the former Medicare Australia's use of QOL—which was only to administer Family Assistance Office payments<sup>60</sup>; or
- training for QOL and CtC—as there was no indication of a systemic problem with training either when planning the audit or during the conduct of audit fieldwork.

## **Audit methodology**

**1.33** The audit was conducted by:

- examining registry files and electronic records held by Centrelink;

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<sup>60</sup> The Family Assistance Office payments are: Baby Bonus; Paid Parental Leave; Family Tax Benefit; Maternity Immunisation Allowance; Child Care Benefit; and Child Care Rebate.

- interviewing staff in the Centrelink network at:
  - customer service centres and Smart Centres (Adelaide and Sydney); and
  - DHS Canberra;
- analysing a data extract of QOL results for 2010–11; and
- analysing CtC results from checks completed in 2009 and 2010.

**1.34** Fieldwork for this audit was primarily conducted from June 2011 to August 2011.

**1.35** The audit was conducted in accordance with the ANAO's auditing standards at a cost of approximately \$409 000.

## **Structure of the report**

**1.36** The remaining chapters in the report are:

- Chapter 2—Governance, Policy and Guidelines;
- Chapter 3—Quality On Line; and
- Chapter 4—Check the Checking.

**1.37** Appendix 1 is a description of the QOL data provided by DHS for the ANAO's analysis.



## 2. Governance, Policy and Guidelines

*This chapter examines whether Centrelink has established governance arrangements, policies and operational guidelines that support the effective management of QOL and CtC.*

### Introduction

**2.1** As an up-front payment control, QOL provides a basis for identifying and correcting administrative errors across a range of social security benefits before those errors can affect customers.

**2.2** The effectiveness of payment controls can be impacted by changes to the underlying payment processes, assessments of evolving risks and implementing other quality-related measures. For this reason, there is an ongoing need for Centrelink to monitor how effectively QOL and CtC<sup>61</sup> operate. Further, in order to maximise the control's effectiveness and minimise administrative error, policies and operational guidance that define and support how QOL and CtC should operate need to be maintained.

**2.3** To determine whether Centrelink has established governance arrangements, policies and guidelines that support the effective management of QOL and CtC, the ANAO assessed whether Centrelink has:

- established adequate governance arrangements to monitor the operation of QOL and CtC at a national level;
- implemented policies that define the core objectives for QOL and CtC, and how those policies relate to broader payment correctness and quality strategies; and
- developed operational guidance to support the QOL and CtC processes.

### Governance arrangements

**2.4** Governance committees are key structures through which DHS manages its strategic direction, makes decisions, and monitors its performance. Figure 2.1 identifies those committees in Centrelink that provide strategic

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<sup>61</sup> Centrelink replaced CtC in August 2011 with a new quality assessment and assurance process, which is discussed in Chapter 4.

direction relating to the quality of service delivery or have a role in overseeing and implementing quality-related initiatives.

**Figure 2.1**

**Centrelink committees with a quality focus**

<p><b>Strategic Management Committee</b></p> <p>The Strategic Management Committee is responsible for the implementation and progression of the strategic leadership direction of Centrelink. This involves overseeing Centrelink's key business, corporate and IT processes.<sup>1</sup></p>
<p><b>Service Delivery Performance Committee</b></p> <p>The role of the Service Delivery Performance Committee is to ensure that service delivery supports the implementation and progression of Centrelink's strategic directions. The committee evaluates the impact of service delivery strategies on customer service and identifies and promulgates best practice across the delivery network. The Service Delivery Performance Committee reports directly to the Strategic Management Committee.<sup>1</sup></p>
<p><b>National Quality Sub-Committee</b></p> <p>The National Quality Sub-Committee reports to the Service Delivery Performance Committee and is tasked with setting priorities and providing strategic direction in the improvement of the quality of programs and services delivered across the Centrelink network.</p>
<p><b>Quality Managers National Forum</b></p> <p>The Quality Managers National Forum is not a decision-making body but rather was established to facilitate a coordinated, whole-of-Centrelink approach to quality management. The forum is held via teleconference quarterly, or more often as the current quality situation dictates, and discusses improvement priorities and implementation strategies as determined by the National Quality Sub-Committee.</p>

Source: ANAO analysis.

Note: (1) The Strategic Management Committee was discontinued in March 2011. The Service Delivery Performance Committee now reports to the Customer Committee.

**2.5** The National Quality Sub-Committee and the Quality Managers National Forum are the primary governance mechanisms for overseeing QOL performance. The National Quality Sub-Committee reports to the Service Delivery Performance Committee and consists of managers from DHS Canberra as well as representatives from the zones. Over time, significant changes to the QOL and CtC methodologies have been presented to the Sub-Committee, including QOL-related efficiency measures, changes to the sampling methodology, options for future development, and alternatives to CtC.

**2.6** A key area in which future QOL reporting to the Sub-Committee could be improved is the reporting of results.<sup>62</sup> There is no routine QOL or CtC reporting against agreed key performance indicators, and the Sub-Committee has not established standards against which QOL or CtC results can be measured for the purpose of triggering remedial action nationally. Instead, the Sub-Committee relies on results from the Random Sample Survey to identify areas to focus on for improvement. QOL is however a direct measure of the quality of CSAs' original decision-making and a complementary measure to the Random Sample Survey, which formally measures and reports annually on Centrelink's administrative error rate.

**2.7** The Quality Managers National Forum involves Quality Managers from the zones and DHS Canberra managers from the Payment Accuracy Branch.<sup>63</sup> The forum discusses operational issues relating to QOL including ways of improving efficiency, managing risks and procedural issues. While the forum does not discuss QOL results, consideration is given to how QOL could meet emerging and future business needs. CtC results were reported to the forum. While the CtC results did not contain recommendations for reducing error or improving QOL, the reports highlighted areas for discussion and potential improvement.

## Policy and operational guidance

**2.8** Payment correctness is a key element of Centrelink's approach to quality management and assuring the integrity of individual outlays for government programs. Centrelink uses a range of activities to assure itself that correct payments are made to customers, including up-front controls (such as system-based controls on data entry, staff instructions and QOL), mechanisms that detect incorrect payments (such as the Random Sample Survey) and corrective activities (such as fraud investigations and prosecutions).<sup>64</sup>

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<sup>62</sup> Limitations with the QOL management reporting capability and interpreting QOL results are discussed in Chapter 3.

<sup>63</sup> The forum's priorities, for improvements and implementation strategies, are determined by the National Quality Sub-Committee.

<sup>64</sup> Further information about Centrelink's fraud investigations can be found in ANAO Audit Report No.10 2010–11, *Centrelink Fraud Investigations*.

## **QOL's place in Centrelink's quality framework**

**2.9** Centrelink's quality framework comprises a suite of documents:

- *Quality Improvement Framework* (2011);
- *Payment Accuracy Improvement Strategy* (2010);
- *Getting It Right—Minimum Standards* (2007);
- *Getting It Right Quality Management Strategy* (2007); and
- *The Four Pillars of Payment Correctness* (2002).

**2.10** The *Getting It Right Quality Management Strategy* is Centrelink's overarching quality framework document that defines Centrelink's quality control objectives, including payment correctness and supporting the integrity of payments administered by Centrelink.

**2.11** At an operational level, the QOL process has been aligned with *The Four Pillars of Payment Correctness* and the *Getting It Right—Minimum Standards*.<sup>65</sup> The elements of a correct payment, as defined by *The Four Pillars of Payment Correctness*, are shown in Table 2.1, while the critical *Getting It Right—Minimum Standards* outline specific requirements relating to proof of identity, online documentation and recording reasons for decisions. The requirements established by those policies provide the basis for an assessment during each QOL check of whether a 'critical error' has been made by a staff member in updating a customer record.

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<sup>65</sup> The *Getting It Right—Minimum Standards* are outlined in Centrelink's *Chief Executive's Instruction* 19.

**Table 2.1****The Four Pillars of Payment Correctness**

Pillar	Description
Right Person	The Right Person will be paid if Centrelink's rules for establishing proof of identity have been applied in relation to a customer.
Right Program	The customer will be paid under the Right Program if they have been correctly assessed against such things as: age requirements, residence requirements and additional eligibility requirements.
Right Rate	The customer will be paid the Right Rate if they have been correctly assessed in relation to such things as: marital status, accommodation, dependents, income and assets.
Right Date	The customer will be paid from the Right Date if the dates of effect of the original entitlement and all subsequent variations (including cancellation, suspension and cessation dates) have been correctly calculated.

Source: Centrelink, *The Four Pillars of Payment Correctness*, 2002.

**2.12** The *Quality Improvement Framework* has draft status and is yet to be endorsed by the National Quality Sub-Committee. The framework contains one QOL-specific measure that relates to redeveloping QOL to address Centrelink's changed business environment for 'the data that customers input and the service activities that staff will increasingly be expected to undertake'.<sup>66</sup> The framework does not establish how the increasing use of technology in Centrelink to scan documents and organise work on a virtual basis will be used to improve QOL checking.

### Operational guidance supporting QOL

**2.13** Centrelink has three operational guidance documents that are designed to provide a consistent approach to QOL across Centrelink. The operational guidance that supports QOL is outlined in the:

- *National Quality On Line (QOL) Standards;*
- *National Quality On Line (QOL) Certification & Recertification Process; and*
- *National Quality On-Line (QOL) Proficiency Assessment & Reassessment Process.*

<sup>66</sup> Centrelink, *Quality Improvement Framework*, Draft 2011, p. 4.

## *Standards for QOL checking*

**2.14** The *National Quality On Line (QOL) Standards* (QOL Standards) outline how staff are to use the QOL tool software to conduct QOL checking, including:

- when to return an activity (update to a customer's record) for correction or release the activity for payment;
- when error-related feedback should be provided to staff; and
- the importance of classifying errors correctly and consistently across Centrelink to avoid increased workloads due to rework.

**2.15** The QOL tool is used by QOL Checkers to conduct checks of the work of CSAs. The QOL tool replays a CSA's work and the QOL Checker must answer questions that are designed to identify if a critical error has been made.

**2.16** The QOL Standards classify errors as either:

- critical: errors relating to *The Four Pillars of Payment Correctness* and critical *Getting It Right—Minimum Standards*<sup>67</sup>, which should be returned for correction; or
- non-critical: all other errors, which means the activity should be released for payment.<sup>68</sup>

**2.17** Where any error is identified, the QOL Checker is required to provide feedback to the CSA who processed the activity. The QOL Standards provide QOL Checkers with direction on when and how to distribute feedback to CSAs. In August 2011, Centrelink published on its intranet site separate QOL national feedback standards containing advice on the preferred format and content of feedback, which is included in the training provided to QOL Checkers.

**2.18** The primary purpose of QOL feedback is to assist CSAs to correct any errors that have been made when processing an activity. Comprehensive and

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<sup>67</sup> The critical *Getting It Right—Minimum Standards* are:

- Proof of Identity (*Chief Executive's Instruction* 19.01 to 19.04);
- Online Documentation (*Chief Executive's Instruction* 19.05 to 19.09); and
- Recording Reasons for Decisions (*Chief Executive's Instruction* 19.22 to 19.25).

<sup>68</sup> For example, a CSA makes a procedural error by not following a set of standard steps that are available to assist staff to accurately process an activity, or incorrectly records a customer's mobile phone number, which also does not affect payment correctness.

consistent QOL feedback can also be analysed to identify both trends in the types of error that are reported and training needs for CSAs that will improve the effectiveness of processing.

### ***Certification standards for staff that undertake QOL checks***

**2.19** The *National Quality On Line (QOL) Certification & Recertification Process* (Certification Standards) outline the certification requirements for Centrelink CSAs that undertake QOL checks, and Centrelink's expectations of how QOL checks should be conducted.

**2.20** The certification process is supported by a checklist outlining the minimum standards for certification as a QOL Checker, including:

- completing an initial training package;
- having technical skills in using workflow scripts<sup>69</sup>, system codes and the QOL tool;
- possessing a comprehensive knowledge of the benefit types to be QOL checked, including having maintained a specified standard of correctness in processing updates to customer records; and
- displaying communication and other workplace skills.

**2.21** Following satisfaction of the checklist requirements, a local 'QOL Product Manager' (or delegate) is required to make a determination about granting QOL Checker IT system access in the QOL tool. The role of the QOL Product Manager is important because the Product Manager can provide additional assurance that systems access, and therefore QOL checking, is limited to staff that have been properly assessed by a Certifying Officer (supervisor).<sup>70</sup>

**2.22** Annual recertification of QOL Checkers is also a key requirement established in the Certification Standards. Recertification requirements support the integrity of QOL checking by requiring a regular review of the performance of QOL Checkers to identify any skill deficiencies.

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<sup>69</sup> A scriptor is a workflow tool developed by Centrelink that aims to standardise and automate the processes used by CSAs to enter customer data into ISIS.

<sup>70</sup> Centrelink's *National Quality On Line Instructions*, November 2011, state that 'The Certifying Officer cannot be the Product Manager', p. 20.

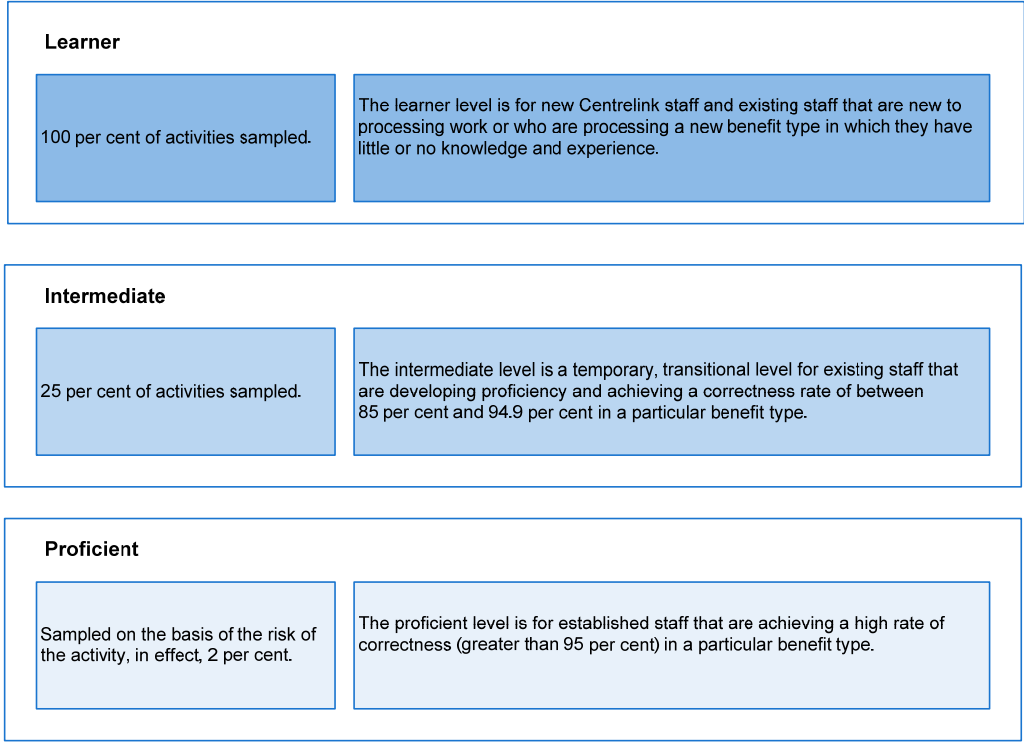
*Standards for assessing the proficiency of staff whose work is QOL checked*

**2.23** Centrelink targets its QOL checks to the work of less skilled and experienced staff by assigning proficiency levels to CSAs. Proficiency levels are assigned to CSAs according to their experience and past performance in correctly processing work, as indicated by the results of QOL checks. The *National Quality On-Line (QOL) Proficiency Assessment & Reassessment Process* (Proficiency Standards) describe an annual assessment process for establishing the proficiency levels of CSAs.

**2.24** Figure 2.2 shows that there are three proficiency levels for CSAs—Learner, Intermediate and Proficient.<sup>71</sup>

**Figure 2.2**

**Staff proficiency levels**



Source: ANAO analysis.

**2.25** The Proficiency Standards allocate the minimum processing correctness requirements for each level, which provide a guide for supervisors when

<sup>71</sup> Sampling of work for QOL checking, based on proficiency levels, is discussed in Chapter 3.



making decisions about moving CSAs between levels. In addition to conducting an annual assessment of CSA proficiency levels, supervisors are expected to regularly monitor QOL results and, where appropriate, update proficiency levels after seeking feedback from managers and QOL Checkers who have checked the CSA's work.

## **Operational guidance supporting Check the Checking**

**2.26** Check the Checking (CtC) was a process that Centrelink previously used to provide assurance about the quality of QOL checked and released new claims for social security benefits administered by Centrelink.<sup>72</sup> The CtC process involved rechecking QOL checked work to determine whether the work had been checked correctly. The two operational documents that supported the CtC process were the:

- *National Check the Checking (CtC) Technical Reference Document*; and
- *National Check the Checking (CtC) Error Categories and Definitions*.

### ***Standards for selection and recording***

**2.27** The *National Check the Checking (CtC) Technical Reference Document* (Technical Reference Document) described how Centrelink's National Support Office (NSO) selected work for rechecking in CtC and how the staff who conducted CtC checks were to submit their results. The Technical Reference Document was intended to support the consistent conduct of CtC nationally by detailing:

- how CtC Checkers should correct any critical errors they identified and who they should inform;
- how data, results and feedback from the CtC check were to be recorded and submitted in Centrelink's web-based tool<sup>73</sup>; and
- how CtC results should be interpreted.

### ***Standards for conducting checks***

**2.28** The *National Check the Checking (CtC) Error Categories and Definitions* (Error Categories Document) provided a guide to conducting CtC checks. The error categories and definitions contained in the document were aligned with

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<sup>72</sup> Centrelink discontinued the CtC process in August 2011.

<sup>73</sup> The web-based tool allowed staff in the areas to submit the results of CtC checks directly to the NSO.

the QOL Standards, with the objective of each CtC check being conducted using a similar method to the original QOL check. The Error Categories Document included descriptions of potential errors relating to *The Four Pillars of Payment Correctness* and *Getting It Right—Minimum Standards*, several examples and issues to focus on in the CtC check, and helpdesk contacts.

## **Risk management plan for QOL**

**2.29** Managing risks associated with the ongoing availability and integrity of QOL is essential to Centrelink identifying and correcting administrative errors before they affect customers. Risk management is the process of identifying, analysing, treating, monitoring, and communicating risks.<sup>74</sup> These risks could either prevent the organisation from achieving its business objectives or provide the opportunity for extra benefits to be realised.<sup>75</sup>

**2.30** QOL is a significant internal business process that has been in place for over a decade. In 2010–11, QOL cost approximately \$12.4 million to operate. Centrelink has developed a contingency plan so that checking can continue in the event of the QOL tool becoming unavailable.<sup>76</sup> However, there is currently no risk management plan for QOL, which would assist Centrelink to identify and manage risks and improve the effectiveness of QOL.

**2.31** During the fieldwork stage of the audit, Centrelink conducted a risk workshop and developed a risk assessment for the QOL process.<sup>77</sup> The risk assessment identified 10 risks that broadly fall under the themes of compliance with standards, correction of errors, and operation of the QOL tool. Most of the identified risks indicate that Centrelink's IT systems do not fully support implementation of the QOL operational guidance documents<sup>78</sup> and the generation of national reports.<sup>79</sup> Instead, Centrelink relies on the combined

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<sup>74</sup> ANAO Better Practice Guide—*Public Sector Governance, Volume 1—Framework, Processes and Practices*, July 2003, p. 19.

<sup>75</sup> *ibid.*

<sup>76</sup> Centrelink's business continuity planning for a QOL tool outage involves activating Contingency Mode A, Centrelink's former Procedure and Accuracy Check system. Information on the former system is contained in ANAO Audit Report No.34 2000–01, *Assessment of New Claims for the Age Pension by Centrelink*, pp. 89–91.

<sup>77</sup> Centrelink, *DHS Centrelink Master Program, Risk Assessment as at August 2011, Quality On Line*, 7 September 2011.

<sup>78</sup> For example, Centrelink's IT systems cannot presently enforce the requirements that staff proficiency levels are set for each benefit type to support the QOL sampling methodology and only certified staff are able to hold the level of systems access required to undertake QOL checks (see Chapter 3).

<sup>79</sup> The limitations associated with generating national reports are discussed in Chapter 3.

efforts of local managers in the zones to fully implement the operational guidance.

**2.32** For the risks that have been identified, Centrelink has assigned risk levels with reference to a four-tier rating system (low; medium; high; and very high). No risks have been rated as requiring priority (high risk) or immediate action (very high risk), but five risks have been rated at the medium risk level, 'to be addressed...during the business cycle'.<sup>80</sup>

**2.33** The risk assessment prepared by Centrelink in 2011 is a first step towards improving the effectiveness of QOL, but the assessment remains a work-in-progress. To the extent that the assessment highlights the current and proposed controls for identified risks, the assessment does not assign any responsibilities for action or timelines for implementation or review. Several proposed controls will require additional scoping and/or reconsideration, including: systems changes; the need for internal consultation to design controls; and unspecified controls relating to achieving greater consistency across the Centrelink network.

**2.34** The current review of QOL and the 2011 risk assessment provide an opportunity for Centrelink to draw on the experience of QOL-users to finalise the development of a risk management plan.

## Conclusion

**2.35** Centrelink's governance arrangements for monitoring the operation of QOL at a national level could be improved, in particular, for the National Quality Sub-Committee—the main governance committee for quality-related matters. While there was no routine QOL or CtC reporting against agreed key performance indicators, the Sub-Committee has endorsed significant changes to QOL and CtC. Monitoring QOL performance at a national level could be improved if routine reporting was introduced. This reporting could have a focus on agreed key performance indicators against which QOL or CtC equivalent results could be measured and, if necessary, trigger remedial action nationally.

**2.36** While Centrelink has in place policies and operational guidance to support the implementation of QOL, there is no risk management plan for

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<sup>80</sup> Centrelink, *DHS Centrelink Master Program, Risk Assessment as at August 2011, Quality On Line*, 7 September 2011, p. 6.

QOL. During the fieldwork stage of the audit, Centrelink developed a risk assessment for QOL, which indicated that Centrelink's IT systems do not fully support the implementation of QOL's operational guidance or the generation of national reports. The current review of QOL provides Centrelink with an opportunity to finalise a risk management plan for QOL and identify mitigation measures to address specific risks to the effective operation of QOL.

## 3. Quality On Line

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*This chapter examines the effectiveness of QOL with respect to the major elements that support the process and reporting. The chapter also examines the impact of changes to Centrelink's service delivery arrangements on how QOL operates.*

### Introduction

**3.1** For Australian Government agencies that deliver services and administer payments to the community, it is essential to have in place effective quality controls that support high quality service delivery and minimise the risk of payment errors occurring. Reducing the likelihood of administrative error and lessening rework provides agencies with administrative and cost benefits.

**3.2** One of Centrelink's main pre-payment quality control mechanisms is QOL—a quality control for payment correctness introduced in 2000. QOL is the first point of checking and is described by Centrelink as a preventative check. The QOL process checks a sample of activities (changes to customer records) that have been processed by Centrelink staff members. QOL checking is to occur before any payment is made and is aimed at detecting and rectifying errors that affect the correctness of a payment and/or do not meet Centrelink's recording and verification requirements.<sup>81</sup>

**3.3** The ANAO examined the effectiveness of Centrelink's administration of QOL by assessing:

- the three major elements supporting QOL:
  - sampling;
  - staff proficiency levels; and
  - certification of staff who undertake QOL checks;
- QOL reporting; and
- service delivery changes that Centrelink is implementing that affect how the QOL process operates.

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<sup>81</sup> Specifically, errors relating to *The Four Pillars of Payment Correctness* or *Getting It Right—Minimum Standards*.

# Overview

3.4 QOL checks of the activities processed by CSAs are undertaken using Centrelink’s QOL tool software, which captures the IT screens updated by staff members during the processing of each activity.<sup>82</sup> When any particular activity is selected for QOL checking, the staff member who undertakes the QOL check (QOL Checker) accesses the QOL tool and is presented with the screenshots relating to the activity, together with a set of tick-box questions to answer online. Figure 3.1 is an example of a screen in the QOL tool that could be used by a QOL Checker.

Figure 3.1

## Example screen in the QOL tool

CRN: \*\*\*\*\*

(M) MR \*\*\*\*\*

Act: NSS/EAN (471)

Ptr: N

BSt: NSA/CUR JSR/ACT DMN

Rgn: \*\*\*\*\*

DOB: \*\*\*\*\*

----- Accommodation History (ACS) -----

Event Date	Addr Type	Dtls For	Home O/Ship	Rent Type	Net Wkly Rent	Rent Ver	Sharer Status	Govt S-ten	AMR
22 FEB 2008	HOM	C	NHO	SIT	140.00	VEF	EXE	NAP	2903P
22 FEB 2008	HOM	C	NHO	NRP		NVE	SHH	NAP	2870X2903
9 FEB 2008	HOM	C	NHO	LOD	70.00	COA	SHH	NAP	2858
19 JUL 2007	HOM	C	NHO	NRP			SHR	NAP	2701
16 JUL 2007	HOM	C	NHO	NRP			SHR	NAP	2667
24 JUN 2007	HOM	C	NHO	NRP			SHR	NAP	2582
6 JUN 2007	HOM	C	NHO	FRI	95.00	NVE	NAS	NAP	2574
23 APR 2006	HOM	C	NHO	FRI	95.00	COA	SHR	NAP	2566
14 MAR 2006	HOM	C	NHO	FRI	95.00	VEC	SHR	NAP	2550

Source: SU523 DOR: 20 MAR 2008

Step List

☐ DL\*

☒ ACS

☐ AR

☐ Summary

☐ Result

Step Question: Did you find any of the following errors?

Next

Back

Cancel

eRef

Feedback

☐ Accommodation details not correctly established

☐ Residential Care Allowance not payable

☐ Rent Type incorrect

☐ Sharer's rules incorrectly applied

☐ Home ownership status incorrectly estab

☐ Rent amount incorrect

☐ No

Source: Centrelink.

3.5 The questions asked in the QOL tool (see the lower half of the screen in Figure 3.1) are based on the requirements of *The Four Pillars of Payment Correctness* and *Getting It Right—Minimum Standards*. Only activities containing errors relating to those requirements are treated as critical errors to be returned

<sup>82</sup> The activity-based nature and various stages of the QOL checking process are shown in detail in Figure 1.1.

to a CSA for correction before a payment can be made to a customer.<sup>83</sup> CSAs are responsible for searching the relevant IT system for returned activities with critical errors and making the necessary corrections. Depending on the proximity of the QOL Checker to the CSA, advice about critical errors can also be made in person, by phone or email. After the CSA corrects the error and re-submits the activity, the activity re-enters the population of activities from which the QOL sample is drawn and may be selected again for a QOL check.

**3.6** Any other errors identified during the QOL check (such as a procedural error or incorrect recording of a customer's mobile phone number) are treated as non-critical, with the QOL Checker inserting feedback about the error in the QOL tool then releasing the activity for payment. Staff members are responsible for identifying feedback related to their work using report features in the relevant IT system or the CSA may be notified of rework or quality issues by the QOL Checker. Non-critical errors are released for payment before the errors are corrected, however, similar to critical errors, any correction made by the CSA is treated as a new activity and re-enters the population of activities from which the QOL sample is drawn.

**3.7** QOL was introduced in May 2000<sup>84</sup> and since then Centrelink has regularly modified how QOL operates. The major changes have included revisions to the QOL sampling rates based on staff proficiency, the introduction of certification requirements for QOL Checkers, and a tightening of the focus of QOL checks to exclude matters that do not affect payment correctness and the *Getting It Right—Minimum Standards*.

## The three major elements supporting Quality On Line

**3.8** The ANAO examined the major elements associated with the QOL process to determine if those elements support QOL's effective operation. The three major elements reviewed were:

- an automated sampling approach in the QOL tool;
- procedural assessments of the proficiency with which staff members undertake their work (which affects the rate of QOL sampling); and

<sup>83</sup> While there is no formal requirement in the *National Quality On Line (QOL) Standards*, QOL checks are routinely performed by the close of business each day, particularly for payment affecting activities.

<sup>84</sup> Further information can be found in ANAO Audit Report No.34 2000–01, *Assessment of New Claims for the Age Pension by Centrelink*, p. 91.

- a certification process designed to support the integrity of QOL checks by mandating common standards for QOL Checkers.

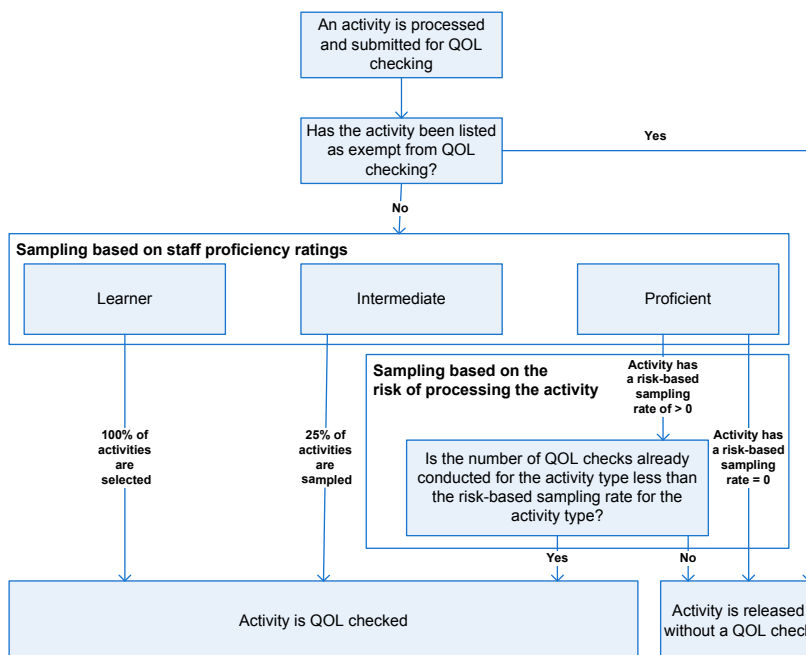
## QOL sampling

**3.9** Within the QOL tool, the sampling process that determines whether a particular activity is selected for a QOL check has multiple components.

**3.10** Figure 3.2 shows that the sampling process first filters out activities exempt<sup>85</sup> from QOL checking. Then, based on a combination of the rate of sampling that has been assigned to an activity (from exempt to 100 per cent) and the CSA's proficiency level, the QOL sampling engine determines the level at which a processed activity will be sampled.

**Figure 3.2**

### The sampling approach used in QOL



Source: ANAO analysis.

<sup>85</sup> An example of exempt activities is those activities associated with Advance Payments, which were excluded from QOL sampling (via the exempt activity table) in December 2008. A Centrelink risk assessment determined that the high level of correctness (99.71 per cent in 2007–08), combined with an automated workflow, mitigated the low risk of this activity. No staff determination is required in the Advance Payment process as a workflow automatically assesses the eligibility and payability criteria, based on the information contained on the customer's record.



**3.11** In Figure 3.2, sampling rates for Learner (100 per cent) and Intermediate staff (25 per cent) are based on fixed proportions of the activities they process. Proficient staff are sampled according to an activity's baseline rate of sampling. Currently, most activities have a baseline sampling rate of two per cent. The QOL sampling rates reflect Centrelink's perceived risk of processing each different type of activity.

**3.12** Monitoring and periodic reassessment of the risks associated with processing different activity types is essential to effective sampling because the profile of risks can be altered over time by:

- changes to policy (for example, revisions to qualifying requirements for different social security benefits);
- changes to Centrelink's procedures (for example, payment processes and workflow scripts, which are used by CSAs to accurately and consistently process work in ISIS); and
- increasing experience in processing new activities and benefits.

**3.13** To establish a sampling approach that targets administrative error effectively, there needs to be a systematic approach to assessing the risks of processing individual activities. A draft risk assessment developed by Centrelink for QOL (Chapter 2 refers) is overarching and as such does not adequately identify the risks associated with processing each activity type or establish a methodology for ranking risks associated with processing different activities.<sup>86</sup> The development of a QOL risk management plan could be used to inform the setting of risk-based sampling rates, which would improve the effectiveness of QOL and, potentially, produce an operational benefit for Centrelink.

**3.14** There is currently no single area within Centrelink with responsibility for maintaining the QOL sampling regime, including sampling rates. Sampling rates are generally set when a new benefit or activity is introduced, but are not maintained afterwards.<sup>87</sup> In 2006, before introducing the current sampling

<sup>86</sup> Centrelink has previously undertaken ad hoc analysis of some risk levels and the associated QOL sampling rates for projects conducted in 2007 and 2009. The risk assessment methodologies in the reports for those projects either assigned risk ratings without defining the nature of the risk or identified risks without applying a risk-rating criteria. There is no systematic record of the risks, relative risk levels, and sampling rates for the activities that were reviewed.

<sup>87</sup> Centrelink has developed guidance addressing when QOL should be applied to new and revised activities. The *Quality On Line (QOL) System Requirements* have been in place since 2006 and identify a process to determine whether activities should be the subject of QOL checking. The guidelines do not address how sampling rates should be established.

approach for QOL, Centrelink was developing a revised approach to improve the sampling regime for QOL and identified a need to establish both an internal 'gatekeeper', to manage changes to sampling rates, and a regular cycle for making changes to the sampling rates. Those changes were not actioned.

**3.15** While a risk assessment of Centrelink's claim processing activities will incur an organisational cost, there are benefits to be gained from focusing QOL towards higher-risk activities and excluding or reducing the sampling of low-risk activities. Among the potential benefits to be gained from a review of the QOL sampling rates would be an increase in QOL's efficiency and a reduction in rework.

### **Recommendation No.1**

**3.16** To establish and maintain effective risk-based activity sampling rates for Quality On Line (QOL), the ANAO recommends that the Department of Human Services:

- (a) document an approach to assessing risk and assigning QOL sampling rates;
- (b) complete a risk assessment for each claim processing activity, including those currently exempt from QOL checking; and
- (c) periodically review the level of risk and rate of QOL sampling associated with each claim processing activity.

### **DHS response**

**3.17** Agreed.

### **Establishing proficiency levels**

**3.18** High staff proficiency levels provide administrative and cost benefits to Centrelink through a reduced likelihood of administrative error, less rework, and a lower volume of activities that need to be sampled for QOL checking.

**3.19** Managing proficiency levels is a local responsibility that Centrelink has allocated to direct supervisors (team leaders) in the zones. Supervisors are expected to monitor QOL correctness rates and errors made by staff to identify learning needs and, where required, implement remedial action. Supervisors are also expected to update proficiency levels as necessary and formally review them on an annual basis.

**3.20** The design of Centrelink's IT systems does not fully support the correct setting of proficiency levels. In particular, a staff member can be assigned a proficiency rating at a whole-of-system level and this will apply to all benefit types in that system unless individual proficiency levels are also recorded for each type of benefit.<sup>88</sup> Incorrect proficiency levels can result in additional workloads or cost from over-sampling more proficient staff or errors being missed due to under-sampling of less proficient and new staff.

**3.21** National level monitoring and management of staff proficiency is conducted on an ad hoc basis and has tended to focus on ways of progressing staff to higher levels rather than on whether staff are being correctly assessed. For example, Centrelink has established a Proficiency Advancement Report to identify staff that have met minimum correctness rates for progressing to higher proficiency levels. There is no equivalent report for identifying and reclassifying underperforming staff at higher proficiency levels. An absence of effective local or national oversight has the potential to undermine one of the three major elements supporting QOL's effective operation—procedural assessments of the proficiency with which staff members undertake their work (which affects the rate of QOL sampling).

### **QOL Checker certification**

**3.22** The ability and motivation of QOL Checkers to follow the QOL operational guidelines to perform QOL checks and identify errors are direct determinants of the effectiveness of the QOL process. QOL Checkers are drawn from the group of Centrelink processing staff rated at the Proficient level and are certified under the *National Quality On Line (QOL) Certification & Recertification Process* (Certification Standards). The Certification Standards outline Centrelink's overarching expectations that checks are to be undertaken by trained and knowledgeable staff, in a diligent fashion, and in accordance with relevant guidance.

**3.23** Responsibility for certifying QOL Checkers and monitoring their performance is a local responsibility allocated to managers and supervisors in the zones. This responsibility extends to recertifying QOL Checkers on an annual basis, generally two weeks prior to the expiry of access to Centrelink's IT systems.

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<sup>88</sup> A similar issue arises in cases where Centrelink's IT systems bundle together different benefit types according to where they are processed.

**3.24** Centrelink has determined that QOL checks should only be undertaken by Proficient and certified staff with appropriate system access. In 2010<sup>89</sup>, NSO identified 'A few instances where the QOL Checker's profile [was] either "Learner" or "Intermediate", rather than the required "Proficient" [and] vacant positions which still have QOL Checker access attached'.<sup>90</sup> The latter scenario 'presents a risk whereby an "uncertified" CSA could be inadvertently granted QOL Checker access as a result of being transferred to the position'.<sup>91</sup> NSO subsequently coordinated a national process to confirm that all QOL Checkers were rated as Proficient and that systems access was not attached to vacant positions.

**3.25** Aside from Centrelink's IT systems, there are no other controls in place to comprehensively detect and restrict access based on proficiency levels. However, Centrelink's capacity to manage the risk of uncertified staff is limited by having staff proficiency levels and systems access set-up in different IT systems (paragraph 3.24 presents a recent scenario). The effectiveness of QOL checking relies on thorough checks being undertaken by suitably proficient staff and weaknesses in the IT environment present an ongoing risk to the integrity and effective management of the QOL process.

## **Conclusion**

**3.26** Centrelink has established both IT system-based mechanisms and a procedural framework that provide an effective basis for the operation of the QOL process. However, Centrelink has limited assurance, particularly nationally, that the QOL process is operating as intended.

**3.27** While Centrelink's software for QOL provides a degree of functionality at the individual and office level that allows areas for improvement to be identified and targeted, QOL results are not regularly monitored and reported at a national level. Access to information about QOL's performance would support national-level decision-making about the operation of business integrity controls in Centrelink. However, the operation of the QOL software provides little scope for national-level monitoring, including reporting basic metrics (the number of QOL Checkers and the average time taken to complete

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<sup>89</sup> The ANAO has identified that, in some instances, Centrelink's Security Access Management System was failing to correctly update user access privileges. See ANAO Audit Report No.17 2011–12, *Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2011*, p. 184.

<sup>90</sup> Centrelink internal email, *Review of QOL Checker Access*, 23 September 2010.

<sup>91</sup> *ibid.*

a check), or identifying areas for systemic improvement. Currently, Centrelink also has limited visibility over how much rework is being generated by QOL, whether this work is being completed, and both the ongoing cost of rework and full cost of QOL. Readily available access to such information would assist Centrelink to obtain assurance about the effective operation of QOL and the success or otherwise of modifications to the process.

**3.28** The administrative arrangements in place to support the assessment of staff proficiency and the certification of QOL Checkers are central to the effective functioning of QOL with regard to the targeting of activities for checking and the integrity of individual QOL checks. Centrelink currently devolves responsibility for administering those processes to local supervisors and managers. While allowing effective local monitoring and the ability to respond quickly to performance issues or training needs for individual CSAs, the arrangements do not provide assurance at a national level that QOL is being implemented consistently across the Centrelink network. Further, as a result, Centrelink has no performance indicators against which to support a national assessment of QOL's effectiveness.

## Quality On Line reporting

**3.29** Reliable and regular information about the performance of a quality control process is a valuable source of information for management and operational stakeholders that can be used to monitor and improve the control.

**3.30** The ANAO analysed Centrelink's:

- database of QOL checking results to identify what the results indicated about the effectiveness of the QOL process; and
- use of QOL management information to improve the effectiveness of the control.

## Analysis of QOL data

**3.31** Eight ANAO audits conducted between 2000 and 2008<sup>92</sup> have included findings relating to QOL. Some of the issues identified have included:

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<sup>92</sup> The relevant audits are:

- Audit Report No.34 2000–01, *Assessment of New Claims for the Age Pension by Centrelink*;
- Audit Report No.17 2002–03, *Age Pension Entitlements*;
- Audit Report No.44 2002–03, *Review of the Parenting Payment Single Program*;

Footnote continued on the next page...

- initial concerns about the reliability of QOL data and the absence of quality assurance measures;
- an inability to disaggregate QOL results by benefit type for complex assessments of new and non-new claims; and
- QOL's reporting capability being limited to general result (correct or incorrect) data rather than more detailed information about the nature of errors identified during checking.

**3.32** DHS stores QOL results in a central (DB2) database for a rolling period of 14 months, which does not support long-term trend analysis of the data. Instead, the ANAO reviewed QOL results data for the 12-month period from 1 July 2010 to 30 June 2011.<sup>93</sup> During this period, 30.6 million activities were processed by Centrelink, from which 3.2 million activities (10.4 per cent) were selected for QOL checking.

**3.33** Table 3.1 shows that the rate of sampling for each staff proficiency level is consistent with the underlying sampling methodology used in the QOL tool, including that staff rated as Learners have been sampled at a rate of 100 per cent of processed activities.

**Table 3.1**

**QOL sampling rate, by CSA proficiency level**

	CSA proficiency level		
	Learner	Intermediate	Proficient
Activities submitted	2 331 984	1 116 816	27 124 039
Activities selected for QOL check	2 331 984	277 952	574 185
Sampling rate	100.0%	24.9%	2.1%

Source: ANAO analysis.

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- Audit Report No.4 2004–05, *Management of Customer Debt*;
  - Audit Report No.43 2005–06, *Assuring Centrelink Payments—The Role of the Random Sample Survey Programme*;
  - Audit Report No.26 2006–07, *Administration of Complex Age Pension Assessments*;
  - Audit Report No.8 2007–08, *Proof of Identity for Accessing Centrelink Payments*; and
  - Audit Report No.42 2007–08, *Management of Customer Debt Follow-up Audit*.

<sup>93</sup> A description of the data and the ANAO's methodology for analysing the data is provided in Appendix 1.

**3.34** The Learner proficiency category contributes the majority of the activities selected for QOL checking. Table 3.2 shows that 73.2 per cent of the QOL sample relates to activities processed by Learners, but that Learners only make up 7.6 per cent of the total activities processed by Centrelink staff. In contrast, 18.0 per cent of the QOL sample relates to activities processed by Proficient staff, but these staff processed nearly 90 per cent of the total activities.

**Table 3.2**

**Proportional contribution of each proficiency level to total QOL sample**

CSA proficiency status	Activities completed		Activities sampled	
Learner	2 331 984	7.6%	2 331 984	73.2%
Intermediate	1 116 816	3.7%	277 952	8.7%
Proficient	27 124 039	88.7%	574 185	18.0%
<b>Total</b>	<b>30 572 839</b>	<b>100.0%</b>	<b>3 184 121</b>	<b>100.0%<sup>1</sup></b>

Source: ANAO analysis.

Note: (1) Percentage figures do not total 100 due to rounding.

**3.35** QOL results are presented in the form of ‘correctness rates’. Correctness rates show the percentage of activities processed and released without a critical error. At an aggregate level, the QOL data showed that Centrelink achieved a correctness rate of 95.5 per cent across all QOL checked activities during 2010–11. Table 3.3 shows there was little variation in the correctness rates achieved by staff at each proficiency level.

**Table 3.3**

**QOL correctness rates, by proficiency level**

CSA proficiency level	QOL checks	Released	Returned	QOL correctness rates
Learner	2 331 985	2 224 504	107 481	95.4%
Intermediate	277 952	263 745	14 207	94.9%
Proficient	574 187	551 593	22 594	96.1%
<b>Total</b>	<b>3 184 124<sup>1</sup></b>	<b>3 039 842</b>	<b>144 282</b>	<b>95.5%</b>

Source: ANAO analysis.

Note: (1) In Table 3.3, the number of QOL checks shown is three more than the number of activities selected for sampling shown in Tables 3.1 and 3.2. The data in Table 3.3 is based on the completed number of QOL checks.

**3.36** While the correctness rates appear to provide little support for the differential treatment of staff, as staff at all levels appear to be equally proficient, the sampling approach needs to be considered in the context of how staff progress through the proficiency levels. The correctness rates achieved by less proficient staff are likely to, in part, reflect the extra assistance that those staff receive from supervisors and an implicit incentive to accelerate staff development to higher proficiency levels in order to reduce checking workloads at a local level. Centrelink has not quantified the risk or the extent to which those two factors might affect the QOL results. The need for independent quality assurance for QOL is discussed in Chapter 4.

**3.37** A further consideration when interpreting QOL results is that the QOL sample is not representative (100 per cent of the activities conducted by CSAs with Learner proficiency are QOL checked, while only two per cent of the activities of proficient CSAs are QOL checked), which means the results do not provide a reliable basis for forming statistically-based conclusions. A deeper analysis of QOL results is therefore only able to provide indicative (non-statistical) findings.<sup>94</sup>

**3.38** One area in which the QOL correctness rates indicated a point of difference was in relation to the processing of new claims. Table 3.4 shows that the QOL correctness rate relating to new claims was 91.2 per cent, or 5.2 per cent lower than the rate for non-new claims.

**Table 3.4**

**QOL correctness, by new and non-new claims**

	Total QOL checks		Released	Returned	QOL correctness rate (Critical error rate)
New claims	590 558	18.5%	538 791	51 767	91.2% (8.8%)
Non-new claims	2 593 566	81.5%	2 501 051	92 515	96.4% (3.6%)
<b>Total</b>	<b>3 184 124<sup>1</sup></b>	<b>100.0%</b>	<b>3 039 842</b>	<b>144 282</b>	<b>95.5% (4.5%)</b>

Source: ANAO analysis.

Note: (1) In Table 3.4, the number of QOL checks shown is three more than the number of activities selected for sampling shown in Tables 3.1 and 3.2. The data in Table 3.4 is based on the completed number of QOL checks.

**3.39** The correctness rates shown in Table 3.4 indicate that staff were more than twice as likely to make a critical error when processing a new claim than

<sup>94</sup> Centrelink measures the level of administrative and customer error through the Random Sample Survey.



when processing a non-new claim. During 2010–11, more than 80 per cent of Centrelink's QOL checks related to non-new claims, with less than 20 per cent of QOL checks relating to new claims. The results suggest that Centrelink could refine its sampling for QOL to target a greater volume of new claims and reduce checking of non-new claims.

**3.40** The QOL correctness rates in Table 3.4 include results from activities that have been reworked by CSAs, to correct errors, and the activities were subsequently re-selected for QOL checking. Those activities are not representative of the majority of activities that are conducted without the benefit of feedback from a QOL Checker. The inclusion of corrected activity results is another reason why the QOL correctness rate is not an unbiased estimate of the overall correctness of CSAs' activities.

## **Monitoring and reporting QOL results**

**3.41** QOL results are not regularly monitored and reported at a national level and Centrelink has not established any national-level performance indicators for QOL or triggers for corrective action. Centrelink uses QOL results to reduce errors via direct feedback to staff who have made errors and through reverting CSAs to lower proficiency levels in cases when error rates suggest that a greater proportion of their work needs to be checked.

### ***QOLStat***

**3.42** QOLStat is Centrelink's software tool for extracting management information from the DB2 database of QOL results. Locally, QOLStat can be used efficiently to analyse QOL results by zone or individual staff member and can focus on different aspects of performance such as correctness rates, errors, and feedback. Used in this way, QOLStat can assist CSAs, supervisors, and local managers to analyse results and assess future training needs to improve and standardise the QOL checking process.

**3.43** QOLStat's national-level monitoring and reporting functionality is more limited. In particular:

- The 14-month limit on retaining QOL results in the DB2 database restricts Centrelink's capacity to undertake any trend analysis of QOL results, including monitoring the long-term effect of changes to processing requirements on the rate of administrative error and staff proficiency.
- A significant volume of data must be processed to generate national-level reports, which can cause problems for other users if the

database runs slowly or ceases to function. For this reason there are restrictions on the hours during which large reports can be run and there are limits to the amount of data that can be extracted in any one report.<sup>95</sup>

- Error-related feedback provided during QOL checking is inserted as free text and is not categorised or structured in a way that allows Centrelink to easily interrogate the results to identify the nature of common errors and potential solutions.
- QOLStat reports are limited in their capacity to provide reliable figures on the number of staff at each proficiency level for the different Centrelink worksites<sup>96</sup>, and for determining the number of QOL Checkers in Centrelink.
- There is no QOLStat report that is able to show the average time staff stay at each proficiency level or the average time taken to do QOL checks.<sup>97</sup>

**3.44** The absence of a timely and effective management reporting functionality was previously identified by Centrelink in a 2007 internal audit report, which stated:

quality control tools such as QOL are used to provide timely information to the individual who is then able to correct an error. However, without the collation and feedback of overall performance analysis, management are unable to identify or analyse weaknesses that may indicate a flaw in other elements of the quality management system. Eg: design of a business process, systems support tool or training.<sup>98</sup>

**3.45** Similarly, a 2009 paper to the Centrelink Service Delivery Committee noted that Centrelink could strengthen QOL management information capabilities by building a module to categorise error. The module would allow

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<sup>95</sup> This can necessitate the extraction of more limited blocks of data and their aggregation for ad hoc reporting. The system limitations are a disincentive for regular national-level monitoring of QOL's performance.

<sup>96</sup> For example, staff have multiple proficiency levels for the benefits they process, so can be double counted in such a report and, while the reports allow for filtering by worksite code, the codes are not sufficient to distinguish the type of worksite (such as a Smart Centre or customer service centre) and therefore the type of work being processed.

<sup>97</sup> Time data relating to the length of QOL checks is not recorded, but Centrelink has advised that indicative figures are attainable from its security monitoring system.

<sup>98</sup> Centrelink Audit Report, *Review of Centrelink's Quality Management System to Manage Quality in Service Delivery*, July 2007, p. 16.

analysis of systemic and one-off errors and improve data extraction, presentation, and analysis abilities. Such a system was considered to provide an opportunity for local and national management to extract the information needed to understand error details and build business cases for process and system changes, target training needs locally and nationally, and assess changes resulting from process improvements and training.

**3.46** In order to maximise the potential usefulness of QOL, Centrelink could review how its reporting capability can be improved to support national-level monitoring of key measures of QOL's performance. Such a review could consider how to capture a longer time series of data to support trend analysis, generate management information from error-related feedback, and provide improved information on proficiency progression, QOL Checker numbers, IT systems access, and the time taken to do QOL checks.

#### *Rework and measuring costs*

**3.47** QOL results do not support an analysis of the volume of rework present in activities processed by CSAs. Based on anecdotal information, Centrelink has estimated that up to 30 per cent of its work activities could be rework.

**3.48** There is also no control in the QOL process to provide assurance that rework identified during QOL checking is corrected. In particular:

- only a proportion of 'Returned' activities are re-sampled for secondary QOL checking;
- 'Released with feedback' activities are not rechecked by QOL; and
- there is no ongoing national-level monitoring in place.

**3.49** Centrelink's analysis of a Check the Checking round conducted in late 2010 indicated that a significant proportion of rework may not be finalised, stating:

A proportion of the original QOL checks also required rework which was specified by the original checker in their feedback to the CSA (i.e., released with feedback). CTC checkers reported that in 50% of these cases the rework was not done. This was work relating to non-payment affecting errors, but indicates a problem area that needs to be addressed. The review of QOL will

look at putting some controls around rework requests and standardising the process.<sup>99</sup>

**3.50** Currently, responsibility for monitoring CSAs' rework is devolved to local managers in the network. In the future, Centrelink advised that it intends to address rework for QOL by a variety of means, including publishing recommended procedures to manage QOL feedback and rework, improving the reports available from QOLStat, and, potentially, adding further controls to the QOL tool.

**3.51** The cost of rework is not generally included in any analysis of the cost of operating QOL. Reducing the cost of operating the QOL process has, however, been a priority for Centrelink since 2008 and has led to Centrelink limiting the scope of QOL to payment correctness and the sampling of higher risk activities.

**3.52** Centrelink's projections of savings from changes to QOL have generally been measured with reference to reductions in the volume of QOL checking. This has included estimating and internally reporting the direct cost of staff members undertaking QOL checks on the basis of \$5.00 for an average time of 4.5 minutes for each check. During the audit, Centrelink estimated the direct cost of QOL checks on the basis of Released (4.5 minutes and \$3.45 per check) and Returned (12 minutes and \$9.19 per check) activities. Centrelink has estimated that QOL costs have been decreasing over time from \$15.3 million in 2006–07 to \$12.4 million in 2010–11.

**3.53** Centrelink also provided an estimate of \$578 621 in 2010–11 for indirect costs relating to the QOL process, but those costs are not specifically captured, and so were estimated based on the corporate knowledge of QOL staff. Centrelink has previously identified that indirect QOL costs would include the costs of training, certification and recertification of QOL Checkers, technical support for QOL Checkers and the QOL tool, and rework.

**3.54** Establishing the true cost of QOL checking requires consideration of a wider set of factors, including indirect costs, but also the benefits derived from early identification and correction of errors. Centrelink derives a benefit from detecting errors before they affect customers, as errors can result in post-QOL rework to correct underpayments or debt recovery action for overpayments to customers.

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<sup>99</sup> Centrelink, *Check the Checking, Round 3 Analysis, October–November 2010*, January 2011, p. 6.

**3.55** In two recent audit reports relating to Centrelink, the ANAO has recommended that Centrelink more accurately quantify the costs and benefits of two post-payment activities (tip-offs and fraud investigations).<sup>100</sup> Establishing a similar costing methodology that identifies the true costs and benefits of QOL would assist Centrelink to make informed decisions about the use of QOL, including whether the control provides value for money or a net benefit—compared to other preventative or post-payment activities Centrelink undertakes. Such analysis would also be consistent with Centrelink’s *Business Integrity Strategic Plan 2007–2010*, which highlighted that prevention was the preferred strategy for controlling business integrity risks and identified the need to determine the cost and effectiveness of each of the business integrity controls used by Centrelink. Centrelink could also undertake more comprehensive analysis of the cost of QOL to support decision-making about changes to business integrity controls.

## Conclusion

**3.56** QOL results and reporting mechanisms provide useful information for Centrelink supervisors to draw on when monitoring the effectiveness of individual staff in processing work. However, as QOL results are not regularly monitored and reported at a national level, Centrelink has not developed performance indicators against which to support a national assessment of QOL’s effectiveness.

**3.57** Centrelink’s policy of only retaining a rolling period of 14 months of QOL results does not support long-term trend analysis of the data and restricts Centrelink’s capacity to analyse QOL results on an ongoing basis. When analysing QOL results, care should be taken because the QOL sample is not representative and the QOL correctness rates include re-selected activities. The QOL results do not provide a reliable basis for forming statistically-based conclusions.

**3.58** An analysis of the QOL data confirmed that the rate of sampling of activities, by CSA proficiency level, was consistent with the sampling rates embedded in the QOL tool, and there was little difference in the correctness rates between each of the three proficiency levels (Learner, Intermediate and Proficient). The QOL results indicated that lower QOL correctness rates were

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<sup>100</sup> ANAO Audit Report No.10 2010–11, *Centrelink Fraud Investigations*, p. 147, and ANAO Audit Report No.7 2008–09, *Centrelink’s Tip-off System*, p. 83 and pp. 87–88.

associated with the processing of new claim activities, which suggests that Centrelink could refine its sampling for QOL to target a greater volume of new claims and reduce checking of non-new claims.

**3.59** While Centrelink's QOLStat software provides a degree of functionality at the individual and office level, QOL results are not regularly monitored and reported at a national level. The operation of QOLStat provides little scope for national-level monitoring, including long-term trend analysis and basic metrics on the number of staff at each proficiency level, rate of staff progression between the levels, the number of QOL Checkers, and how long QOL checks take to complete on average. Currently, Centrelink has limited visibility over how much rework is being generated by QOL, whether this work is being completed, and both the ongoing cost of rework and full cost of QOL. Readily available access to such information would assist Centrelink to obtain assurance about the effective operation of QOL, the success or otherwise of changes to QOL and, more generally, support decision-making about the operation of business integrity controls in Centrelink.

## Changes to the way Quality On Line operates

**3.60** Centrelink has adopted various measures to improve its service delivery, including greater use of web-based applications, digitising records, and providing customer self-service options. Some of those changes affect the way in which QOL operates across the Centrelink network, and will have implications for the role that QOL can play into the future.

### Virtual QOL checking

**3.61** One initiative that will support the future use and effectiveness of QOL is the increasing digitisation of customer records. Since August 2010, much of the customer correspondence sent to Centrelink has been directed to the Centrelink Scanning Operations Centre in Symonston, Canberra. The Centre has a large capacity to receive and scan documents and then either attach them directly to a customer's electronic record, or have them reviewed by a Centrelink staff member and, if necessary, attach them to a customer record.

**3.62** Digitisation of customer records provides significant opportunities for improving the spread and quality of work, including QOL checking, across the Centrelink network. For example, Centrelink will be able to make greater use of QOL Checkers across its network to manage workloads, or to access specialised skills to do QOL checks. Previously, this work has relied on individual QOL Checkers at the location of the physical documents.

**3.63** During 2010, Centrelink conducted a limited pilot project across four Centrelink areas to determine the effectiveness of QOL checking on a virtual basis and to identify areas for improvement. The trial identified the need for:

- greater consistency in the quality of claims processing and QOL checking across processing teams;
- the resolution of procedural issues such as the time required to search for digital documents<sup>101</sup>, and tasks being locked when more than one QOL Checker selects the same activity; and
- greater standardisation of QOL feedback.<sup>102</sup>

### Online and phone-based transactions

**3.64** A recent trend identified by Centrelink has been an increase in the number of customers using online services to perform some transactions, such as claiming a payment, reporting employment income, and updating or advising customer details. Almost half of Centrelink's seven million customers use Centrelink's online services.<sup>103</sup> Centrelink's last two annual reports indicate that customer self-service transactions, including online (update and view) and interactive voice recognition, increased from more than 30 million in 2009–10 to 53 million in 2010–11.<sup>104</sup>

**3.65** Online updates to customer records are currently not accommodated within the QOL process. QOL works on the assumption that data is entered onto Centrelink's systems by staff members based on physical or scanned source documents, such as claim forms. When a customer has provided information online or by phone, Centrelink currently has no source documentation against which QOL Checkers can verify changes to customer records to establish whether the customer provided incorrect information or the staff member coded information incorrectly.

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<sup>101</sup> The efficiency with which QOL Checkers can locate digital documents is, in part, driven by the extent to which scanned images are integrated with the QOL tool.

<sup>102</sup> Centrelink, *Virtual QOL Pilot Review*, Families and Childcare Network Branch, May 2010, pp. 2–3.

<sup>103</sup> The Hon Tanya Plibersek MP, Minister for Human Services, Media Release, *Almost half of Centrelink customers do business online*, Parliament House, Canberra, 6 September 2011.

<sup>104</sup> Centrelink, *Annual Report 2009–10*, Centrelink, Canberra, 2010, p. 8, and Department of Human Services, *Centrelink Annual Report 2010–11*, DHS, Canberra 2011, p. 17.

## Review of QOL

**3.66** A review of the QOL process is being conducted in 2011–12, which will consider whether changes to QOL are required to improve Centrelink's ability to measure and control the risk of error. Planning for the review started in mid-2010, and the review includes a survey of QOL staff from across the Centrelink network. The survey was intended to provide an important perspective on how QOL is being used and integrated with new processes such as virtual QOL checking. The survey was conducted in October 2011 and the recommendations are being considered as part of the review.

**3.67** The review of QOL is timely given the reforms to service delivery being implemented in the Human Services portfolio.<sup>105</sup> Any major changes made to QOL, as an outcome of the review, would benefit from a post-implementation review to identify the lessons learned.

## Conclusion

**3.68** The QOL process has been in place for more than 10 years and, in this context, there is a timely opportunity for Centrelink to consider the role and effectiveness of QOL in the context of the Service Delivery Reform program. Greater use of digitisation for customers' records has the potential to improve Centrelink's capacity to manage QOL workloads and build expertise. A significant shift towards customers using self-service options has also placed transactions outside the current QOL process and could lead to the QOL process being transformed at some future point in time. In this regard, Centrelink's 2011–12 review of QOL will inform the future development and effectiveness of the QOL payment control within Centrelink's broader quality framework and business operating environment.

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<sup>105</sup> Service Delivery Reform has three objectives: to make people's dealings with government easier through better delivery and coordination of services; to achieve more effective service delivery outcomes for government; and to improve the efficiency of service delivery. For more detail, refer to the Hon Chris Bowen MP, Minister for Human Services, Address to the National Press Club, *Service Delivery Reform: Designing a system that works for you*, Canberra, 16 December 2009 [Internet]. Available from <<http://www.chrisbowen.net/media-centre/speeches.do?newsId=2809>> [accessed 28 October 2011].



## 4. Check the Checking

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*This chapter examines Centrelink's administration of Check the Checking, which was a quality assurance process for QOL that operated from 2000 to 2011.*

### Introduction

**4.1** Centrelink adopted a better practice model for payment correctness by first introducing QOL and then developing a complementary national quality assurance process to monitor the operation of QOL—Check the Checking (CtC).

**4.2** Centrelink operated a form of CtC for approximately 11 years (2000 to 2011) until CtC was replaced in August 2011 by a new program. While the changeover in quality assurance processes occurred during the fieldwork stage of the audit, Centrelink is using lessons learned from CtC to inform the new process and, therefore, CtC is relevant to an audit of the QOL process.

**4.3** To assess the effectiveness of Centrelink's administration of CtC, the ANAO examined:

- the development of CtC;
- CtC results; and
- the replacement of CtC in August 2011 with a new quality assessment and assurance program.

### Development of Check the Checking

**4.4** In response to ANAO Audit Report No.34 2000–01, *Assessment of New Claims for the Age Pension by Centrelink*, Centrelink introduced CtC arrangements 'as a means of providing feedback and identifying training needs for QOL checking officers'.<sup>106</sup> The ANAO recommended that Centrelink:

implement a system of validating QOL checks independently to ensure that they are being conducted consistently and correctly across the Centrelink network.<sup>107</sup>

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<sup>106</sup> ANAO Audit Report No.34 2000–01, *Assessment of New Claims for the Age Pension by Centrelink*, p. 99.

<sup>107</sup> *ibid.*

**4.5** Table 4.1 is a chronology of the major events that occurred during the development and operation of CtC.

**Table 4.1**

**Check the Checking: chronology of major events 2000–11**

Year	Event
2000–01	Introduction of CtC in each of Centrelink's Area Support Offices.
2001	As a component of the introduction of CtC, a National Accuracy Validation project was implemented as an additional review process for QOL.
2006–08	<ul style="list-style-type: none"> <li>• Introduction of a national CtC program (2006).</li> <li>• A total of 12 rounds were conducted and nine major payments were checked four times a year over a three-month cycle.</li> </ul>
2009	<ul style="list-style-type: none"> <li>• February 2009: suspension of CtC due to the effect on the network of responding to bushfires (Victoria), floods (Queensland), and changes in Centrelink's service delivery arrangements.</li> <li>• November 2009: following a review, a revised and simplified CtC process was introduced. The new process: <ul style="list-style-type: none"> <li>– reduced the number of rounds from four to three;</li> <li>– reduced the sample period from three months to one; and</li> <li>– reduced the number of QOL checks sampled from 5000 to 900 for each round.</li> </ul> </li> <li>• The number of payment types able to be sampled increased from nine major payments to potentially all payments.</li> <li>• Statistically reliable payment correctness reporting was only possible based on all payments combined at the national level, instead of for individual payments.</li> </ul>
2009–10	Three rounds of the new CtC were completed.
2011	<ul style="list-style-type: none"> <li>• January 2011: CtC was suspended due to Centrelink's emergency response to flooding in Queensland.</li> <li>• August 2011: CtC was replaced with a new quality assessment and assurance program.</li> </ul>

Source: ANAO analysis.

**4.6** Table 4.1 shows the evolution of the CtC process in Centrelink over approximately a decade. CtC was expanded from an area-based process of checking to a national process that potentially included all payment types. CtC later contracted from four rounds of checking per annum to three and an associated reduction in sample size led to a decrease in the level of reporting that was possible for individual payments.

**4.7** While QOL has operated uninterrupted in the Centrelink network, Table 4.1 also shows that CtC has been suspended on a number of occasions, most notably in 2009 for eight months, and in January 2011, until CtC was

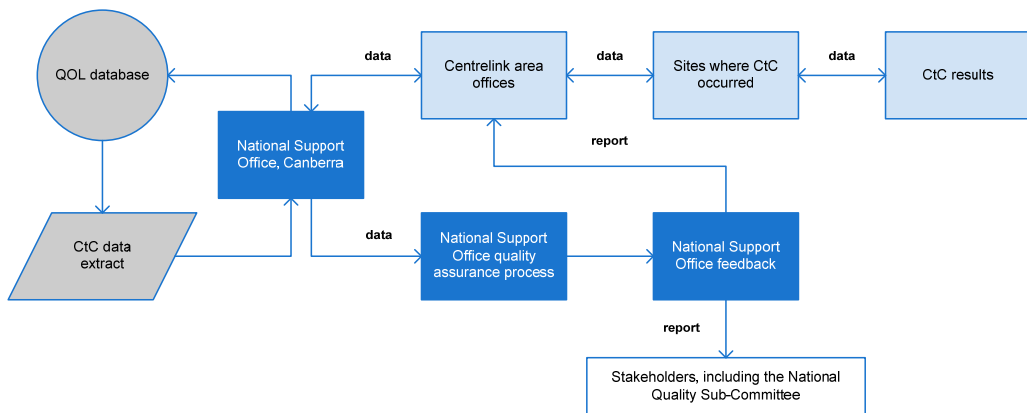
replaced in August 2011. CtC was suspended in response to increased workload demands in the Centrelink network due to emergency responses for separate natural disasters.

## Overview of the process

**4.8** Figure 4.1 presents an overview of the CtC process as it was in 2010, when the final round was conducted.

**Figure 4.1**

### Overview of Check the Checking process in 2010



Source: ANAO analysis.

**4.9** Figure 4.1 shows that CtC was centrally administered by Centrelink's National Support Office in Canberra. A data extract of selected QOL activities was prepared and distributed to Centrelink's area offices for checking. Staff performing CtC checks were required to follow the CtC operational guidance and apply the *National Quality On Line (QOL) Standards* to their checking.<sup>108</sup> CtC results were returned to National Support Office, where a sample of the results was subjected to a further quality assurance check. The final stage, reporting, involved distributing the outcomes and analysis to a number of stakeholders, including the National Quality Sub-Committee, area offices, and to all staff using CentreNet—the intranet for staff.

**4.10** Similar to QOL, CtC questions were based on *The Four Pillars of Payment Correctness* (right person; right program; right rate; and right date) and the *Getting It Right—Minimum Standards*. In 2009 and 2010, the CtC process:

<sup>108</sup> In the final 2010 round of CtC, 130 checking staff reviewed the work of 417 QOL Checkers.

- applied only to Centrelink customers' new claim activities;
- examined only released QOL checks, for the previous month;
- checked QOL results from approximately 18 of the most significant payment types;
- sampled payments on a random basis, resulting in approximately 900 checks per round; and
- was repeated three times from November 2009–November 2010, allowing one month to complete the checks and approximately three months between rounds.

## Cost

**4.11** In 2009–10 and 2010–11, Centrelink's estimated costs for operating three rounds of CtC were approximately \$25 000 (two rounds) and \$12 000 (one round) respectively. The estimates are based on a standard time of 10 minutes per check, at a cost of \$7.66 per check. The estimates include some, but not all, of the associated overheads, such as management oversight, coordination time in the areas, and locating and distributing records to the checkers. Therefore, the estimate is conservative and the full cost was likely to be higher.

## Check the Checking results

**4.12** Due to the changes in the CtC process shown in Table 4.1, the audit focused on the last three rounds of CtC results from 2009 and 2010 rather than the earlier 12 rounds held from 2006–2008.

**4.13** The aim of CtC was to provide quality assurance for activities sampled by QOL and released for payment<sup>109</sup>, which included both new claim and non-new claim activities. CtC results however, were only based on new claim activities, which, in 2010–11, represented 18.5 per cent of the total QOL activities processed that year. The QOL correctness rate relating to new claims was 91.2 per cent, 5.2 per cent lower than the rate for non-new claims (see Chapter 3).

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<sup>109</sup> CtC checked for false positives—when a claim was incorrectly released by a QOL Checker. CtC was not applied to QOL results when an activity was returned to a CSA for correction as there was an implicit assumption that returned QOL checks were correct and the risk of a false negative was low.

**4.14** Centrelink had considered the inclusion of non-new claim activities in CtC, but concluded that the complexity of retrieving paper records quickly from customer service centres, processing centres or record management storage facilities located around Australia was not feasible, and would also be more difficult than checking new claim activities. Centrelink anticipates that the development of virtual QOL and the increasing use of digitised records in Centrelink will make it possible to review non-new claim activities in the future using the replacement quality assurance process for CtC introduced in August 2011.

### **Payment correctness score**

**4.15** CtC provided an overall payment correctness score based on the formula:

Number of cases correct *divided by* Number of cases checked, *expressed as a percentage*.<sup>110</sup>

**4.16** There was no formal payment correctness target for CtC, but 95 per cent was suggested as a 'realistic target'.<sup>111</sup> Table 4.2 shows the payment correctness results achieved for all benefits combined, at the national level, for the three rounds conducted in 2009 and 2010.<sup>112</sup> For all three rounds, the results did not achieve the 95 per cent target—the overall payment correctness rate could have been as high as 84.9 per cent or as low as 73.5 per cent.

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<sup>110</sup> Centrelink, *Check the Checking Round 3 Analysis, October–November 2010*, January 2011, p. 15.

<sup>111</sup> *ibid.*, p. 16.

<sup>112</sup> 'Payment correctness results summary' is the description used by Centrelink.

**Table 4.2**

**Payment correctness results summary: CtC rounds one to three in 2009 and 2010**

	CtC round		
	Round one November 2009	Round two April 2010	Round three November 2010
National outcome <sup>1</sup>	76.4% ± 2.9% <sup>2</sup>	77.7% ± 2.8% <sup>2</sup>	82.2% ± 2.7% <sup>2</sup>

Source: Centrelink, *Check the Checking Round 3 Analysis*, January 2011, p. 4, and ANAO analysis.

Notes: (1) The national outcome is the overall payment correctness for QOL checked and released new claim activities, for all benefits combined.

(2) The CtC results indicate that there was a 95 per cent probability that the national level of payment correctness for QOL checked and released new claim activities was within:

- 2.9 per cent of 76.4 per cent (between 73.5 and 79.3 per cent);
- 2.8 per cent of 77.7 per cent (between 74.9 and 80.5 per cent); and
- 2.7 per cent of 82.2 per cent (between 79.5 and 84.9 per cent).

## **Analysing the results: reporting and interpretation**

**4.17** The reports for rounds one to three were similar to those for previous rounds in that the content included:

- key findings;
- detailed analysis;
- discussion of the most common problems;
- commentary about the administrative conduct of the round; and
- guidance about how to interpret the results.

**4.18** A key difference between the earlier and later sets of results was that reducing the CtC workload from 2009 meant that statistically reliable results could only be obtained when all payments were combined and analysed at a national level. Previously, results could be reliably reported at the individual payment level.<sup>113</sup>

**4.19** Overall, the reported CtC results demonstrate that QOL was less than fully reliable as an indicator of the level of administrative error occurring in work performed by CSAs processing activities for Centrelink customers. In

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<sup>113</sup> Results could be reported for nine payments as follows: Age Pension; Carer Payment; Disability Support Pension; Family Tax Benefit; Newstart Allowance; Parenting Payment Partnered and Single; Sickness Allowance; and Youth Allowance.

Chapter 3, the analysis of QOL data for 2010–11 showed a correctness rate of 95.5 per cent across all QOL checked activities—new claim and non-new claim. Table 4.2 shows that CtC results in 2009 and 2010 for QOL checked and released new claim activities varied from an overall payment correctness rate that could have been as high as 84.9 per cent or as low as 73.5 per cent.

## New quality assessment and assurance program

### Background

**4.20** In August 2011, the National Quality Sub-Committee endorsed a proposal to end CtC and introduce a new process—the Quality Assessment and Assurance Program (QAA). QAA is defined as ‘a quality review process designed to assess the correctness of specific payment related activities based on payment risk’.<sup>114</sup>

**4.21** The rationale for introducing QAA included the following points:

- CtC results are fairly static. In the last round the overall Payment Correctness rate determined by CtC for all benefits combined was 82.2%. There has been little change for the last three rounds.<sup>115</sup>
- Selections for CtC are based on each payment’s proportion of the total payments made, rather than the level of risk of administrative error. This gives a valid overall accuracy result at the expense of detail.
- Reassessment and cancellation activities (Not New Claim activities), which can present greater vulnerabilities to Payment Correctness are not currently reviewed.
- CtC does not provide sufficient data to undertake root cause analysis to identify and address systemic issues.
- Using Area and processing staff to undertake the checks presents a number of coordination and performance issues that results in variable quality output.<sup>116</sup>

<sup>114</sup> Centrelink email to the ANAO, 30 August 2011.

<sup>115</sup> The average payment correctness level for the final three rounds of CtC performed in 2009 and 2010 was 78.8 per cent.

<sup>116</sup> Centrelink, National Quality Sub-Committee, Agenda item, *Changes to Check the Checking (CtC) process*, August 2011, p. 1.

**4.22** The intended high-level outcomes from introducing a QAA process included the following:

- independent unbiased assessment;
- high consistency in assessment process and outcomes;
- nationally agreed feedback process to ensure identified network rework and staff training requirements are fulfilled; and
- nationally available and fully flexible database for results recording and data analysis.<sup>117</sup>

**4.23** The introduction of QAA was described as being ‘cost neutral’ for the Payment Accuracy Branch, DHS Canberra.<sup>118</sup>

## New process

**4.24** QAA is a risk-based process that will apply to a wider range of functions performed by CSAs, rather than just QOL. Correspondingly, the QAA questions will be broader than those used for QOL and CtC. Table 4.3 compares the operation of CtC to the proposed main features of QAA.

**Table 4.3**

### Comparison of features between CtC and QAA

Feature	Check the Checking (2009 and 2010)	Proposed Quality Assessment and Assurance
Assess new claim activities	✓	✓
Assess non-new claim activities, including those that have not been subject to QOL	✗	✓
Detailed results	✗	✓
Statistically reliable results	✓	✓
Identify cases needing rework <sup>1</sup>	✓	✓
Risk-based	✗	✓
Up to three regular events per year	✓	✓

<sup>117</sup> *ibid.*, p. 4.

<sup>118</sup> *ibid.*



Feature	Check the Checking (2009 and 2010)	Proposed Quality Assessment and Assurance
Capacity for ad hoc events (for example, emergency payments) <sup>2</sup>	x	✓
Work is centrally coordinated	x	✓
Results reported to the National Quality Sub-Committee	✓	✓

Source: ANAO analysis.

Notes: (1) Rework can arise from a QOL or CtC check or quality assurance check by National Support Office.

(2) CtC was suspended during emergency responses in the Centrelink network in 2009 and 2011.

**4.25** Centrelink has designed an initial two-stage QAA project focusing on the National Jobseeker Claims Network.<sup>119</sup> Stage one is to be a small-scale trial of approximately 100 claims: 50 claims QOL checked and released; and 50 claims not QOL checked. One of the project's objectives is to assess the use of QOL for the National Jobseeker Claims Network and the effect on payment correctness. The project is scheduled for completion in 2011–12.

## Better practice: linking quality control and quality assurance

**4.26** A limited number of rounds in 2009 and 2010 meant that CtC feedback to QOL Checkers and CSAs was infrequent, not timely and, therefore, of limited value. Further, the introduction of results reporting at a national level diminished the value of CtC reports for some area managers. The decreasing visibility (suspensions and reduced rounds) and functionality of CtC (loss of detail in reporting) combined with predictable results<sup>120</sup> eroded the value of CtC over time and contributed to its replacement.

**4.27** Centrelink intends to incorporate into the new QAA the lessons learned from CtC about the skill level of checkers, results from previous CtC checking rounds, and the potential to improve database management for CtC.

<sup>119</sup> The National Jobseeker Claims Network is 'aimed at streamlining the jobseeker new claim process. Sixteen specialised teams across all Areas have been introduced to 'Virtually' process Newstart Allowance and Youth Allowance job seekers' claims over the phone'. Centrelink, *Project Initiation Document Quality Assessment and Assurance Project for National Jobseeker Claims Network*, July 2011, p. 4.

<sup>120</sup> The average payment correctness level for CtC in 2009 and 2010 was 78.8 per cent. The average CtC payment correctness result for the previous rounds (nine to 12) was 77.0 per cent  $\pm$  0.6 per cent. Centrelink, *Check the Checking Round 1 (New Process Analysis)*, January 2010, p. 3.

However, there are additional lessons learned that could also be considered for QAA, including:

- obtaining professional statistical advice to support the usability of QAA results data;
- working with Service Leaders in the zones to explain the value of QAA reports; and
- linking QOL and QAA reporting to the National Quality Sub-Committee to increase the visibility and relevance of both quality-related processes as part of Centrelink's overall focus on quality management. QAA results will be important to assure the ongoing reliability of QOL results and could contribute to achieving cost-effective payment outcomes.

**4.28** In 2011, Centrelink identified a number of limitations with CtC and determined that a new quality assessment and assurance program was required. The introduction of QAA has removed the nexus between QOL and CtC that was important to determining the accuracy of QOL checks.<sup>121</sup>

**4.29** At this stage, it is too early to assess if QAA will be able to measure how well the QOL checking process works and report on the quality of QOL Checkers' work.

## Conclusion

**4.30** Centrelink operated a form of CtC for approximately 11 years from 2000 to 2011. CtC was a quality assurance program that monitored the quality of the QOL (quality control) process by rechecking a sample of QOL checked and released new claim activities to determine if they were checked correctly.

**4.31** CtC provided a limited level of assurance that QOL was an effective way to control the risk of administrative error.<sup>122</sup> Even with the limitation on sampling, the CtC results demonstrated that QOL was less than a fully reliable indicator of the level of administrative error. While QOL data for 2010–11 showed a payment correctness rate of 95.5 per cent across all QOL checked

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<sup>121</sup> ANAO Audit Report No.34 2000–01, *Assessment of New Claims for the Age Pension by Centrelink*, p. 22.

<sup>122</sup> QOL is only one control in Centrelink and cannot be relied on solely to assure payment correctness outcomes.

activities, the CtC results in 2009 and 2010 indicated an overall payment correctness rate in the range of 73.5 per cent to 84.9 per cent. An average payment correctness level of approximately 78.8 per cent for the final three rounds of CtC checks in 2009 and 2010 was consistent with an earlier series of checks.

**4.32** Before 2011, the decreasing visibility and functionality of CtC—due to suspensions of CtC, reduced rounds of checking and loss of detail in reporting the results—combined with predictable results, eroded the value of CtC over time and contributed to Centrelink’s decision to replace CtC. The new QAA program, introduced in August 2011, is developmental. Centrelink intends that the new program will incorporate lessons learned from CtC about the skill level of checkers, results from previous CtC checking rounds, and the potential to improve database management for CtC. QAA has a dual purpose—to assess the causes of administrative error in Centrelink and to provide assurance about the operation of QOL and other work processes used by CSAs to process customers’ claims for the payment of social security benefits.

**4.33** CtC was designed solely to provide Centrelink with assurance that QOL was an effective way to control the risk of administrative error. It is too early to assess if QAA will be able to measure the quality of QOL Checkers’ work and provide for reporting on the effectiveness of QOL.

## Recommendation No.2

4.34 Following the replacement of Check the Checking with a new Quality Assessment and Assurance Program in August 2011, the ANAO recommends that the Department of Human Services maintain a capacity to provide quality assurance for Quality On Line (QOL) that measures the consistency and accuracy of QOL checks and provides for reporting on the effectiveness of QOL for checking payment correctness.

### DHS response

4.35 Agreed.

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Ian McPhee

Auditor-General

Canberra ACT

29 March 2012

# Appendices



## Appendix 1: Description of Quality On Line Data Obtained from the Department of Human Services

In order to assess the effectiveness of Centrelink's QOL control, the ANAO obtained from the Department of Human Services (DHS) an electronic extract of the available QOL data. The proposed methodology for the audit included a detailed quantitative analysis of QOL data to examine long-term trends, geographic differences across Centrelink's national network, differences in QOL results for individual social security benefit types, and benefit types with the highest level of error or risk, based on volume or the total cost of Centrelink payments made to DHS' customers.

QOL data is stored in a DB2 database. The QOL data extract contained data from two tables in the database:

- TPK\_ISS\_NONSEL\_TRN: 17 columns in the table containing the population of activities from which QOL checks are selected; and
- TPK\_ISS\_BUS\_TRN: 43 columns in the table containing the QOL check results data.

DHS stores QOL results for a rolling 14-month period. The data in the two tables was for the period from 5 June 2010 to 6 August 2011. Table TPK\_ISS\_NONSEL\_TRN contained 36 068 443 activities. A 12-month subset of the data for 2010–11 was analysed. The number of records analysed was 30 572 839, of which 3 184 121 (10.4 per cent) were selected for QOL checking in 2010–11.

QOL was used in Medicare Australia offices by staff processing Centrelink payments and services.<sup>123</sup> In 2010–11, approximately 300 000 (less than one per cent) of the population of 30.6 million activities were attributed to Medicare Australia. Given Medicare Australia's use of QOL was outside the scope of the audit, the records were removed as part of the data analysis. The results in the audit report relate to QOL checks performed only by Centrelink staff during 2010–11.

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<sup>123</sup> Previously, Medicare Australia staff used QOL only when administering Family Assistance Office payments: Baby Bonus; Paid Parental Leave; Family Tax Benefit; Maternity Immunisation Allowance; Child Care Benefit; and Child Care Rebate.

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